

 President Tsuyoshi Shimoji	TSI HOLDINGS CO., LTD. (3608)
	 TSI HOLDINGS GROUP

Company Information

Market	TSE Prime Market
Industry	Textile (Manufacturing)
President	Tsuyoshi Shimoji
HQ Address	8-5-27 Sumitomofudousan Aoyama Building Akasaka Minato-ku, Tokyo
Year-end	February
Homepage	https://www.tsi-holdings.com/

Stock Information

Share Price	Share Outstanding	Total Market Cap.	ROE (Act.)	Trading Unit
¥ 331	95,783,293 shares	¥ 31,704 million	1.1%	100 shares
DPS (Est.)	Dividend Yield (Est.)	EPS (Est.)	PER (Est.)	BPS (Act.)
¥ 7.00	2.1%	¥ 16.59	20.0x	¥ 1,075.44
				PBR (Act.)
				0.3x

*The share price is the closing price on July 20. The values of Share Outstanding, DPS, and EPS were taken from the brief report on financial results for the first quarter of the term ending February 2023. ROE and BPS are the results for the previous term.

Earnings Trends

Fiscal Year	Sales	Operating Income	Ordinary Income	Net Income	EPS	DPS
Feb. 2019 Act.	165,009	2,280	3,902	-185	-1.93	17.50
Feb. 2020 Act.	170,068	70	1,851	2,181	23.42	17.50
Feb. 2021 Act.	134,078	-11,843	-10,359	3,861	42.64	0.00
Feb. 2022 Act.	140,382	4,440	5,834	1,022	11.32	5.00
Feb. 2023 Est.	157,350	1,500	2,400	1,500	16.59	7.00

* Unit: million yen, yen. The forecasted values are from the company.

This report includes the outline and performance trend of TSI Holdings Co., Ltd., and the interview with President Shimoji.

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Key Points

- TSI Holdings is an apparel enterprise operating 54 brands. It clearly specifies targets (gender, age, preference, etc.) for each brand, and provides a broad range of customers with its products. The mid-term management plan “TSI Innovation Program 2025 (TIP 25)” is ongoing, and they aim to realize “A company creating fashion entertainment” that not only provides products, but also creates original value with the fashion entertainment.
- In the term ended February 2022, sales grew 4.7% year on year to 140.3 billion yen, although the sales are still below the sales in the term ended February 2020 before the outbreak of the coronavirus pandemic. Operating income moved into the black, standing at 4.4 billion yen, hitting a record high. The brand business, which earns significant revenues with golf, street, and athleisure wear in the spring and summer seasons, expanded, and the establishment of a management structure for improving the earning capacity contributed.
- In the first quarter of the term ending February 2023, sales grew 11.4% year on year to 38.1 billion yen. Sales increased, but fell below the budget. The recovery of sales was delayed for some major brands. Operating income declined 29.5% year on year to 1.6 billion yen, exceeding the budget. The company expanded the healthy business domain and improved its earning capacity.
- The annual sales in the term ending February 2023 are expected to be 157.3 billion yen, up 12.1% year on year. According to the former accounting standards, sales are projected to grow 6.3% and operating income is forecast to drop 66.2% to 1.5 billion yen. SGA is projected to augment, due to the skyrocketing of costs and expenses for relocating the headquarters. However, when considering the reduction of rents through the relocation of the headquarters and temporary expenses, the company forecasts that real operating income will be about 3.2 billion yen. The company plans to pay a dividend of 7.00 yen/share, up 2.00 yen/share from the previous term. The expected payout ratio is 42.2%.
- The company considers that the conventional business model in the apparel field has reached its limit. In the mid-term management plan “TIP 25,” from the viewpoints of “the environment and society,” “markets,” and “residents,” the company aims to become “a company creating fashion entertainment,” which proceeds with transformation, evolves from an enterprise that conducts apparel business only, and not only provides products, but also creates original value with fashion-based entertainment while linking the value for society to its corporate growth.
- The company will actively promote “the steep growth of EC,” “the enhancement of its earning capacity,” “the creation of new experience value,” and “the investment in the growing business domain,” with the aim of achieving sales of 189.6 billion yen, an operating income of 8 billion yen, and an operating income margin of 4.3% in the term ending February 2025. In the following term ending February 2026, they aim to increase sales to over 200 billion yen. They also aim to raise EBITDA to 9% or over, ROE to 5.3% or over, and the ratio of EC to 40% or over.

- We interviewed President Shimoji about his own missions, competitive advantage, the points of the mid-term management plan “TIPS 25,” his message toward shareholders and investors, etc. He said, “Our company will transform into a fashion entertainment enterprise, and offer an enjoyable world that cannot be imitated by other companies, centered on but not limited to fashion, to make everyone lively. As we will make group-wide efforts to expand revenues and solve social issues, we would appreciate your support from the mid/long-term viewpoint.”
- Not only TSI Holdings, but also other companies in the apparel industry were affected significantly by COVID-19. It seems that the sales of the company have finally bottomed out, but we have to wait until the next term or longer for the recovery to the pre-pandemic level. However, the athleisure, wellness, outdoor, and street wear domains are growing considerably, as people became interested in outdoor activities and health promotion amid the coronavirus pandemic. In “TIP 25,” “Wellness & Lifestyle” is forecast to earn the largest sales among 4 domains, and CAGR is expected to be 13.2%, driving the growth of the company significantly. We would like to pay attention to the progress of their initiatives for transforming into a “fashion entertainment enterprise.”

1. Company Overview

TSI Holdings is an apparel enterprise operating 54 brands. It clearly specifies targets (gender, age, preference, etc.) for each brand, and provides a broad range of customers with its products. They aim to proceed with transformation, evolve from an enterprise that conducts apparel business only, and become “a company creating fashion entertainment” that links social value to its corporate growth and not only provides products, but also creates original value with the fashion entertainment, from the viewpoints of “the environment and society,” “markets,” and “residents.” The mid-term management plan “TIP 25” is ongoing.

【1-1 Corporate history】

While the environment surrounding the apparel field was becoming severe, Tokyo Style Co., Ltd. and Sanei-International Co., Ltd. established TSI Holdings Co., Ltd. through the transfer of shares in June 2011, with the aim of achieving sustainable growth by utilizing their respective strengths. It was listed on Tokyo Stock Exchange (TSE). After the market restructuring, it got listed on the Prime Market of TSE in April 2022.

【1-2 Corporate philosophy】

The company upholds the corporate philosophy, vision, purpose, and code of conduct described below.

Corporate philosophy	We create value that shines the hearts of people through fashion and share the happiness of living tomorrow together with society.
Vision	We aim to become the world’s most beloved global group through the best and a step- ahead-of-the-times creation and lifestyle proposal.
Purpose	Nurture worldwide empathy and social value through the power of fashion entertainment.
Group's code of conduct	<ol style="list-style-type: none"> 1. We value our spirit of fairness/impartiality and honesty and work with passion and responsibility. 2. We always have problem consciousness, strive for self-study, and actively challenge with flexibility. 3. We respect each person's individuality, communicate well, and contribute to the team by running own roles. 4. We deliver excitement and pleasure to our customers with sincere hospitality and strive to improve customer satisfaction. 5. We respect each stakeholder's position to realize the mutual benefit and contribute to the sustainable growth of the company. 6. We sincerely appreciate society and the natural environment and contribute to social development through our business.

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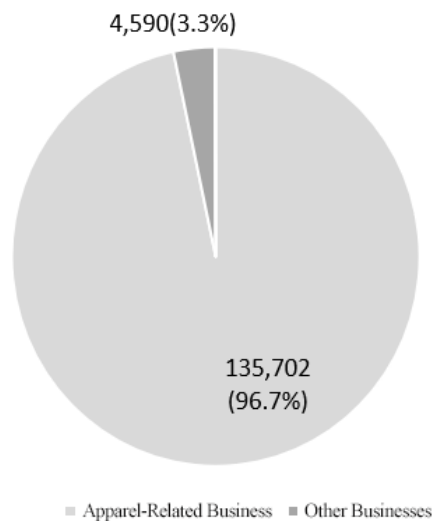


【1-3 Business description】

The TSI Group is composed of TSI Holdings, which is a holding company, 28 consolidated subsidiaries, and 1 equity-method affiliate.

In the “apparel-related business,” they plan, manufacture, and sell mainly clothes and operate the brand licensing business and the production/distribution business. In “other business,” they serve as distributors for other companies’ products, dispatch personnel, and operate the synthetic resin-related, store design/management, and restaurant businesses, and so on.

Sales composition by segment (FY2/22 Unit: million yen)



◎ Brands

Currently, they operate 54 brands. They set clear targets (according to gender, age, preference, etc.) for each brand, and provide a broad range of customers with products. The top 10 brands in terms of sales account for about 60%. The gross profit margin is about 50-70%.





◎ Sales and gross profit margin of each brand

		FY 2/22		
		Sales	Ratio to total sales	Gross profit margin
1	NANO universe	17,861	12.7%	49.5%
2	PEARLY GATES	15,069	10.7%	61.9%
3	MARGARET HOWELL	11,002	7.8%	66.1%
4	NATURAL BEAUTY BASIC	10,356	7.4%	58.0%
5	HUF	6,733	4.8%	51.1%
6	AVIREX	6,240	4.4%	62.1%
7	UNDEFEATED	4,389	3.1%	41.1%
8	STUSSY	4,286	3.1%	69.8%
9	new balance golf	3,632	2.6%	57.8%
10	ROSE BUD	3,455	2.5%	44.5%
TOP 10		83,029	59.1%	57.0%
Total for other brands		57,272	40.8%	51.5%
Total for continued brands		140,301	99.9%	54.7%
Total for discontinued brands		80	0.1%	106.2%
Total		140,382	100.0%	54.7%

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© Outline of major brands

Brand	Targets	Concept
<p>Nano Universe</p> 	<p>Women and men</p>	<p>It operates the three lines: “Japan Made Traditional,” “Modern Vintage,” and “Seasonal Wardrobe” and multi-label stores with selected brands and proposes fashion and information that are useful in daily life as wisdom.</p>
<p>Pearly Gates</p> 	<p>Women and men</p>	<p>OUT ON THE WEEKEND (leaving urban areas on weekends) Under the concept: “Let’s play golf more casually and more enjoyably,” it proposes moderately fashionable golf clothing beyond the bounds of age, gender, etc.</p>
<p>Margaret Howell</p> 	<p>Women and men</p>	<p>With the basic stance of keeping simple and basic features, it pursues comfort and functionality, and disseminates timeless, modern designs regardless of gender and age.</p>
<p>Natural Beauty Basic</p> 	<p>Women</p>	<p>With the keyword: “Comfortable,” it proposes the enrichment of lifestyles of those who wear its clothes to a broad range of customers.</p>

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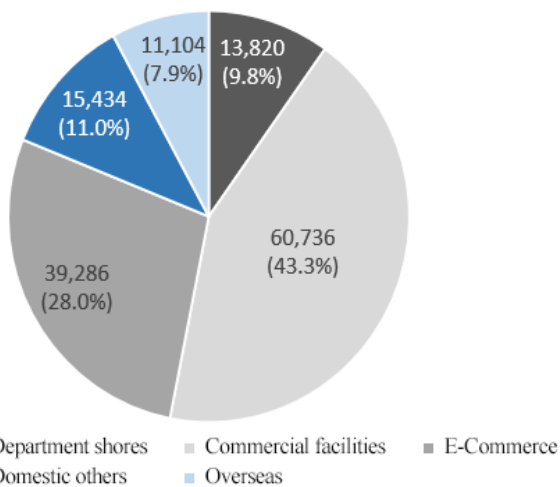


<p>HUF</p> 	<p>Men</p>	<p>The original brand of the shop opened by the legendary skater Keith Hufnagel in 2002 grew into the lifestyle brand “HUF,” which handles not only apparel, but also footwear.</p> <p>The products were developed by incorporating unique styles and artistic taste into the American classic based on the skate and street fashion, which is the background of Keith, are attracting attention in major fashionable cities, including NY, LA, SF, Tokyo, and London.</p>
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◎ Sales channels

They sell apparel via real stores and EC inside and outside Japan.

Sales composition by channel (FY2/22 Unit: million yen)



* Fashion building, terminal building, outlet mall, etc.
Others are other apparel business which offers sale to employee, wholesale, etc.

The number of real stores was 889 as of the end of FY 2/2022. Among them, 846 stores sell apparel.

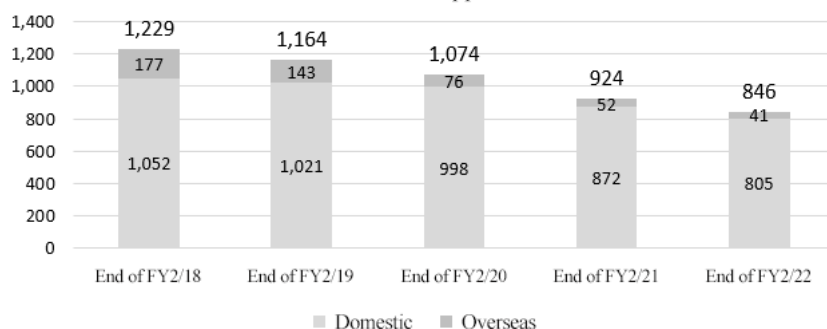
Through the reform of the business structure, they have closed unprofitable stores, and completed closure for 95% of domestic stores to be closed, ending the phase of closing unprofitable stores.

As “a fashion entertainment enterprise,” they consider that real stores remain important as bases for disseminating the world view of each brand and pleasing/exciting customers and will proceed to the aggressive phase focused on the brands liked by customers.

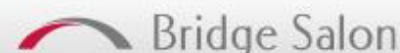
By opening attractive shops in large-sized stores and prime locations, they will reform the revenue structure of the store business.

By FY 2/2025, they plan to open 100 shops (net increase: 35 shops).

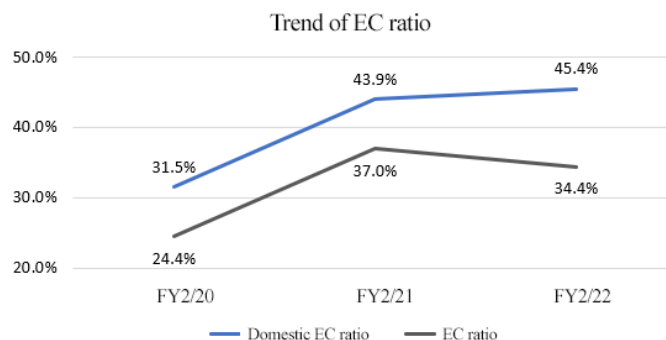
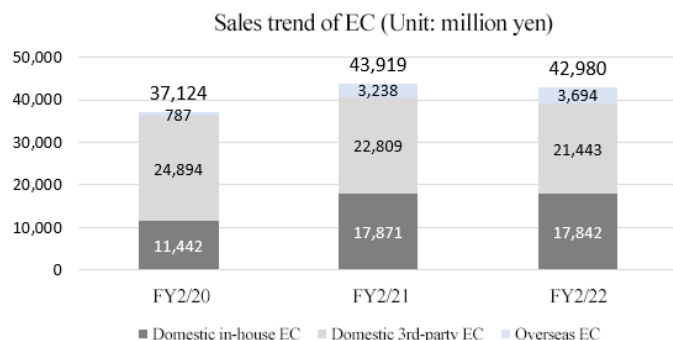
Trend of apparel stores



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The ratio of sales from their website to domestic EC sales has been increasing steadily, and high profitability is maintained.



* Calculated excluding domestic other sales (wholesale, sale to employee, etc.)

【1-5 Characteristics, strengths, and competitive advantages】

According to President Shimoji, the company excels at seeking, finding, and developing categories and brands in line with the trend of the times.

The domains of athleisure, wellness, outdoor, and streetwear is thriving, partially because people became interested in outdoor activities and health enhancement amid the coronavirus pandemic, and “PERLY GATES” earns one of the largest sales as a golf brand in Japan.

The company found such brands through the networks in the U.S. and the U.K. The number of companies that introduced a new brand and made it successful in the past 10 years like TSI Holdings is small.

The company’s competitive advantages come from the base and experience of taking risks and the know-how and track record of developing brands.

【1-6 ROE analysis】

	FY 2/18	FY 2/19	FY 2/20	FY 2/21	FY 2/22
ROE (%)	2.9	-0.2	2.2	4.0	1.1
Net profit margin (%)	2.07	-0.12	1.28	2.88	0.73
Total asset turnover (times)	0.95	0.93	0.99	0.85	0.95
Leverage (times)	1.47	1.68	1.76	1.64	1.52

In the mid-term management plan “TIP 25,” the company aims to increase ROE to 5.3% or higher by the term ending February 2025. The key is how they will improve profitability.

【1-7 Sustainability】

The company disclosed “Sustainability Storybook” in April 2022.

https://www.tsi-holdings.com/pdf/TSI_SUSTAINABILITY_20220418_FIX_ENG_REV3.pdf

The issues in the apparel field, material issues identified by the company, major initiatives, etc. are as follows.

(1) Issues in the apparel field

Major issues are the following four.

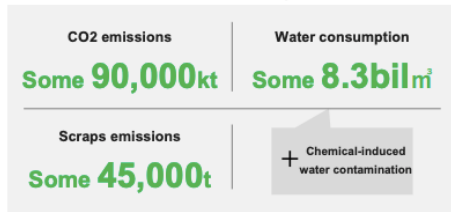
CO ₂ emissions	The CO ₂ emissions in the apparel industry are projected to augment over 60% between 2015 and 2030, reaching about 2 billion tons. This is equivalent to the annual CO ₂ emissions from 230 million passenger vehicles, worsening global warming.
Mass production and disposal	The disposal amount of textiles is about 92 million tons per year, and is projected to increase 57 million tons by 2030. The ratio of 3Rs (reuse, recycle, and repair) of clothes in Japan is as low as about 26%.
Water resources	For producing a piece of clothing, about 11 bathtubs of water is used, and also for cultivating cotton, a large volume of water is consumed. The use of chemical substances in the dyeing process accounts for 20% of freshwater pollution.

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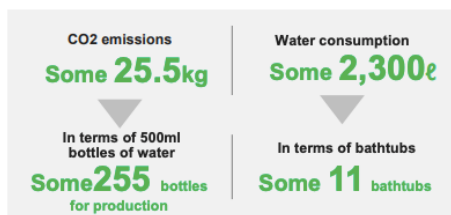


	It is said that clothing made of chemical textiles accounts for 60% of about 13 million tons of marine micro-plastic waste.
Human rights	It is said that forced labor and illegal working conditions are rampant in the value chain.

Environmental load from material procurement to manufacturing



Conversion per garment



(Taken from the reference material of the company)

(2) Material issues of TSI

In three important fields, they have identified 9 material issues.

Based on the relevance and sentiment to our business, we have identified nine materialities for three key areas. Moving forward, we will set goals to find materiality solutions.



(Taken from the reference material of the company)

(3) Initiatives, goals, etc. for each field and each material issue

•3-1 Earth environment

Material issue	Commitment
① Climate change	To realize carbon neutrality
② Raw materials	To enhance the traceability of raw materials and select environmentally friendly materials
③ Waste	To develop a recycling model to minimize waste
④ Water resources	To reduce water consumption

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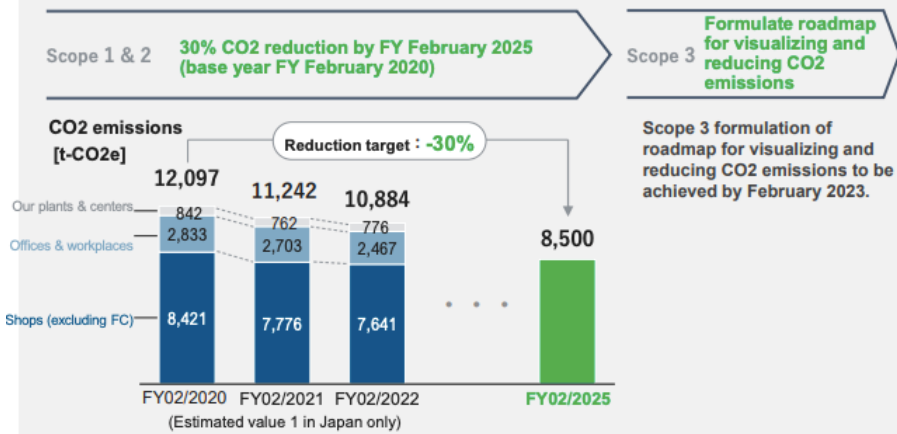
① Climate change

They promote “the endeavor to achieve carbon neutrality.”

The company aims to reduce CO₂ emissions by 30% by FY 2/2025 and achieve carbon neutrality by 2050.

Long-term goals: Achieve carbon neutrality & aim for virtually zero GHG emissions by 2050

Mid-term goals:



1) CO₂ emissions are estimated values calculated using the emission factors of the “Ministry Ordinance on Calculation of Greenhouse Gas Emissions Associated with Business Activities of Specified Emissions” and the floor areas of shops (business establishments and offices subject to calculation using the basic emission coefficient of each fiscal year of general power transmission supplied by power companies locally).

(Taken from the reference material of the company)

* Actions

Action	Outline
Switch to renewable energy resources for electric power	For roadside stores, business establishments, offices, and factories where it is possible to choose electric power suppliers, the company will switch to electric power contracts with environmental value or zero-carbon contracts. When opening new stores, they consider it at the time of signing contracts.
Implementation of measures for realizing zero emissions	The company will take measures for rationalizing production output, by adopting the made-to-order production system, digitalizing sample production, strengthening the D2C brands, improving digital fashion, etc.
Development of an organizational structure for visualizing CO ₂ emissions in Scope 3	The company will establish a system for estimating emissions in Scope 3 by the end of FY 2/2023. For purchased products, they will try to visualize it while considering the differences in material based on Higg Index of SAC.

② Raw materials / ④ Water resources

For curtailing water consumption while reducing CO₂ emissions, they will switch to materials with low environmental burdens, such as “sustainable cotton,” and develop materials like Tag Fastener made of biodegradable plastics developed by Toska-Bano’k.



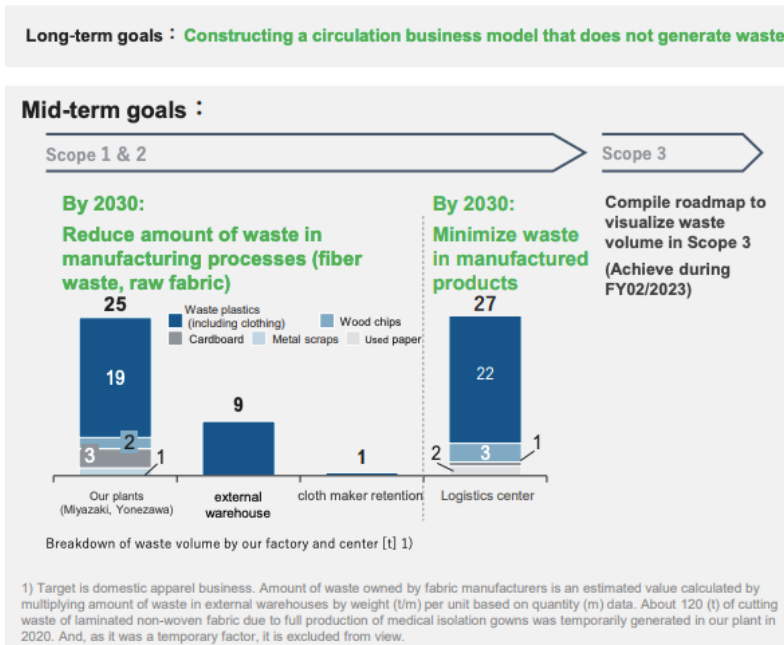
(Taken from the reference material of the company)

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③ Waste

To reduce the disposal amount of clothing to zero



(Taken from the reference material of the company)

* Actions

Action	Outline
Rationalization of production output	The company will review the manufacturing process by utilizing digital tools and develop a system for delivering necessary amounts of products to customers at reasonable prices timely in a necessary cycle.
Re-utilization of items that would be discarded	The company aims to increase the rates of reuse, recycling, upcycling, and sale of refurbished items.

Currently, the company engages in feasible measures in SCM Division, including the switch to environmentally friendly secondary materials for product packages, tags, hanger covers, and shopping bags.

From now on, SCM Division plans to cooperate with the business section of each brand and implement more company-wide measures linked with the strategies for business and SDGs.

•3-2 Human resources

Material issue	Commitment
⑤ Diversity	The company will develop an environment in which all of diverse employees can flourish.
⑥ Health and safety	The company will safeguard the physical and mental health of each employee, which is the source of value.
⑦ Degree of happiness of employees	The company will create value so that employees will be financially satisfied, feel mentally fulfilled, achieve self-realization, and grow.
⑧ Fair labor	The company will respect the human rights of all people involved in the supply chain who will contribute to the creation of value.

⑤ Diversity

The company will develop an environment for realizing a good work-life balance with diversity and flexibility. The major KGIs and goals are as follows.

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Important KGIs :		2025		Examples of initiatives to achieve goals
Activity index that does not depend on gender	Female manager ratio 1)	27%	▶ 40%	<ul style="list-style-type: none"> - Requirements for promotion to managerial positions & skill map compilation - Revision of evaluation system based on managerial requirements - Creation of management training & education programs - Visualization & illustration of managerial career paths - Next-generation manager training
	Female employee ratio 1)	73%	▶ 60%	
Activity index that does not depend on life stage	Childcare leave ratio 2)	98%	▶ 98%	<ul style="list-style-type: none"> - Continuation of generous childbirth/childcare/nursing system that underpins high level of above current indicators - Productive management training regardless of life stage
	Post childcare return to work ratio 2)	93%	▶ 93%	
	Retention ratio due to childcare leave 2)	84%	▶ 84%	
Activity index that makes most of individual diversity	Disabled employment ratio 3)	2.5% (Legal employment ratio of 2.3%)	▶	<ul style="list-style-type: none"> - Expansion of opportunities for disabled - Revision of work regulations/introduce condolence money system that take into consideration LGBTQ/dual surnames/common-law marriage, etc.

(Taken from the reference material of the company)

⑥ Health and safety

While establishing systems in accordance with laws and regulations, the company flexibly implements various measures for protecting the daily lives of employees.

They recommended telework in all offices in Japan and reduced working hours.

Important KGIs :		As of February 2022	2025	Examples of initiatives to achieve goals
Indicators for creating healthy and safe workplaces	Labor-related fatalities 1)	0	▶ 0	<ul style="list-style-type: none"> - Health & safety committee PR work
	Number of labor-related injuries 1)	15	▶ 0	
	Number of labor-related illnesses 1)	0	▶ 0	
Indicators for improving individual mental and physical health	Health check ratio 1)	90%	▶ 100%	<ul style="list-style-type: none"> - Stress checks within improvement measures - Initiatives to improve employee health literacy
Indicators for achieving work-life balance for individuals	Average overtime 1)	4.2 hours	▶ Aiming to curb overtime	<ul style="list-style-type: none"> - Initiatives to improve work style flexibility - Development of flextime system & reduction of working hours - Lifting of ban on second jobs

(Taken from the reference material of the company)

⑤ Diversity / ⑥ Health and safety

They are making efforts to secure mental and physical health and actualize diversity & inclusion.

A numerical overview of diversity, health & safety

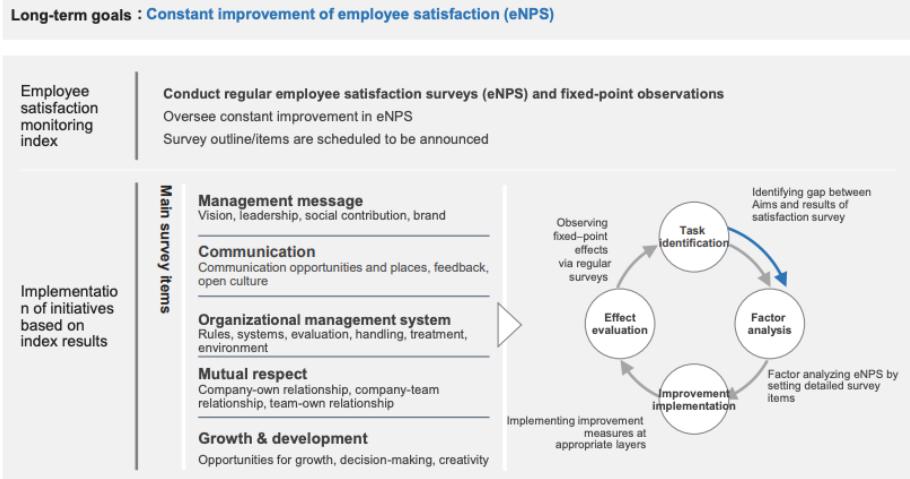
Childcare leave ratio	Return from childcare leave ratio
98.1%	93.2%
Entrenched childcare leave	Average monthly overtime per person
84.2%	4.2 hours
Reduced working hours (up to age 3 by law)	Total number of days for nursing care leave (up to 93 days by law)
Up to graduation from elementary school	365 days maximum

(Taken from the reference material of the company)

⑦ Degree of happiness of employees

The company conducts a survey on the satisfaction level of employees (eNPS), in order to develop an environment in which each employee can work on tasks flexibly by utilizing diversity.

Based on the survey results, each business section implements measures for improving the labor environment.

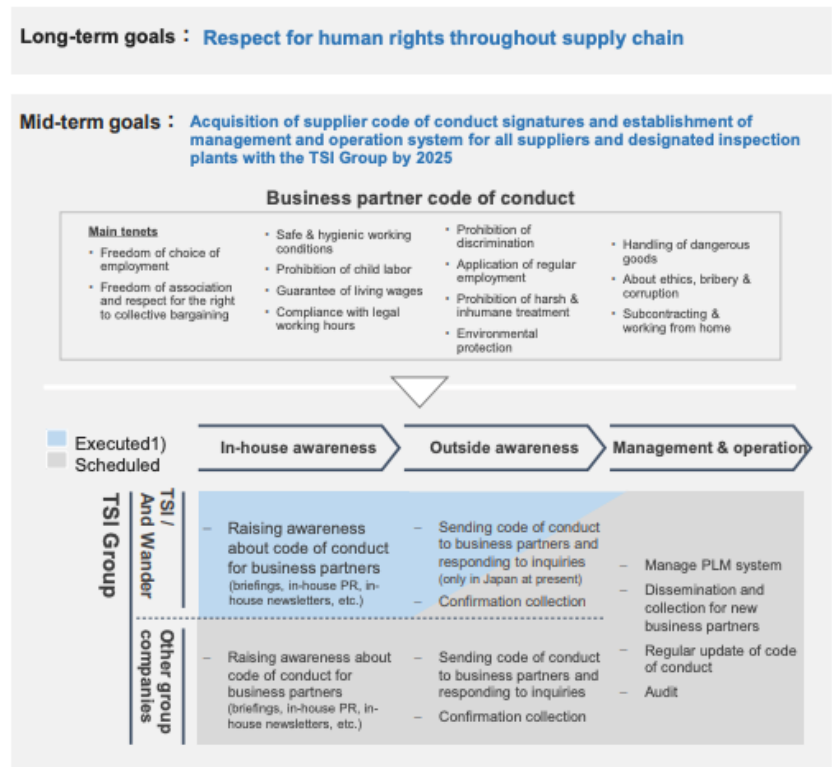


(Taken from the reference material of the company)

⑧ Fair labor

In order to realize fair labor, the company revised the regulations for behavior of business partners in January 2022 and engages in activities for diffusing them among suppliers.

From now on, the company will increase the range of subjects, establish a system for managing and operating them, and promote activities for protecting the human rights of partners and factory staff who will keep creating value.



(Taken from the reference material of the company)

•3-3 Society

Material issue	Commitment
⑨ Local communities	The company will contribute to the preservation of local communities and the earth environment by utilizing its own technology and know-how and promote activities for the next generation.

While collaborating and cooperating with various local partners, the company is making efforts to solve local issues, vitalize and develop each region through its business.

It concluded a comprehensive cooperation agreement with Kamikawa Town, Hokkaido, with the aim of developing a region where new value is created.

(4) CSR

Basic policy for CSR

Under the corporate philosophy: “We create value that brightens the minds of people through fashion, and share the pleasure of living tomorrow with society,” we will build a sustainable society together with all kinds of stakeholders through business activities.

Under this basic policy, they engage in the following activities.

*The “Happiness For All” project by JILL by JILLSTUART × International NGO Plan International

This is a collaborative project with the NGO, which operates activities in over 70 countries, for the purpose of realizing a society free of poverty and discrimination. The company made a donation according to the purpose of subject products.

*Donation of clothes to the areas devastated by the heavy rain and the evacuation sites in Atami City

The company sent clothes, such as T-shirts and tank tops to the evacuation sites in the wake of the heavy rain in Atami City in July 2021.

*Humanitarian support for Ukraine

The company donated 10 million yen via “Relief for the Humanitarian Crisis in Ukraine” of Japanese Red Cross Society. In addition, the company produces and sells mugs, and organizes a project of printed T-shirts for charity, etc. to give donations.

(5) Management system

In order to establish a business operation system suited for a global apparel company, the company is developing a structure for maintaining soundness and transparency and making decisions swiftly and strengthening the internal control system for complying with laws and regulations thoroughly and controlling risks.

Through these activities, the company enhances the corporate governance further while building good relationships with the stakeholders.

*Corporate governance system

As an organizational structure, the company adopted a company with auditors. Three out of 7 directors are outside ones, who are all independent executives. Two out of 4 auditors are outside ones, who are all independent executives.

They think that this structure is optimal as of now but will think of improving it according to the situation when necessary.

*System for attaining SDGs

The company established a division for attaining SDGs, drew up a policy for it, and is striving to make it known to related sections.

Regarding important projects, the sustainability committee, which is composed of mainly outside directors, discuss them, and the board of directors makes decisions.

2. Medium-term management plan “TSI Innovation Program 2025”

The TSI Group formulated and announced “TSI Innovation Program 2024 (TIP 24),” which set mid-term growth strategies, in FY 2/2021, but the coronavirus pandemic forced them to postpone the reform for one year.

Accordingly, in April 2022, the company updated TIP 24, formulating a new mid-term management plan “TSI Innovation Program 2025 (TIP 25)” for 2025.

【2-1 Policies for formulating TIP 25】

TIP 25 was formulated under the following three policies.



(Taken from the reference material of the company)

【2-2 Directions and purposes of the transformation】

◎ Recognition of the business environment

The company considers that the business model of mass-producing excessive amounts of clothing, while generating environmental burdens, selling them at discounted prices, and competing with brands of the same nature, is reaching its limit, and the norms of the apparel industry disappeared.

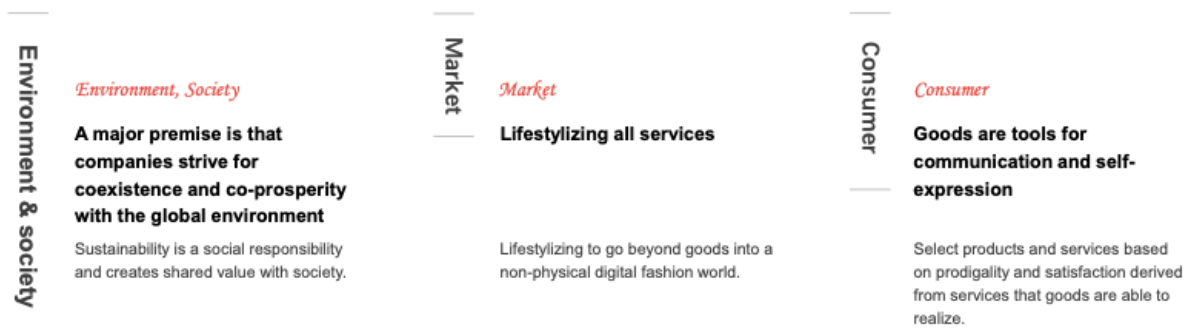
◎ Determination

The company resolved to abandon the conventional norms and stereotypes in the apparel business, take a new step as an enterprise for offering true value for people and the environment, and be reborn as an enterprise in which everyone can have a dream.

The keyword is “Regeneration.”

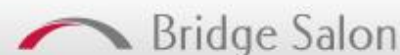
◎ Directions of the transformation

The company will proceed with transformation from the viewpoints of “the environment and society,” “markets,” and “residents,” evolve from an enterprise handling apparel only, and aim to become “a company creating fashion entertainment” that not only provides products, but also create original value with fashion-based entertainment while linking social value to corporate growth.



(Taken from the reference material of the company)

BRIDGE REPORT



◎ **Purpose and will**

Purpose: Social meaning of existence

To win international sympathy and create social value with fashion entertainment.

WILL: Goal to be achieved

The company aims to become the world's happiest fashion company for all stakeholders, including society, the environment, customers, shareholders, and employees.

[2-3 Business plan]

(1) Target values and measures

In FY 2/2025, the company aims to achieve sales of 189.6 billion yen, an operating income of 8 billion yen, and an operating income margin of 4.3%. In the following term ending February 2026, the company aims to increase sales to over 200 billion yen.

In addition, the company aims to achieve an EBITDA of 9% or higher, an ROE of 5.3% or higher, and an EC ratio of 40% or higher in FY 2/2025.

(Unit: Million yen)	Plan for FY Ending Feb. 2023	Plan for FY Ending Feb. 2024	Plan for FY Ending Feb. 2025	Plan for FY Ending Feb. 2026
Sales (YoY)	157,340 (112.1%)	172,375 (109.6%)	189,618 (110.0%)	203,005 (107.1%)
EC sales (EC ratio)	52,853 (33.6%)	60,255 (35.0%)	75,847 (40.0%)	84,791 (41.8%)
SG&A expenses (SG&A ratio)	86,550 (55.0%)	92,841 (53.9%)	99,678 (52.6%)	104,041 (51.3%)
Operating profit (Operating profit ratio)	1,500 (1.0%)	4,747 (2.8%)	8,063 (4.3%)	11,543 (5.7%)

(Taken from the reference material of the company)

The following three are primary measures for attaining the goals.

1. To clearly define our growth areas and invest in them intensively

To specify business domains and actively invest in growth areas

In particular, the company will increase sales from the wellness and street businesses in 3 years.

To invest in digital generation while looking ahead to the future, and develop next-generation customer value

2. To aim to increase customers by pursuing entertainment

To create fashion entertainment not limited to apparel

To integrate the press rooms when integrating offices, and develop a media base

To directly distribute a variety of contents to customers

3. To reform the corporate structure for significantly expanding the e-commerce business

To prioritize EC and digitalization for all business operations

To discuss large-scale investment in the development of a CRM structure and internal services, and aim to realize sales growth linked with large-scale sales promotion

【2-4 Business investment】

The company will invest in mainly “A: Rapid growth of EC,” “B: Enhancement of earning capacity,” “C: Creation of new value of experience,” and “D: Investment in the growing business area.”

“A: Rapid growth of EC”

To make all group companies shift to strategies and business structures prioritizing EC and digitalization

To invest for evolving organizational structures for developing products, services, and communication that would exceed the expectations from the market

*To increase sales to 76 billion yen and the ratio of EC to 40%

To raise sales from 43 billion yen to 76 billion yen and the ratio of EC from 30% to 40%

To achieve these goals, the company will design a growth system that motivates customers to use services continuously.

As they recognize that it is imperative to improve the profitability of the brand business by reforming the resource structures of the real store business and the EC business, they will shift to strategies and business operations giving top priority to EC and digitalization from the viewpoints of productivity and profit margin.

To design products, inventory, sales promotion, and operation while considering EC from the planning stage

For less profitable stores, the company will lead customers to EC and decide whether or not to close the stores while considering the growth of EC sales.

To enrich entertainment contents quantitatively and qualitatively.

*Establishment of a platform for 15 million members

To shift from the competition among brands to the competition in each business field. To increase the population of customers dramatically in each field, while strengthening contents.

To provide not only products, but also the value of experience under the themes of “food, clothing, shelter, work, and play,” distribute information via facilities and the media, and manage communities of staff and users, etc.

The utilization of CRM, the creation of business models other than sale of products, etc. are important keys.

*Improvement of entertainment contents

To concentrate on the development of new communication methods as “a company creating fashion entertainment”

To combine contents with high engagement and the profound knowledge of users, so that many customers will access platform partners. To pursue sales promotion strategies that put importance on value rather than costs

To create a new economic zone based on tipping, NFT*, etc. by taking advantage of the enthusiasm of fans

*NFT (Non-Fungible Token)

It means digital data proven to be non-fungible or one of a kind. Digital contents are being capitalized in various fields, including fine arts, video games, music, and sports.

“B: Enhancement of earning capacity”

To re-polish the attractiveness of real stores. The company puts importance on the value of real stores as the sites for offering luxury value where customers can see the world views of brands.

To redefine ideal stores as the sites for increasing customers’ loyalty and improve the earning capacity.

*Reform of the earning structure and development of attractive stores

95% of domestic stores to be closed have been closed, and the phase of closing unprofitable stores for structural reform has ended. From now on, the company will proceed to the aggressive phase focused on the brands that have attracted many customers.

To reopen shops in large-sized stores, prime locations, etc., to demonstrate new types of shops in the post-pandemic period

To open attractive shops, and reform the revenue structure in the store business

The company plans to open 100 shops (net increase: 35 shops) by FY 2/2025.

***To improve the value of experience in large-sized stores and offer “experience available only there” so that customers will be motivated to revisit there**

To make stores the sites for providing luxury value so that customers can experience the world views of brands

The company will enrich product categories and the quantity of each product in parallel with the enlargement of shops, hold events, and operate simulation facilities, to provide customers with new experience in shops. Then, the company will improve the capability of reeling in customers and have customers stay for a longer time, with the aim of increasing average spending per customer and brand loyalty.

If the area of each shop increases, sales per unit area will drop, but the cost reduction effect will increase. While reducing staff in parallel with enlargement, the company will strive to improve profit margin.

***To review and withdraw from less profitable businesses, and shift to growing areas**

To review businesses and decide whether or not to withdraw from them, based on the indicators of growth potential, compatibility with fashion entertainment, profitability, meanings of existence, business scale, EC ratio, and customer loyalty. At the same time, the company will seize growing areas with measures including M&A and keep reshuffling its business portfolio.

“C: Creation of new value of experience”

To create not only products, but also other items, to offer fashion-based entertainment as value

***To make the PR team that offers items, things, and meanings entertaining**

The company will reform the press operation, which has been mainly BtoB, develop contents by itself, and develop an emotional PR team for directly approaching customers with its own media.

The press room of the new headquarters to be completed in September will become a new working studio for generating entertainment, experience, and sympathy.

***To design customers’ experience beyond their imagination**

The company will make a contribution so that the life of each customer will become more enjoyable, healthy, safe, productive, and meaningful.

The company will establish “TSI Fashion Entertainment Lab,” grasp the trends among customers, and create opportunities for customers’ experience while understanding the relationships between “society and customers.”

***Operation of the non-apparel business and synergy between businesses**

The company will become a “fashion entertainment enterprise” that will design essential lifestyles beyond non-materialistic value from the perspectives of society and customers.

To do so, the company will trigger business synergy with peripheral and different businesses based existing assets, and create a new economic zone through investment, alliance, and M&A.

For example, the company plans to launch the AgriTech business, which grows organic cotton, in FY 2/2023, and create carbon credits.

“D: Investment in the growing business area”

To clearly define growth areas in terms of changing and diversifying markets, values, and needs, and invest in them.

(1) Business domains

The company has specified four business domains.

<p><i>Wellness & Lifestyle</i> 1</p> <p>Wellness & lifestyle</p> <p>Athleisure Outdoor Lifestyle</p> <p>Create fashion entertainment that has a positive impact on the health and happiness of consumers and, by extension, society.</p>	<p><i>Street & Culture</i> 2</p> <p>Street & culture</p> <p>Street Culture Select</p> <p>Nurture street culture and create fashion entertainment that brings positivity to society and the environment.</p>
<p><i>Fashion Capital</i> 3</p> <p>Fashion capital</p> <p>Lady's Fashion</p> <p>Refine the experience values of brands and create fashion entertainment centered on highly refined tastes.</p>	<p><i>Digital Native Generation</i> 4</p> <p>Digital generation</p> <p>Gen-Z Fashion D2C/F2C Digital Fashion</p> <p>Create fashion entertainment for the digital native generation via digital x fashion.</p>

(Taken from the reference material of the company)

1. Wellness & lifestyle

The company will create attractive communities.

While aiming to evolve from an apparel brand into a community brand, the company will operate entertainment business focused on lifestyles.

◎ Measures and activities

The company will develop communities of brands and clients, to foster enthusiasm. The company will expand economic zones by proposing new brands to communities, etc.

They are proceeding with initiatives utilizing the customer assets of their golf brand, establishing a golf community, launching a hybrid D2C brand of sports and fashion, etc.

Focusing on the fact that a new style of play based on a broad range of experiences with the elements of play and entertainment combined is a current trend, the company supports the life of each customer and proposes new value of not only apparel, but also other items from various brands of TSI.

The company started handling the gear of outdoor brands and opening cafes outside commercial facilities.

2. Street & culture

The company will establish a platform for play with the street spirit.

Based on the keyword “play,” they will diffuse their brands in peripheral lifestyles, reinvent gear, develop new experiences, etc.

◎ Measures and activities

The company will develop a project with global sales of 40 billion yen in the street, skating, and snowboard businesses.

With the keywords “authenticity,” “play,” and “culture,” they will diffuse their brands in peripheral lifestyles, redevelop gear, create new experiences, etc. and then operate business globally.

They will open flagship shops of mainly HUF and TACTICS in major cities around the world.

For “TACTICS,” an EC site for skateboards and snowboards, which was acquired in 2020, the company will operate a project for debuting it in Japan, to diffuse the new skating culture in the U.S. in Japan.

By opening integrated skateboard parks and taking OMO (Online Merges with Offline) initiatives, the company will offer a variety of experiences not limited to product sales and develop communities. Then, they will improve customers’ loyalty.

The company recognizes that multi-brand shops (which select and deal in products of various brands) have recently become homogeneous and less valuable, so it will develop new kinds of multi-brand shops for the next generation.

They will create multi-brand shops that would generate unprecedented value, by designing freewheeling in-store layouts beyond genders, genres, etc., installing pop-up spaces for developing communities, cafes for offering leisure time, free spaces, etc.

3. Fashion capital

The company will keep offering services to keep up with trends and changes.

They will have flexibility to keep changing swiftly, help customers to become what they hope to become, and link happiness.

◎ Measures and activities

The company will an OMO system for shortening the distance between the company and customers.

To survive in the new normal age, the company will develop a selling system in which shops and sales staff can increase customers’ engagement in an unprecedented manner.

They will make efforts to enrich online contents and services and get connected with customers via social media, to promote sales and reflect the results in product development.

In addition, the company will adopt new evaluation and training systems for promoting sales staff to engage in online business.

The company will evaluate and train staff while putting importance on the elements of talent, that is, guarantees and the popularity among customers in social media.

For strengthening the services for customers with the OMO system, the company will redefine the roles and functions of real stores, combine real stores and EC, and establish new store models and new methods for leading customers.

As they still consider that only real shops allow customers to feel the world views of brands with their five senses, they will pursue strategies for utilizing the forte of real shops.

They will open shops in new areas and facilities and adopt a system in which customers can determine who will attend to them.

4. Digital generation

To design contents that would attract the next generation.

To foster sympathy and enthusiasm with tangible and intangible unlimited contents

◎ Measures and activities

Currently, we are in the spur-of-the-moment consumption age, in which consumers buy a product in a minimum amount of time after recognizing it. In this age, the company will pursue new creativity by innovating contents for directly attracting customers and promoting sales.

To establish a D2C (direct-to-consumer) conglomerate

The company will develop systems and mechanisms for creating a variety of businesses, brands, and contents based on directors and contents.

The company aims to achieve sales of 3.5 billion yen with the six brands: ETRE TOKYO, MECRE, EC Cosmetics, F2C* Brand, New Brand A, and New Brand B, by FY 2/2025.

*F2C

It means the retail style of directly delivering products from factories to customers. The size of each consumer is measured at a shop or the like, its data are sent to a factory, the factory cuts and sews cloth, and finished clothing is delivered directly from the factory to the consumer. Consumers can get tailor-made clothes in a short period of time. Makers do not have to bear the inventory risk.

The company will launch a digital business with a new kind of sensibility.

By strategically utilizing the advantages of TSI Sewing Co., Ltd., which is a consolidated subsidiary that possesses excellent sewing technologies, the company will endeavor to “sell products in a new way while combining brands, factories, and digital content” as an F2C model.

The company will create a mechanism for meticulously designing experiences before and after purchase so that customers will buy its products on the spur of the moment and sell limited-time products and collaborative products with rarity, topicality, and profitability, to make F2C more attractive.

The company will form a team for fostering the sympathy and enthusiasm of customers and improve work styles and the working environment further.

The residents of Generation Z put importance on styles rather than tastes. They do not stick to specific tastes, but choose their own styles according to with whom, where, and what they will do. In this situation, the company is recruiting and developing creators of Generation Z, so that they will create new businesses.

In addition, the company holds hybrid meetings for planning while combining 3D samples, avatars, real samples, and trial fitting. At such meetings, customers and female employees in the same age group discuss “clothing they would want” thoroughly and commercialize such clothing.

To redevelop the brand portfolio for women of Generation Z

As the first step, the company engages in a project of redefining the two brands: JILLSTUART and JILL by JILLSTUART. As “self-actualization needs,” “changes in femininity,” etc. are getting stronger, the company will grasp the values and insight of respective residents on a real-time basis and reflect them in products and experiences.

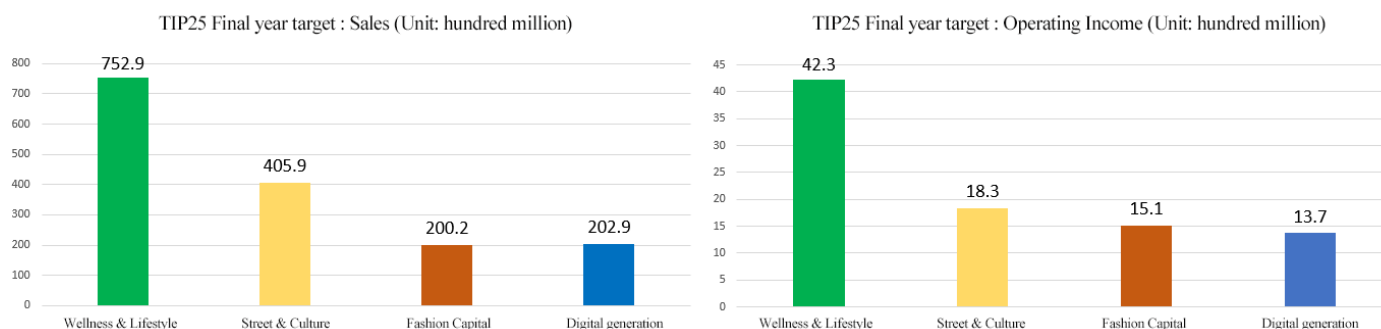
In particular, they consider that the brand portfolio needs to include some brands that can reel in young people.

(2) Numerical goals

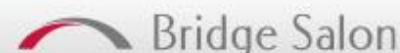
The numerical goals in each business domain are as follows.

	Sales	CAGR	Operating income	Operating income margin	EBITDA margin	EBITDA
Wellness & lifestyle	752.9	13.2%	42.3	5.6%	8.8%	66.5
Street & culture	405.9	5.3%	18.3	4.5%	8.6%	35.1
Fashion capital	200.2	13.7%	15.1	7.5%	12.7%	25.5
Digital generation	202.9	10.2%	13.7	6.7%	11.9%	24.2

Unit: 100 million yen. CAGR is the compound annual growth rate for the period from FY 2/2022.



BRIDGE REPORT

**【2-4 Investment plan】**

They believe that in order to complete the midterm management plan, it is necessary to actively invest in mainly new businesses.

The company plans to invest up to 30 billion yen by using cash reserves amounting to 15 billion yen and borrowed money amounting to 15 billion yen.

They take into account the following points when conducting investment.

Asset issues related to investment	1. Improving asset efficiency <ul style="list-style-type: none"> Centrally manage funds by introducing group CMS → Reduce consolidated cash and deposits to 25 billion yen level Reduce fixed assets (policy investment stocks, etc.) Inventory compression (turnover period ▲0.15 months) 	<securing of surplus funds> . . . + 10 billion yen . . . + 3~5 billion yen . . . + 1~2 billion yen
	2. Improving investment efficiency <ul style="list-style-type: none"> Invest in real estate effectively leveraged via bank loans → Raise 50% of investment by borrowing Flexible replacement of investment targets (1/2 of investment period) 	= Double profit = Double investment effect
	3. Optimizing capital policy <ul style="list-style-type: none"> Optimal usage of treasury stock . . . M&A/Alliance/Purchase increase-Cancellation/Sale Review of dividend policy . . . Emphasis on stable dividends → Emphasis on dividend payout ratio 	

(Taken from the reference material of the company)

3. Fiscal Year ended February 2022 Earnings Results**【3-1 Overview of business results】**

	FY 2/21	Ratio to sales	FY 2/22	Ratio to sales	YoY	Difference from the revised forecast
Sales	134,078	100.0%	140,382	100.0%	+4.7%	-0.2%
Gross profit	63,846	47.6%	76,826	54.7%	+20.3%	-
SG&A	75,689	56.5%	72,386	51.6%	-4.4%	-
Operating income	-11,843	-	4,440	3.2%	-	+85.0%
Ordinary income	-10,359	-	5,834	4.2%	-	+53.5%
Net income	3,861	2.9%	1,022	0.7%	-73.5%	-55.6%

*Unit: million yen. The difference from the revised forecast means the difference from the earnings forecast announced in Jan. 2022.

Sales and profit grew. Operating income exceeded the forecast, hitting a record high.

Sales grew 4.7% year on year to 140.3 billion yen, although the sales are still below the sales in the term ended February 2020 before the outbreak of the coronavirus pandemic.

Operating income moved into the black, standing at 4.4 billion yen, hitting a record high. The brand business, which earns significant revenues with golf, street, and leisure wear in the spring and summer seasons, expanded, breaking away from the unprofitable system and the establishment of a management structure for improving the earning capacity contributed.

Operating income exceeded the revised forecast considerably, as the company-controlled sales yield and inventory and reduced SGA considerably.

Net income dropped 73.5% year on year to 1 billion yen. Extraordinary losses, including the impairment of goodwill and the loss from temporary closure, amounted to 5.6 billion yen.

BRIDGE REPORT

**【3-2 Trend in each channel】**

	FY 2/20	FY 2/21	FY 2/22	YoY
Department stores	21,393	12,481	13,820	+10.7%
Non-department stores	86,028	56,745	60,736	+7.0%
Domestic EC	36,336	40,681	39,286	-3.4%
Other domestic channels	17,809	15,504	15,434	-0.5%
All domestic channels	161,568	125,412	129,277	+3.1%
Overseas	8,499	8,666	11,104	+28.1%
Total	170,068	134,078	140,382	+4.7%

*Unit: million yen.

*Non-department stores: fashion buildings, station buildings, outlet stores, etc. Other: other apparel businesses, including wholesale and sale to employees, and non-apparel businesses of group companies. Efuego Corp, which operates mainly the EC site "TACTICS" in the U.S., was included in the scope of consolidation in the second quarter of 2021, and its sales have been posted as overseas sales.

	FY 2/20	FY 2/21	FY 2/22	YoY
Domestic EC	36,336	40,681	39,286	-3.4%
In-house EC	11,442	17,871	17,842	-0.2%
Other	24,894	22,809	21,443	-6.0%
Overseas EC	787	3,238	3,694	+14.1%
Total amount for EC	37,124	43,919	42,980	-2.1%

*Unit: million yen.

- * The performance of domestic real stores is recovering, but sales are still 60-70% of the pre-pandemic amount.
- * For domestic EC, the earning capacity improved thanks to the restriction on discounting in other companies' EC sites, etc. and the increase of ratio of sales of the company's EC, which is highly profitable, but sales dropped, due to the disturbance in some overseas supply chain, etc.
- * The ratio of sales of domestic EC of the company was 45.4%, showing increases from 43.9% in the previous term and 31.5% in the term before the previous. The thriving golf and street fashion business and the brand for ladies, which shifting to the enhancement of OMO steadily, are driving the growth.
- * Regarding overseas sales, the businesses in the U.S. and Europe are contributing. EC, too, is performing well.

【3-3 KPIs, topics, etc.】

◎ Year-on-year comparison of sales of all stores and existing stores

	FY 2/21	FY 2/22
Sales of all stores	75.9%	103.1%
Sales of existing stores	82.2%	99.5%

◎No. of stores

	FY 2/21	FY 2/22	Increase/decrease
Apparel	924	846	-78
Domestic	872	805	-67
Overseas	52	41	-11
Restaurants (domestic)	9	7	-2
Cosmetics (domestic)	33	36	+3
Total	966	889	-77

BRIDGE REPORT



◎ Sales and gross profit margin of each brand

		FY 2/21		FY 2/22		YoY	
		Sales	Gross profit margin	Sales	Gross profit margin	Sales	Gross profit margin
1	NANO universe	19,879	43.5%	17,861	49.5%	-10.2%	+6.0pt
2	PEARLY GATES	12,502	52.4%	15,069	61.9%	+20.5%	+9.5pt
3	MARGARET HOWELL	8,675	51.5%	11,002	66.1%	+26.8%	+14.6pt
4	NATURAL BEAUTY BASIC	10,677	49.3%	10,356	58.0%	-3.0%	+8.7pt
5	HUF	4,180	46.1%	6,733	51.1%	+61.1%	+5.0pt
6	AVIREX	5,893	60.0%	6,240	62.1%	+5.9%	+2.1pt
7	UNDEFEATED	4,432	37.5%	4,389	41.1%	-1.0%	+3.7pt
8	STUSSY	4,756	62.4%	4,286	69.8%	-9.9%	+7.4pt
9	new balance golf	2,761	39.1%	3,632	57.8%	+31.5%	+18.7pt
10	ROSE BUD	3,804	41.2%	3,455	44.5%	-9.2%	+3.3pt
TOP10		78,072	49.4%	83,029	57.0%	+7.0%	+8.2pt
Total amount for other brands		55,448	45.5%	57,272	51.5%	+9.4%	+5.0pt
Total amount for continued brands		133,521	47.8%	140,301	54.7%	+8.0%	+6.9pt
Total amount for discontinued brands		557	15.2%	80	106.2%	-98.0%	+65.1pt
Total		134,078	47.6%	140,382	54.7%	+4.7%	+7.1pt

- * The golf and street fashion brand performed well, exceeding the budget considerably.
- * Although the brands with a high ratio of EC sales performed well, the core business targeted at ladies dampened the performance due to the decrease of customers visiting real shops. The multi-brand business, such as Ueno-Shokai and ROSE BUD, struggled.
- * The strategic brand “Nano Universe” struggled in the first half, but the operating income margin in the second half was 6.9%, showing significant improvements from 0.8% in the previous term and -1.4% in the term before the previous, due to the effects of the structural reform. As Nano Universe, which debuted as a multi-brand shop in 1999, will commemorate the 25th anniversary in 2024, the company started re-developing the brand in March 2022. By expanding the number of genres of items and the price range, they aim to attract new customer segments in addition to existing customers.
- * For the golf category, which is strong, PEARLY GATES explored a variety of collaboration based on the collection theme in spring 2022, LOVED ONE. The company will keep offering new contents to gain customers’ support.

4. First Quarter of the Fiscal Year ending February 2023 Earnings Results

【4-1 Overview of results】

	1Q of FY 2/22	Ratio to sales	1Q of FY 2/23	Ratio to sales	YoY (1)	Difference from the budget	YoY (2)
Sales	34,215	100.0%	38,122	100.0%	+11.4%	-5.4%	+5.8%
Gross profit	19,145	56.0%	22,348	58.6%	+16.7%	-	-
SG&A	16,872	49.3%	20,744	54.4%	+22.9%	-	-
Operating income	2,273	6.6%	1,603	4.2%	-29.5%	+13.4%	-27.8%
Ordinary income	2,578	7.5%	2,212	5.8%	-14.2%	-	-
Net income	2,431	7.1%	2,063	5.4%	-15.1%	+21.4%	-15.1%

*Unit: million yen. The accounting standards for revenue recognition have been applied from FY 2/2023. “YoY (1)” means the year-on-year comparison between the results for the first quarter of FY 2/2022 based on the former accounting standards and the results for the first quarter of FY 2/2023 based on the new accounting standards. “YoY (2)” means the year-on-year comparison between the results for the first quarter of FY 2/2022 and FY 2/2023 both based on the former accounting standards.

BRIDGE REPORT



Sales grew, but profit declined. Sales fell below the forecast, but profit exceeded the forecast.

(*YoY is based on the new accounting standards.)

Sales increased 11.4% year on year to 38.1 billion yen. Sales grew but fell below the budget. EC was sluggish, so the recovery in sales was delayed.

Operating income dropped 29.5% year on year to 1.6 billion yen but exceeded the budget. The company expanded the healthy business domain and improved its earning capacity.

【4-2 Trend in each channel】

	1Q of FY 2/21	1Q of FY 2/22	1Q of FY 2/23	YoY
Department stores	1,752	3,299	5,444	+65.0%
Non-department stores	7,033	14,311	16,750	+17.0%
Domestic EC	9,181	9,484	9,105	-4.0%
Other domestic channels	2,508	4,931	4,009	-18.7%
Total amount for domestic channels	20,474	32,027	35,310	+10.3%
Overseas	1,207	2,187	2,811	+28.5%
Total	21,682	34,215	38,122	+11.4%

*Unit: million yen. The old standards were applied for 1Q of FY 2/21 and 1Q of FY 2/22, while the new standards were applied for FY 2/23.

*Non-department stores: fashion buildings, station buildings, outlet stores, etc. Other: other apparel businesses, including wholesale and sale to employees, and non-apparel businesses of group companies. Efuego Corp, which operates mainly the EC site "TACTICS" in the U.S., was included in the scope of consolidation in the second quarter of 2021, and its sales have been posted as overseas sales.

	1Q of FY 2/21	1Q of FY 2/22	1Q of FY 2/23	YoY
Domestic EC	9,181	9,484	9,105	-4.0%
The company's website	3,683	4,442	4,510	+1.5%
Other	5,498	5,042	4,595	-8.9%
Overseas EC	193	862	974	+12.9%
Total amount for EC	9,374	10,347	10,079	-2.6%

*Unit: million yen. The old standards were applied for 1Q of FY 2/21 and 1Q of FY 2/22, while the new standards were applied for FY 2/23.

- * The performance of department stores, non-department stores, and business targeted at women is recovering.
- * On the other hand, some brands for young people and the multi-brand shop business are stagnant.
- * Overseas business remains healthy.
- * The recovery of Nano Universe, which is targeted at mainly young people, is delayed. This brand's EC sales ratio exceeds 50% and rate of progress toward the budget is 61.7%. This is a main factor in decreasing the sales of EC business.
- * The ratio of EC sales of the company grew year on year from 46.8% to 51.9%. To this term, the company will prioritize leading customers to its website, which is highly profitable, review the roles of other companies' websites, and implement new product strategies to grow. For the foreseeable future, the company will develop services for users of the company's website and enhance activities to reel in customers.

【4-3 KPIs, Topics, etc.】

◎ No. of shops

	End of FY 2/22	1Q of FY 2/23	Increase/decrease
Apparel	846	851	+5
Domestic	805	811	+6
Overseas	41	40	-1
Restaurants (domestic)	7	7	0
Cosmetics (domestic)	36	36	0
Total	889	894	+5

BRIDGE REPORT



◎ Sales and gross profit margin in each brand

		1Q of FY 2/22		1Q of FY 2/23		YoY	
		Sales	Gross profit margin	Sales	Gross profit margin	Sales	Gross profit margin
1	PEARLY GATES	3,920	62.4%	4,603	65.6%	+17.4%	+3.2pt
2	MARGARET HOWELL	2,590	65.8%	3,160	68.0%	+22.0%	+2.2pt
3	NATURAL BEAUTY BASIC	2,777	63.3%	3,043	64.5%	+9.6%	+1.3pt
4	NANO universe	3,945	54.7%	3,013	57.4%	-23.6%	+2.6pt
5	HUF	1,485	48.1%	1,992	52.3%	+34.2%	+4.1pt
6	AVIREX	1,302	62.7%	1,453	60.4%	+11.6%	-2.3pt
7	UNDEFEATED	1,283	42.9%	1,250	41.7%	-2.5%	-1.2pt
8	new balance golf	774	62.5%	1,158	58.1%	+49.5%	-4.4pt
9	human woman	735	59.6%	1,140	65.9%	+55.1%	+6.3pt
10	STUSSY	997	68.4%	969	65.6%	-2.8%	-2.8pt
TOP10		19,811	59.3%	21,784	61.4%	+10.0%	+2.2pt
Total amount for other brands		14,329	51.8%	16,321	54.8%	+13.9%	+3.0pt
Total amount for continued brands		34,141	55.9%	38,106	58.6%	+11.6%	+2.7pt
Total amount for discontinued brands		73	70.1%	16	112.3%	-78.0%	+42.2pt
Total		34,215	56.0%	38,122	58.6%	+11.4%	+2.7pt

- * PERLY GATES ranked first, and new balance golf grew considerably. Like this, the core top brands performed well, exceeding the group-wide average.
- * On the other hand, the performance of the primary brand Nano fell below the budget considerably. This is mainly because of the difference in the price range from other companies' EC sites during the redevelopment of the brand. They will re-allocate human resources, other resources, and funds of the entire group, revise product prices and EC strategies, and reform the store sales system, to reform their business.

【4-4 Financial standing and cash flows】

◎ Major BS

	End of Feb. 2022	End of May 2022	Increase/decrease		End of Feb. 2022	End of May 2022	Increase/decrease
Current assets	75,547	75,935	+388	Current liabilities	28,375	27,798	-577
Cash and deposits	39,258	37,658	-1,600	Trade payable	10,595	10,785	+190
Trade receivable	10,378	12,997	+2,619	Short term interest-bearing liabilities	6,326	5,645	-681
Non-current assets	64,893	64,548	-345	Non-current liabilities	14,329	13,459	-870
Property, plant and equipment	6,544	6,476	-68	Long term interest-bearing liabilities	9,803	8,784	-1,019
Intangible assets	9,265	9,378	+113	Total liabilities	42,704	41,257	-1,447
Investments and other assets	49,083	48,693	-390	Net assets	97,736	99,225	+1,489
Total assets	140,440	140,483	+43	Total liabilities and net assets	140,440	140,483	+43

*Unit: million yen. Software includes temporary accounts.

Total assets increased 43 million yen from the end of the previous term to 140.4 billion yen, due to the decline in cash & deposits, the increase in trade receivable, etc.

Total liabilities dropped 1.4 billion yen to 41.2 billion yen, due to the decline in interest-bearing liabilities, etc.

Net assets grew 1.4 billion yen to 99.2 billion yen.

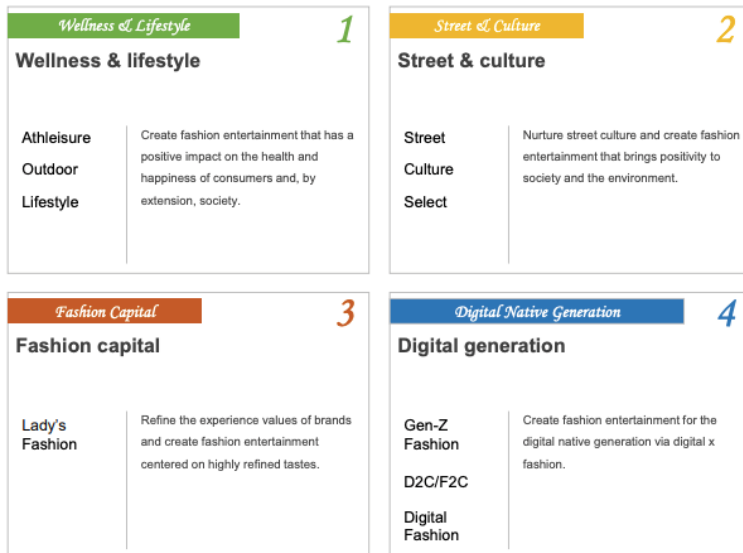
Capital-to-asset ratio rose 1.1 points from the end of the previous term to 70.3%.

【4-5 Progress of TIP 25】

The progress of “investment in the growing business domains” in the midterm management plan “TIP 25” is as follows.

(1) Business domains

The company defined four business domains.



(Taken from the reference material of the company)

1. Wellness & lifestyle

The company will create attractive communities.

While aiming to evolve from an apparel brand into a community brand, the company will operate an entertainment business focused on lifestyles.

◎ Measures and activities

① Debut of NBB WEEKEND

“NBB WEEKEND,” a sportswear brand for women, debuted.

The company will give proposals to women enjoying sports, including golf, workouts, and running.

② MH MARKET held for the first time

In May 2022, the company held a market collecting delicious foods from fellows who support the operation of MARGARET HOWELL CAFÉ.

③and wander HIKING CLUB

In “and wander,” they conduct various activities that would help enjoy mountains and nature through HIKING CLUB.

The next event is scheduled to be held on July 21, 2022.

2. Street & culture

The company will establish a platform for play based on the street spirit.

Based on the keyword “play,” they will diffuse their brands in peripheral lifestyles, reinvent gear, develop new experiences, etc.

◎ Measures and activities

① Provision of value that can be realized by UNION only

The collaboration with NIKE, CONVERSE, etc. that can be realized by UNION only increased popularity. In the first quarter of FY 2/2023, sales grew 612.9% year on year to 620 million yen, increasing the record-high sales considerably.

The company plans to open the second store in Osaka this fall.

② Limited-time-only collaboration between AVIREX and Top Gun: Maverick

AVIREX, which served as a costume director for the movie Top Gun, sold special collaborative items with Top Gun: Maverick via directly managed stores of AVIREX and the Internet.

③ Increase of fans of the HUF brand

In April 2022, X Games, which is an international event of extreme sports, was held in Japan for the first time, and HUF participated in it as a silver sponsor. The company collaborated in providing staff and athletes with uniforms and other wear, and supported the event with official goods sold at the venue, etc.

3. Fashion capital

They offer services to keep up with trends and changes.

To have flexibility to keep changing swiftly, help customers become what they want to be, and link happiness

◎ Measures and activities

① In parallel with the recovery of performance of real stores, EC sales were healthy.

While the number of customers visiting real stores dropped during the coronavirus pandemic, the company concentrated on the distribution of information via social media and put importance on the connections with customers.

By mutually introducing EC and real stores to their customers, the company increased sales from real stores and EC sales 158.8% and 110.4%, respectively, year on year.

② A new collection of Apuweiser-riche

When the company announced a new collection for the spring of 2022, featuring Ms. Erika Ikuta, a former member of Nogizaka 46, as a model, it reeled in customers significantly, and sales increased 123.0% year on year.

③ LE PHIL performed well, and its sales grew about 10 times in 3 years after its debut.

LE PHIL debuted in the spring/summer season of 2019 as a luxury brand for adult women who seek a bit stronger sense of satisfaction. Mainly the sales from EC expanded, and this term, sales are still healthy, increasing 208.8% year on year.

It currently has only two shops in Shinjuku and Yokohama, but the company is planning to actively open new shops mainly in three major urban areas as a subject brand of group-wide promotion.

4. Digital generation

To develop contents for attracting the next generation.

To foster sympathy and enthusiasm with tangible and intangible unlimited contents

◎ Measures and activities

① ETRÉ TOKYO 5th ANNIVERSARY

Commemorating the 5th anniversary, the company released the core product lineup É BY ETRÉ TOKYO, re-released the popular products in the past, and held various present campaigns.

② ROSE BUD × FASHION DANCE NIGHT 2022

FASHIONDANCE NIGHT was held as an event for expressing the worldview of each brand with a dance.

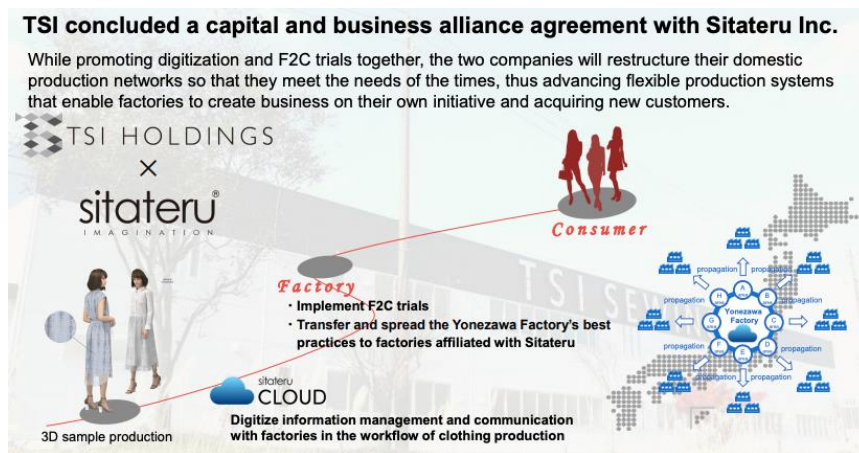
ROSE BUD showed coordinates with a short camouflage blouson, which is trendy this year, and exotic grunge styling.

③ hueLe Museum art Labo

In GINZA SIX (Chuo-ku, Tokyo), the company opened hueLe Museum artLabo for a limited period of time, displayed and sold artworks, and handled collaborative items.

④ Conclusion of a contract for capital and business alliances with sitateru Inc.

In July 2022, the company concluded a contract for capital and business alliances with sitateru Inc., which is headquartered in Kumamoto-shi, Kumamoto Prefecture and operates a clothing production platform for solving social issues in the clothing and lifestyle industries, and decided to underwrite the third-party allocation of shares conducted by sitateru Inc.



(Taken from the reference material of the company)

(Outline of sitateru Inc.)

Established in March 2014. They established a network of users (creators) and suppliers in a wide range of categories, to support them in processes, including planning, production, and sale, and also have a track record of DtoC support for directly connecting makers and consumers.

(Background for the capital and business alliances)

TSI considers the creation of fashion entertainment combining digital technology and fashion as one of its business domains in its midterm management plan “TSI Innovation Program 2025” as mentioned above. The company arduously engages in the DtoC business, which is a next-generation fashion business model, and the FtoC business, which directly connects sewing factories and consumers.

In detail, the company was thinking of offering FtoC services, which would directly connect two sewing factories owned by the subsidiary TSI Sawing in Yonezawa and Miyazaki, and consumers.

While the two companies will promote digitalization and FtoC trial, TSI will redevelop a domestic production network suited for the present age and establish a flexible production system in which factories can proactively create businesses. Considering that it would be possible to attract new customer segments, they have decided to form a business tie-up and underwrite the third-party allocation of shares in order to cement the trusting relationship between the two companies and proceed with the business alliance smoothly.

(Details of the business alliance)

① Support for cloud services for small and medium-sized brands

sitateru handles a variety of products in small lots, is able to directly request suppliers in various genres to manufacture products, improve the swiftness of the DtoC business, and operate the systems for choosing suppliers that can satisfy the audit standards of TSI, and audit and manufacturing systems.

In the short term, they plan to support the production network focusing on DtoC brands and grow the digital business by utilizing the services.

② Establishment of a domestic sewing network by defining the sewing factory in Yonezawa as the core factory

In order to develop a domestic production base for flexibly coping with the yen depreciation and geopolitical risks and establish a FtoC business as a new business model, the company will develop a next-generation factory network linked with domestic factories of sitateru with Yonezawa Factory being the core factory and realize a production base that can tolerate the changes in the market environment and adapt to new business models.

③ Utilization of a new eco-friendly system

From the viewpoint of SDGs, too, the company will discuss the utilization of “citateru Cloud sales support,” which is the industry’s first made-to-order service that manages production, sale, and delivery in a one-stop manner, and aim to realize an environmentally friendly and highly efficient business model differing from conventional apparel businesses.

(Details of the capital alliance)

TSI will underwrite the third-party allocation of shares by citateru and acquire 5.2% of outstanding shares of citateru.

(2) Results for FY 2/2023

The results of each business domain are as follows.

	Sales	Ratio to total sales	Y/y
Wellness & Lifestyle	11,343	31.2%	+21.1%
Street & Culture	13,040	35.8%	+1.9%
Fashion Capital	8,148	22.4%	+24.7%
Digital Generation	3,880	10.7%	+4.9%

*Unit: million yen.

5. Fiscal Year ending February 2023 Earnings Forecasts

【5-1 Earnings forecast】

	FY 2/22	Ratio to sales	FY 2/23 Est.	Ratio to sales	YoY
Sales	140,382	100.0%	157,350	100.0%	+12.1%
Gross profit	76,826	54.7%	88,050	56.0%	+14.6%
SG&A	72,386	51.6%	86,550	55.0%	+19.6%
Operating income	4,440	3.2%	1,500	1.0%	-66.2%
Ordinary income	5,834	4.2%	2,400	1.5%	-58.9%
Net income	1,022	0.7%	1,500	1.0%	+46.7%

*Unit: million yen. This forecast was made by the company. The revenue recognition standards have been applied from FY 2/2023. The gross profit in FY 2/2023 was calculated by Investment Bridge with reference to the material of the company.

Sales are expected to grow, but profit is forecast to decline.

Sales are expected to be 157.3 billion yen, up 12.1% year on year. According to the former accounting standards, sales are projected to grow 6.3%.

Operating income is forecast to drop 66.2% to 1.5 billion yen. SGA is projected to augment, due to the skyrocketing of costs caused by exchange rates and expenses for relocating the headquarters. However, when considering the reduction of rents through the relocation of the headquarters and temporary expenses, the company forecasts that real operating income will be about 3.2 billion yen.

The company plans to pay a dividend of 7.00 yen/share, up 2.00 yen/share from the previous term. The expected payout ratio is 42.2%.

(Regarding the relocation of the headquarters)

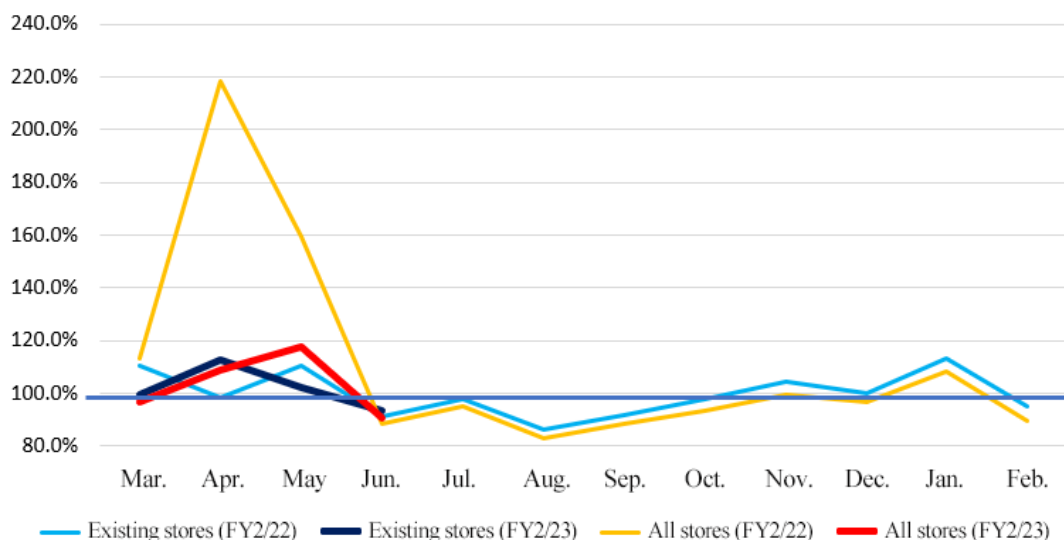
The company plans to relocate its offices in September 2022, as promoted in the structural reform program TIP 24.

They will integrate 24 offices into 9 offices. While reducing the total floor area of their offices, they will reform workstyles, and promote telework, to decrease the ratio of employees commuting to their office to 65%.

It would reduce the annual cost for rents by 700-million-yen (30%) year on year.

【5-2 Monthly sales】

All • Existing stores sales (year-on-year)



* Made by Investment Bridge from the reference material of the company

6. Interview with the President Shimoji

We asked President Tsuyoshi Shimoji about his mission as president, the company's competitive advantages, the key points of the company's medium-term management plan TIP25, and his message to shareholders and investors.

Q: "You were appointed as President in March 2021 under the severe environment caused by the COVID-19 pandemic. Please tell us about your thoughts about your mission and role in this company."

At the time of my appointment as president, I believed I had two missions.

One is business restructuring. After a sharp decline in profit in February 2020, our company experienced an operating loss in FY 2/2021, but even in FY 2/2019 before the COVID-19 pandemic, operating income margin was less than 2%. We will take an inventory count of our business, clarify the problems we are facing, and revitalize the entire group by cleaning and organizing it. To achieve sustainable growth, I believe it is necessary to maintain a double-digit operating income margin. Therefore, I consider that strengthening profitability is my biggest challenge.

I think that my other role is to create exciting, fun, and interesting fashion for our customers.

The clothing industry is changing considerably, so we need to be an organization with a good footwork.

Our company's sales are well over 100 billion yen, and we have achieved a certain scale with high comprehensive strength. However, we recognized that we had some problems in terms of speed, so I thought it was necessary to spread this awareness throughout the company and put our measures into action.

One year later, I have recognized once again that our company is a highly capable group.

Although there are still many issues to be addressed, I believe that we have been able to take steady steps toward our new goals while promoting structural reforms.

Q: "Next, I would like to ask about your medium-term management plan, TIP 25. One of your policies is to express and embody the company's societal value and purpose. What are your thoughts on the purpose of your company?"

I have been involved in the clothing industry for nearly 40 years, and I believe that the conventional business model of mass-producing garments in quantities that are not demanded by the market while exerting a harmful impact on the environment and selling them at lower prices while competing with our competitors, which have now become homogenized, has reached its limit.

In order to increase sales, various ideas are brought forth and put into production, but there are always some products that are not selling. For a long time, I have believed that we should not generate any unsold stock, and I have been troubled with the disposal of said unsold stock. To put it extremely, I started wondering if I was taking all this trouble only to create garbage, and I realized that the world could no longer survive like this.

Amid this situation, the COVID-19 pandemic coincidentally spread throughout the world, bringing focus to the issues in various fields, and society as a whole has started seeking ways to reduce environmental impact.

I see this as a great opportunity because what I have been thinking about for a long time has finally received social recognition and the future trend has become clear.

Therefore, we decided to give up the common sense and conventional ideas of the clothing business and reinvent ourselves as a company that provides true value for people and the environment and a company that anyone can dream of, and we set a purpose "of producing global empathy and social value through the power of fashion entertainment."

We want to provide utility to society by creating a business model that reduces environmental impact and creating a world view which gives our customers vibrancy and dreams and produces empathy through the power of fashion entertainment that incorporates elements of playfulness along with fashion.

Q: "What are your thoughts on the annual sale events held by the clothing industry in terms of the reduction of environmental impact, and what will your plans be for the future?"

While a sale can be a fun time for customers to get what they want at a lower price, it can also be a disappointing period as the products you bought are sold at a huge discount.

Our entire company recognizes that we must respect the feelings of such customers.

Freshness is as important in the fashion industry as it is in the food industry. We will continue to make efforts to reduce the number of items on sale as much as possible so that customers will be able to see, buy, and sell fresh and vibrant products as soon as possible.

With sales of more than 100 billion yen and more than 50 brands, it is not easy for our company to do this. However, we are determined to take on the challenge in order to avoid damaging the value of the brands, while avoiding problems that may lead to "disposal" which I mentioned earlier.

Q: "Next, I would like to ask about your store strategy. You have been closing some stores to eliminate retail store over saturation. 95% of the domestic stores that were to be closed have been closed successfully, ending the phase of closing unprofitable stores, and now you will be entering the aggressive phase again. How are you planning to open stores while improving profitability?"

In the past, department stores and fashion buildings considered how many small-sized shops with an area of 50-65 square meters they could open on one floor, occupying more floor space than their competitors. It was a fight for how many of 10,000 customers we could convince purchasing from our brand.

In the case of women's clothing, we compete with other women's clothing companies on the same floor, but over time, the difference between us became less noticeable and played less of a factor in the increase of sales.

From now on, we are planning to open around 30 new large-scale stores in FY 2/2025 instead of shops with an area of 50-65 square meters.

Rather than focusing on categories such as women's clothing and men's clothing, our company aims to identify the unique characteristics of its highly valued brands, capitalize on their strengths, and recreate our stores to offer lifestyle suggestions in a way that matches the lifestyles and preferences of our customers.

Q: "What gives your company a competitive advantage?"

Our company is very good at discovering and nurturing categories and brands that fit with the times.

Over the past few years, the fields of leisure, wellness, outdoor and street have been performing well, partly due to the trends of outdoor-oriented and health-oriented activities associated with the COVID-19 pandemic.

In the case of our company, our networks in the U.S. and the U.K. discover such brands. Of course, other companies in the same industry are doing similar things, but if you look at the last 10 years, our company is probably the only one that has introduced new brands into its lineup and succeeded.

The foundation and experience to take risks as well as the know-how and track record to nurture brands give our company its competitive advantage.

In the case of our company, the sales in the women's clothing and department store channels, which have been driving the company's growth thus far, are significant, so the growth in outdoor and street sales, which I have just mentioned, are not noticeable from the company-wide perspective. However, if we take only these fields into account, we can see considerable growth, and I am confident that we can expect significant growth in the future.

Q: "In TIP 25, you have clearly defined growth areas for investment in fluid and diversified markets, values and needs, under "Investment in Growth Business Domains," and have set 4 business domains. Is this to show more clearly the growth potential in the leisure, wellness, outdoor and street areas you mentioned?"

That is correct.

We will first put together the domains of respective business companies, and then define and operate 4 divisions.

In order to improve efficiency and concentrate and strengthen resources, our subsidiaries that were involved in similar zones were also consolidated. In FY 2/2021, 38 subsidiaries and 2 equity-method affiliates were consolidated. In FY 2/2022, 28 subsidiaries and 1 equity-method affiliate were consolidated. We will be continuing this consolidation in the future.

Once the domain has been established, we will stimulate the communication between personnel.

For example, if a designer in their 40s had been targeting the market for people in their 20s, but now wants to work in a more relaxed field, they can leverage their human resources more developmentally, for example, by transferring the designer to the section for a higher brand.

We would like to further clarify, define, and polish our brands and domains for developmentally evolving the roles of individuals rather than simply organizing them for efficiency and rationalization.

Q: "In the area of digital fashion, you have said that you will work on building FtoC systems. The alliance with sitateru Inc. is part of this, but what is your company's advantage in the FtoC field?"

I believe that the age of personal orders will arrive sooner than expected.

If an individual chooses his/her favorite clothes among a huge amount of design data and orders them online, he/she will receive the ordered clothes in the correct size within 10 days to two weeks.

This will be done not only in Japan, but also on a global scale. As we move toward an era like this, our company, which operates two small-scale factories in Yonezawa and Miyazaki with their own superior sewing technology, has significant advantages over other companies in terms of speed, cost, and quality, which we will be leveraging aggressively within in this field.

In addition, from the viewpoint of reducing environmental burdens, factories with designers and engineers are essential for upcycling* unsold products, which are inevitably generated. In this respect, too, our company can display its advantage as a factory owner.

*Upcycle

Reusing and adding new value to products that would otherwise be discarded. It can be considered an upgrade of the product because the added value of a design or idea is expected to extend the life of the product. While recycling involves taking usable materials from waste products and reusing them as raw materials, upcycling does not turn them into raw materials, but continues to make use of the raw materials of the original product.

Q: "In terms of pursuing future growth, strengthening human capital will be an important initiative for your company. What are your thoughts on this?"

I feel that the education for human resources is still insufficient.

Firstly, the selling power of stores varies among operating companies, so it is necessary to raise it to a certain level throughout the company.

We also need to further train the digital skills of sales personnel. Up until now, education has been focused mainly on improving customer loyalty. However, in order to become a fashion entertainment company, we must develop educational methods whose purpose and means are in line with the times, such as the utilization of social media. If this education eventually bears fruit, I believe it will naturally lead to an increase in loyalty.

Q: "You have said you will invest 30 billion yen in TIP 25. What kind of areas will you be focusing this investment in?"

One of the areas we will invest in is education to strengthen human capital, which I mentioned earlier.

And then we will be investing in digitization. We will aim to create the highest-level system in Japan so that 3D sewing for FtoC, etc. can be performed smoothly.

From a digital perspective, we need to invest not only in manufacturing systems, but also in the storage and accumulation of data to create products with high quality, and a sense of speed and entertainment.

M&A and alliances are also being considered as investments to realize our company's worldview.

Q: "We heard that you are planning to start an agri-tech business to grow organic cotton in FY 2/2023. Could you tell us more about it?"

We are currently working with a research team at a university in Japan to improve the soil so that cotton can be grown without using pesticides, and at the same time, we are trying to increase the yield by controlling the growth of mold, which is a major obstacle to growing cotton.

Usually, harvest rate is about 40% due to mold and insect damage, but we want to increase this to 80%.

Ultimately, in terms of vast land and abundant water resources, we are planning to start production overseas and get it off the ground in three to five years.

In addition, through open innovation with research institutions, we hope to develop new fibers from natural sources that are still not in use.

Q: "To realize the vision set forth in TIP 25, it is essential to raise and spread awareness throughout the company. What kind of message are you, as president, sending to your employees?"

First, I want employees to deepen their understanding of TIP 25 and move forward with a unified company-wide perspective. Specifically, discussions are frequently held within each department and group. I believe that by thoroughly discussing what all employees are aiming for and why they are aiming for it, we can achieve a deeper understanding, and we plan to continue these thorough discussions.

Q: "Finally, what is your message to your shareholders and investors?"

The TSI Group is currently restructuring its organization.

Through this restructuring, we hope to transform ourselves into a "fashion entertainment company" and bring vibrancy to everyone by offering an interesting world that cannot be imitated by other companies, with a focus on fashion, but without sticking to fashion.

The business model of the clothing industry has reached its limits.

We have a strong awareness of environmental issues and will take on the challenge of building new systems and models unique to the TSI Group.

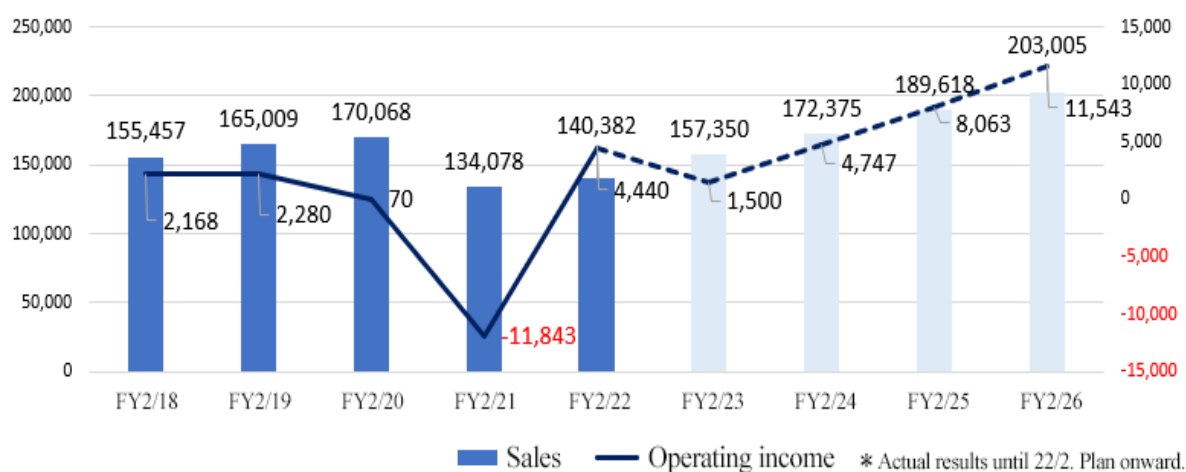
All of us will work together to expand earnings and resolve social issues, so I hope that you will support our company from a medium/long-term perspective.

7. Conclusions

Not only TSI Holdings, but also other companies in the apparel industry were affected significantly by COVID-19. It seems that the sales of the company have finally bottomed out, but we have to wait until the next term or longer for the recovery to the pre-pandemic level.

However, the leisure, wellness, outdoor, and street wear domains are growing considerably, as people became interested in outdoor activities and health promotion amid the coronavirus pandemic. In "TIP 25," "Wellness & Lifestyle" is forecast to earn the largest sales among 4 domains, and CAGR is expected to be 13.2%, driving the growth of the company significantly. We would like to pay attention to the progress of their initiatives for transforming into a "fashion entertainment enterprise."

Transition of the sales and operating income (Unit: million yen)



<Reference: Regarding Corporate Governance>

◎ Organization type, and the composition of directors and auditors

Organization type	Company with company auditors
Directors	7 directors, including 3 external ones (including 3 independent executives)
Auditors	4 auditors, including 2 external ones (including 2 independent executives)

◎ Corporate Governance Report

The latest update: May 31, 2022

<Basic concept>

The Company seeks to enhance its internal control, including rigorous compliance with laws and regulations and risk management, and develop a structure that enables decision-making that is highly sound, transparent, and swift in order to build a business operation system befitting a fashion and apparel company engaged in business globally, under the corporate philosophy that “we create value that lights up people’s hearts through fashion and share the happiness of living tomorrow together with society.” Through these initiatives, we will make efforts to keep our corporate value growing, which is our basic business policy, to enhance our corporate governance further while building good relationships with our stakeholders.

<Reasons for not following the principles of the Corporate Governance Code (excerpt)>

[Principle 1-4. Strategic shareholding]

To run our operations smoothly and maintain and improve our business relationships, the Company strategically holds shares that would contribute to the enhancement of our corporate value after comprehensively considering the medium/long-term economic rationality and future prospects.

The appropriateness of strategic shareholding will be periodically examined and reported to the Board of Directors. For shares whose effects are fading, we will reduce the number of shares held after taking into consideration the situation of the target companies, such as dividends.

When exercising voting rights, the Company comprehensively decides to vote in favor or against each of the proposals based on whether it is consistent with the purpose of strategic shareholding and whether it contributes to the maintenance and improvement of the corporate value of the target company and the shareholder value.

[Principle 3-1. Enhancement of information disclosure]

[Supplementary Principle 3-1-3]

For the Company’s sustainability efforts and investments in human capital and intellectual property, please check the section titled “Disclosure Based on the Principles of the Corporate Governance Code.”

Regarding the impact of climate change-related risks and revenue earning opportunities on our business activities and earnings, the Company will reduce CO₂ emissions across the value chain for achieving carbon neutrality by 2050. To this end, we will gather and analyze necessary data, and lay down a roadmap to visualize and reduce CO₂ emissions in Scope 3 by the end of February 2023.

<Disclosure based on the principles of the Corporate Governance Code (excerpt)>

[Principle 2-3. Issues related to sustainability, mainly social and environmental issues]

[Supplementary Principle 2-3-1]

[Principle 3-1.-Enhancement of information disclosure]

[Supplementary Principle 3-1-3]

[Principle 4-2. Roles and responsibilities of the Board of Directors (2)]

[Supplementary Principle 4-2-2]

(1) The Company's Sustainability Efforts

The Company released the sustainability statement, "Creating a Sustainable Future with Fashion Entertainment: Beautiful Planet Earth, Radiant Society, and Happy Life," and set up material issues and key goal indicators (KGIs) as the foundation for generating sustainable happiness in the long term through its business activities.

We set up the SDGs Promotion Office in September 2021 to promote sustainability activities while proactively working to build in-house systems and raise the awareness of employees.

For reports on specific activities, please see SUSTAINABILITY STORY BOOK.

https://www.tsi-holdings.com/pdf/TSI_SUSTAINABILITY_20220418_FIX_ENG_REV3.pdf

(2) Investment in human capital and intellectual property, etc.

(i) Investment in human capital

People are the source of value in our business activities and our greatest asset.

By setting diversity, employee wellbeing, health and safety, and fair labor conditions as part of our essential material issues, we will strive to improve the environment to enable all staff working together to thrive happily both physically and mentally. Furthermore, to deal with the era of change, the Company will invest in employee education, training, and development. We will establish programs through which employees acquire needed skills, by enhancing job rotations, training schemes, and self-learning systems to develop a multi-skilled workforce.

(ii) Investment in intellectual property

For the Company, which operates a brand business, intellectual property, mainly trademark rights and copyrights, is crucial for business administration. Intellectual property constitutes the foundation of creative value to be delivered to customers as we seek to achieve the goal of "Creating worldwide sympathy and social value with the power of fashion entertainment," which was established as the purpose of the medium-term management plan "TSI Innovation Program 2025 (TIP 25)."

We will not only develop superior designs and brands, but also proactively invest in expertise, such as business models and communication design know-how, to deliver a customer experience that exceeds their expectations.

[Principle 2-4. Ensuring diversity within the Company by promoting the active participation of women, etc.]

[Supplementary Principle 2-4-1]

(1) Ensuring diversity

The TSI Group will create a diverse environment where anyone can thrive by actively promoting initiatives to realize diversity and flexibility in work and life for all in a manner that suits each one of them.

(2) Voluntary and measurable goals for ensuring diversity, and their statuses

(i) Promotion of women to managerial positions

While female employees accounted for 27.0% of the total number of managers at the Company at the end of February 2022, we have set a goal of raising the ratio to 40% by the end of February 2025.

(ii) Promotion of employees of foreign nationalities to managerial positions

Although we have yet to set any goal for promoting employees of foreign nationalities to managerial positions, we will continue to review this subject internally.

(iii) Voluntary and measurable goals for the promotion of mid-career hire employees to managerial positions and their status

There are no goals for the promotion of mid-career employees to managerial positions. Still, we have established diverse work systems (a flextime system, a reduced working hours system, and a second job system) and various training programs to accommodate individuality within the TSI Group which brings together companies with different organizational climates and cultures. We operate our personnel system appropriately while introducing internal recruitment and job rotation schemes and flexibly accepting diversity in work duties, job category, and work experience.

(3) Human resources development and in-house environment improvement policies to ensure diversity, and their statuses

(i) Human resources development policy to ensure diversity

To ensure diversity in promoting core personnel, we evaluate and promote employees solely based on their skills regardless of gender, age, and nationality.

Moreover, in addition to hiring new graduates, we actively hire highly skilled mid-career professionals, including those from other industries. As for promoting female employees to managerial positions, we will proactively work to raise further the ratio of female employees in managerial positions, which is already over 25% of all managers in the Group.

Moreover, while more than 100 foreign national employees already work for the Group as a whole, mainly at overseas subsidiaries, we intend to avidly conduct recruitment activities to further secure highly skilled professionals as we focus on expanding the overseas business in the coming years.

(ii) Improving the environment to enable diverse employees to thrive further

To allow diverse employees to exert their skills fully in accordance with their own lifestyles, the TSI Group takes measures, such as applying flexible work hours and work formats, revising pay levels, and easing the burden of shop work clothes, among other employee welfare matters, and it will continue to improve its measures in the future.

(iii) Promotion of diversity and inclusion

We aim to enable each of our employees of different backgrounds varying in gender, age, nationality, and physical and mental conditions to thrive according to their characteristics, skills, and conditions. Thus, we will work to reform awareness of all our employees to create a culture that respects diversity and an environment where diverse employees can grow, be motivated, and thrive.

(iv) Status of efforts to ensure diversity

The following efforts are in progress to ensure diversity in accordance with employees' characteristics.

◎ Active participation of women

While female managers accounted for 27.0% of all managers at the Group at the end of February 2022, we set a goal of raising the ratio to 40% by the end of February 2025, and we will recruit and promote employees while taking into consideration raising the ratio of female managers within the highly senior positions.

◎ Further employment of workers of foreign nationalities

Employment of workers of foreign nationalities by the Group has been growing year after year, and we are now in the process of employing workers of foreign nationalities in a more planned manner.

◎ Utilization of elderly professionals equipped with experience and past achievements

The Group is working to proactively employ personnel up to age 65 and continues to recruit and promote employees irrespective of age. Thus, it has an increasing number of employees aged 65 or above.

◎ Empowerment of people with disabilities

To date, the Group, mainly its special subsidiary companies, has avidly empowered people with disabilities. Its employees with disabilities accounted for 2.39% of the total workforce at the end of February 2022. From now on, we will seek to generate work satisfaction for them in ways more directly linked to operations.

◎ Promotion of understanding of LGBT

To date, the Group has had a culture with a high level of understanding of LGBT, different surnames for married couples, and common-law marriage and is now in the process of eliminating gender-based discrimination by comprehensively reviewing and amending various packages, such as the congratulatory/condolence cash gift rules (including wedding congratulation cash gifts).

Moreover, the Group is working on the following initiatives that focus not only on employee characteristics, but also on workstyle diversity.

◎ Developing diverse workstyle systems such as reduced working hours and remote work

The Group has developed rules and systems to realize more diverse work styles than before. These include developing work systems such as reduced working hours ranging from 30 minutes to four hours, a staggered working hours system that allows employees to start working at any time from 8:00 to 13:00, a flextime system, and lifting the ban on second jobs as well as providing subsidies for telework environment maintenance. In addition, we are working on reviewing and amending these systems and establishing new ones.

◎ Creation of a work environment and systems that accommodate pregnancy, giving birth, and child-rearing

We increase the ratio of employees taking childcare leave to 98.1% and the ratio of employees who have resumed work after childcare leave to 93.2% through the above-mentioned reduced working hour system that allows employees to work from 30 minutes and up to four hours, helpful measures including offering the reduced working hours system for workers taking care of children until the child graduates from elementary school, and thorough communication when employees return to work. We are constantly making improvements to maintain and promote these conditions.

◎ Creating a system for balancing nursing care and work

We work to address work restrictions due to nursing care, hospital visits, and treatment as they will likely grow in the future, including providing flexible hospital visit leave, in which the maximum number of days of nursing care leave, which is currently 93 under applicable laws, will be extended to 365.

[Principle 5-1. Policy for constructive dialogue with shareholders]

As a policy regarding system development and initiatives to promote a constructive dialogue with shareholders, the Representative Director overseeing investor relations, general affairs, and finance will be responsible for the overall dialogues with shareholders and will cooperate actively with relevant internal divisions that assist the dialogue by exchanging information properly. To promote a constructive dialogue with shareholders, we will not only arrange for opportunities to have one-on-one meetings, but also hold briefing meetings. Furthermore, as a means of managing important matters in dialogue with shareholders, we will work to prevent the leakage of insider information by ensuring that the internal information and insider trading management rules are well known and thoroughly enforced.

【Principle 5-2. Establishing and Disclosing Business Strategies and Business Plans】

Upon identifying its capital cost, the Company establishes its business strategy and presents and explains its outline at the general shareholder meetings and the financial results briefing meetings. To achieve our strategy, we regard various measures such as capital investments as a crucial factor in the decision-making process.

[Supplementary Principle 5.2.1]

In the medium-term management plan, TSI Innovation Program 2025 (TIP25), we have disclosed the entire program, including the basic policy on the business portfolio.

(Medium-Term Management Plan: TSI Innovation Program 2025

https://www.tsi-holdings.com/pdf/220414_Medium-term_management_plan2025.pdf

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