

 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 Akasaka Minato-ku, Tokyo
Year-end	February
Homepage	<a href="https://www.tsi-holdings.com/">https://www.tsi-holdings.com/</a>

## Stock Information

Share Price	Share Outstanding	Total Market Cap.	ROE (Act.)	Trading Unit	
¥ 777	90,144,093 shares	¥ 70,041 million	3.1%	100shares	
DPS (Est.)	Dividend Yield (Est.)	EPS (Est.)	PER (Est.)	BPS (Act.)	PBR (Act.)
¥ 15.00	1.9%	¥ 41.54	18.7x	¥ 1,168.69	0.7x

\*The share price is the closing price on October 18. Share Outstanding, DPS and EPS are from the second quarter of the financial results for the FY24/2. ROE and BPS are actual results for the previous term.

## Earnings Trends

Fiscal Year	Sales	Operating Income	Ordinary Income	Net Income	EPS	DPS
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 Act.	154,456	2,329	3,859	3,063	35.21	10.00
Feb. 2024 Est.	162,000	4,700	5,500	3,500	41.54	15.00

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

This report provides the overview of TSI Holdings Co., Ltd.'s financial results for the second quarter of the fiscal year ending February 2024.

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## Key Points

- TSI Holdings is an apparel enterprise operating over 50 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 create empathy and social value in the world through the power of fashion entertainment.
- In the second quarter of the term ending February 2024, sales increased 1.7% year on year to 73.2 billion yen. Overall domestic sales increased due to strong performance in real stores, but EC (e-commerce) sales were sluggish. Overseas EC sales, too, declined. Operating income dropped 9.6% year on year to 0.5 billion yen. Gross profit rose only 0.3% year on year due to depreciation of the yen and soaring raw material prices, as well as increased discounting and valuation losses due to inventory growth. They made the augmentation of SG&A expenses slight, but failed to offset it. Sales and operating income fell short of the forecasts.
- There are no changes to the earnings forecast. For the term ending February 2024, sales are expected to increase 4.9% year on year to 162 billion yen, and operating income is projected to rise 101.8% year on year to 4.7 billion yen. Although the operating income in the first half fell short of the forecast, the company aims to achieve the budget target through improvement measures in the second half, including “focused investment in strong businesses,” “sales expansion by strengthening e-commerce,” “control of remaining inventory of fall/winter merchandise,” and “control of SG&A expenses.”
- The company plans to pay a dividend of 15.00 yen/share, up 5.00 yen per share from the previous fiscal year. The expected dividend payout ratio is 36.1%. The acquisition of treasury shares was finished in September 2023, and the 3.06 million treasury shares acquired were retired at the end of October. As part of a capital policy aimed at enhancing shareholder returns and improving capital efficiency, the company has announced an additional share buyback “buyback amount of 5 billion yen (the largest ever for a half year)” (from October 2023 to the end of March 2024).
- The company, currently with a PBR (Price to Book Ratio) below 1, has disclosed its current situation, policy, and goals in response to the Tokyo Stock Exchange's March 2023 publication titled “Measures to Realize Management with Awareness of Capital Cost and Stock Price.” Identifying low ROE (Return on Equity) as the cause of the low PBR, the company aims to control its current cost of shareholders' equity while achieving an ROE that exceeds these costs and expanding the equity spread, thereby aiming to realize a PBR of 1. To achieve this, the company is focusing on improving profitability, enhancing shareholder returns, and optimizing assets through the reduction of non-operational assets. The company has set targets of “an operating income margin of 5.0% or higher,” “an ROE of 8.0% or higher,” and “a PBR of over 1.” Specific measures are being considered in terms of business operations, financial capital, and non-financial information, and are scheduled to be disclosed in April 2024.

- **The progress rate toward the full-year forecast remains low, being 45.2% for sales and being 11.3% for operating income. The company aims to achieve its budget targets through improvement measures in the second half such as “focused investment in strong businesses,” “sales expansion by strengthening e-commerce,” “control of remaining inventory of fall/winter merchandise,” and “control of SG&A expenses,” but first, we would like to focus on the results of these measures in the third quarter.**
- **While the company's stock price has surged to roughly a twofold increase since the beginning of this year, PBR is still well below 1. Although we will have to wait until April 2024 for specific measures to achieve the indicators, we look forward to seeing what measures they will implement as well as whether they will be able to achieve the forecast for this fiscal year.**

## 1. Company Overview

TSI Holdings is an apparel enterprise operating over 50 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.

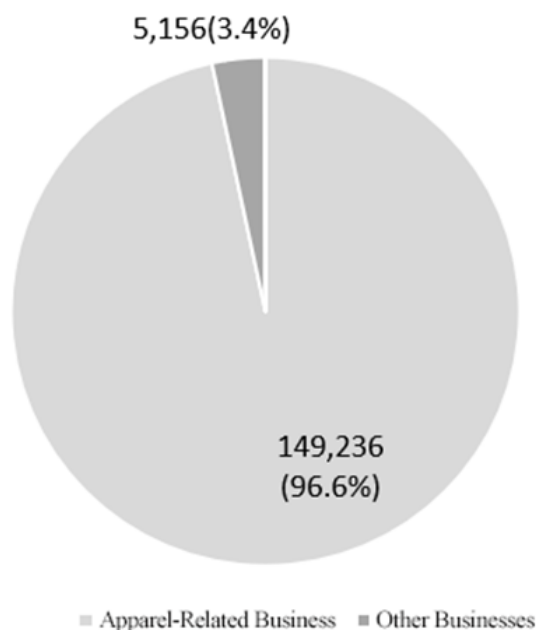
Corporate philosophy	We create value that shines the hearts of people through fashion and share the happiness of living tomorrow together with society.
Vision	We aim to become the world’s most beloved global group through the best and a step- ahead-of-the-times creation and lifestyle proposal.
Purpose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

### 【1-3 Business description】

The TSI Group is composed of TSI Holdings, which is a holding company, 27 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.


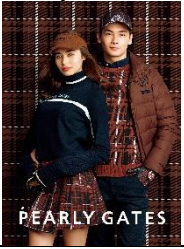
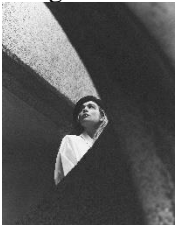
Sales composition by segment (FY2/23 Unit: million yen)



© Brands



Currently, they operate over 50 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%.

© Outline of major brands

Brand	Targets	Concept
 <p>Nano Universe</p>	Women and men	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>Pearly Gates</p>	Women and men	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>Margaret Howell</p>	Women and men	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.

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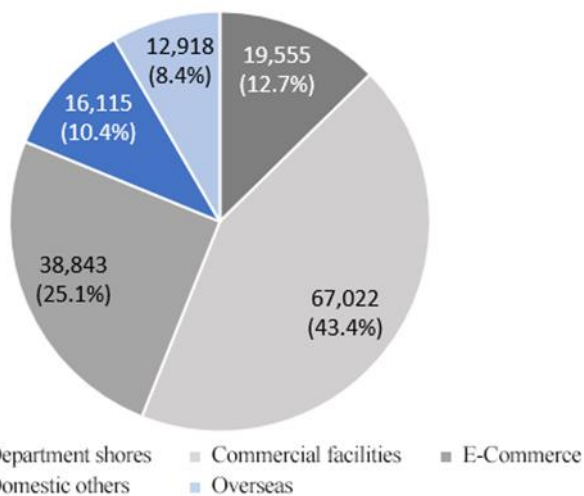


<p>Natural Beauty Basic</p> 	<p>Women</p>	<p>With the keyword: "Comfortable," it proposes the enrichment of lifestyles of those who wear its clothes to a broad range of customers.</p>
<p>HUF</p> 	<p>Men</p>	<p>From the original brand of the store opened by the legendary skater Keith Hufnagel in 2002, "HUF" is now a lifestyle brand that develops not only apparel, but also footwear. Based on Keith's background in skating and street fashion, HUF's products, which incorporate a unique style and artistic sensibility into an American classic, have attracted attention in major fashion capitals around the world, including NY, LA, SF, Tokyo, and London.</p>

◎ Sales channels

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

Sales composition by channel (FY2/23 Unit: million yen)

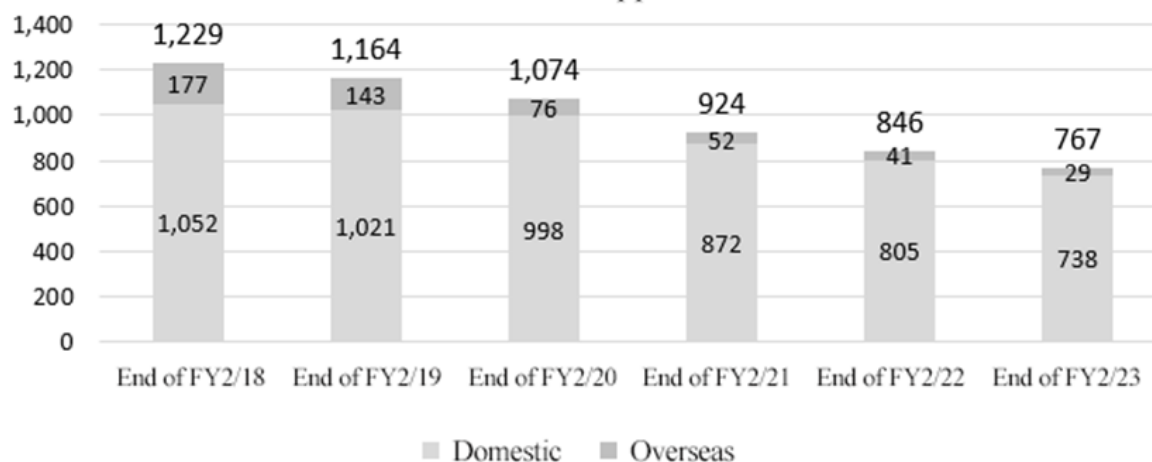


\* Fashion building, terminal building, outlet mall, etc.  
Others are other apparel business which offers sale to employee, wholesale, etc.

The number of real stores was 811 (included overseas) as of the end of FY 2/2023. Among them, 767 stores sell apparel. Although the company is closing unprofitable stores in line with business restructuring, as a "fashion entertainment company," the company believes that real stores remain important as bases for communicating the world view of brands and for entertaining and exciting customers, and will continue to develop stores centered on brands that are popular with customers while abolishing and building systems. By opening attractive shops in large-sized stores and prime locations, they will reform the revenue structure of the store business.

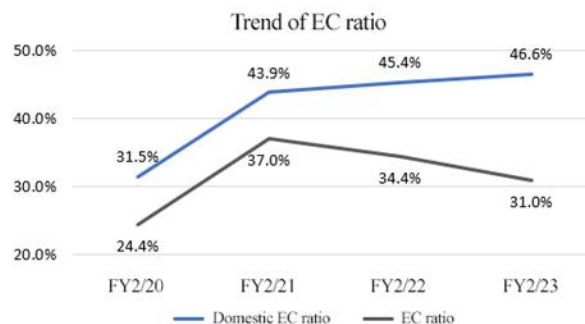
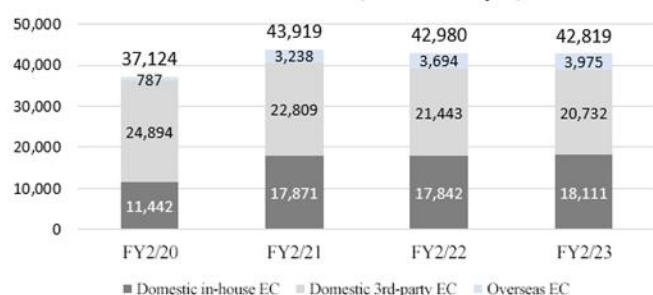
By FY 2/2025, they plan to open 100 shops (net increase: 35 shops). (43 stores opened and 121 stores closed in FY 2/2023)

Trend of apparel stores



The ratio of sales from their website to domestic EC sales has been increasing steadily, and high profitability is maintained. In FY 2/2021, EC ratio increased significantly due to the store closure caused by COVID-19.

Sales trend of EC (Unit: million yen)



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

#### 【1-4 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 “PEARLY GATES” earns one of the largest sales as a golfwear brand in Japan.

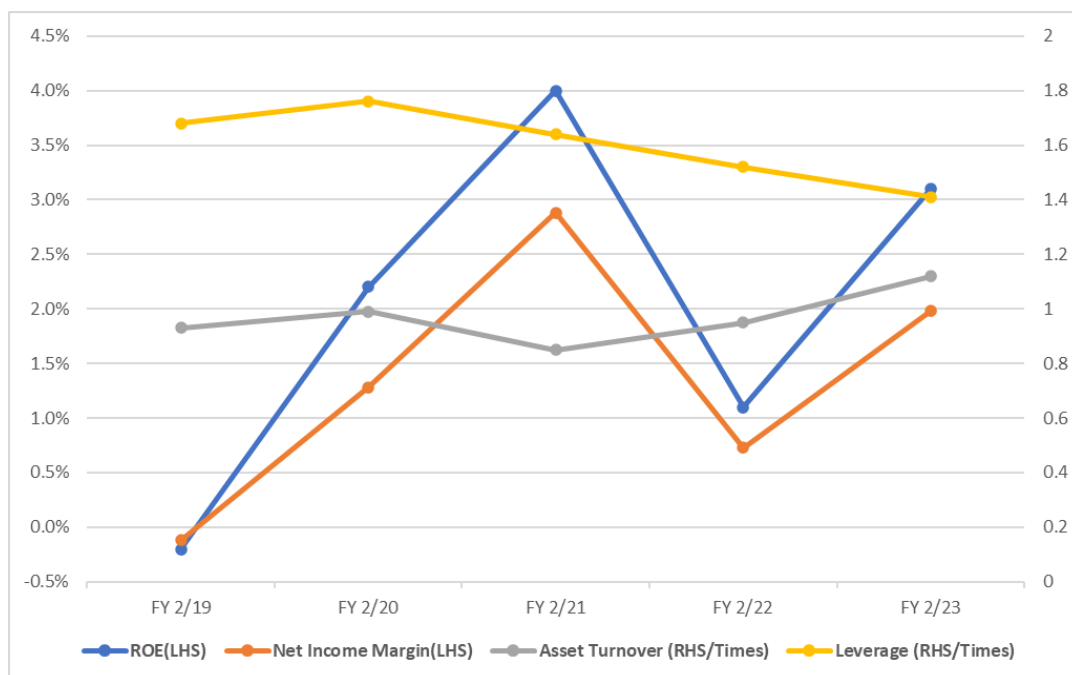
The company has achievement that found such brands through the networks in the U.S. and the U.K. etc. The number of companies that introduced a new brand and made it successful in the past 10 years like TSI Holdings is small.

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

#### 【1-5 ROE analysis】

	FY 2/18	FY 2/19	FY 2/20	FY 2/21	FY 2/22	FY2/23
<b>ROE (%)</b>	<b>2.9</b>	<b>-0.2</b>	<b>2.2</b>	<b>4.0</b>	<b>1.1</b>	<b>3.1</b>
Net income margin (%)	2.07	-0.12	1.28	2.88	0.73	1.98
Total asset turnover (times)	0.95	0.93	0.99	0.85	0.95	1.12
Leverage (times)	1.47	1.68	1.76	1.64	1.52	1.41

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\*Produced by Investment Bridge Co., Ltd. with reference to the material of TSI Holdings.

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.

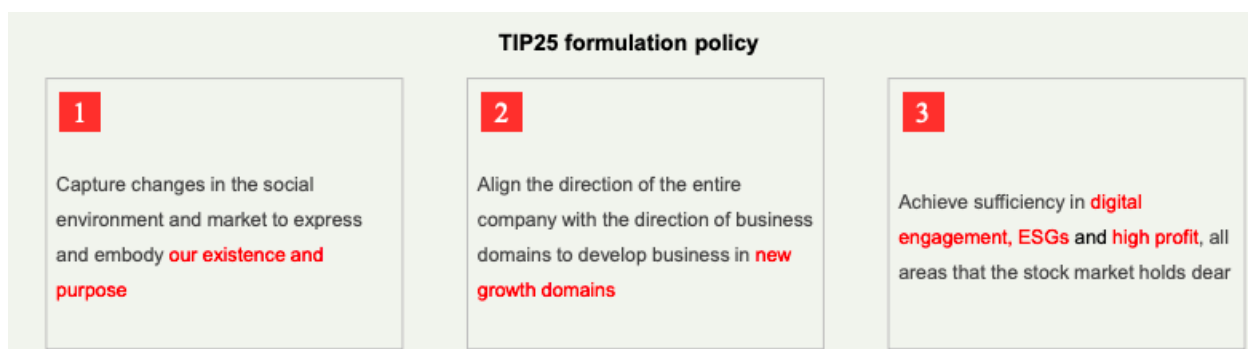
## 2. Medium-term management plan “TSI Innovation Program 2025”

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.

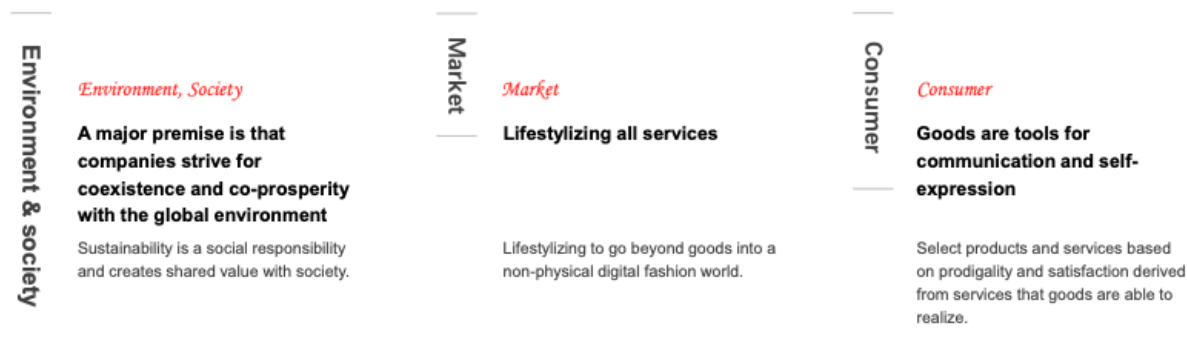
◎ **Determination**

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)

◎ **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】**

◎ **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.

The following three are primary measures for attaining the goals.

- |   |
|---|
| <p><b>1. To clearly define our growth areas and invest in them intensively</b></p> <p>To specify business domains(divisions) and actively invest in growth areas<br/>In particular, the company will increase sales from the wellness and street businesses in 3 years.<br/>To invest in digital generation while looking ahead to the future, and develop next-generation customer value</p> |
| <p><b>2. To aim to increase customers by pursuing entertainment</b></p> <p>To create fashion entertainment not limited to apparel<br/>To integrate the press rooms when integrating offices, and develop a media base<br/>To directly distribute a variety of contents to customers</p>   |



### **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 EC 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 completed in last 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.

We will 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 this end, the company will trigger business synergies with surrounding and different industries (not totally different ones) with its existing assets at its core, and create a new economic zone through investments, alliances, and M&A.

As an example, the company launched the agritech business, which cultivates organic cotton, in the term ending February 2023. In a joint project with the agricultural venture company SynCom Agritech, the first spun yarn was completed from cotton grown on an experimental basis in Tamil Nadu, India. The company is now moving forward with the commercialization of this yarn for its brand products.

In addition to it, they work on the creation of 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 defined four business domains(divisions), and reformed structures in order to operate business smoothly in each domain.

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

(Taken from the reference material of the company)

The brands for each domain are as follows.

<p><i>Wellness &amp; Lifestyle</i> <b>1</b></p> <p><b>Wellness &amp; Lifestyle Div.</b></p> <table border="0"> <tr><td>1. PEARLY GATES</td><td>10. MHL.</td></tr> <tr><td>2. PGG</td><td>11. Dice&amp;Dice</td></tr> <tr><td>3. MASTER BUNNY EDITION</td><td>12. SEVEN BY SEVEN</td></tr> <tr><td>4. Jack Bunny!!</td><td>13. quitan</td></tr> <tr><td>5. St ANDREWS</td><td>14. and wander</td></tr> <tr><td>6. PING</td><td>15. YLÈVE</td></tr> <tr><td>7. new balance golf</td><td>16. THE LIBRARY</td></tr> <tr><td>8. NBB WEEKEND</td><td>17. Laline</td></tr> <tr><td>9. MARGARET HOWELL</td><td>18. Urth Caffé</td></tr> </table>	1. PEARLY GATES	10. MHL.	2. PGG	11. Dice&Dice	3. MASTER BUNNY EDITION	12. SEVEN BY SEVEN	4. Jack Bunny!!	13. quitan	5. St ANDREWS	14. and wander	6. PING	15. YLÈVE	7. new balance golf	16. THE LIBRARY	8. NBB WEEKEND	17. Laline	9. MARGARET HOWELL	18. Urth Caffé	<p><i>Street &amp; Culture</i> <b>2</b></p> <p><b>Street &amp; Culture Div.</b></p> <table border="0"> <tr><td>1. STÜSSY</td><td>9. B'2nd</td></tr> <tr><td>2. HUF</td><td>10. BEAVER</td></tr> <tr><td>3. UNION</td><td>11. LHP</td></tr> <tr><td>4. BAIT</td><td>12. ROYAL FLASH</td></tr> <tr><td>5. FIGURE</td><td>13. GARDEN (善亦紅)</td></tr> <tr><td>6. Forget-me-nots</td><td>14. MANASTASH</td></tr> <tr><td>7. AVIREX</td><td>15. Resew</td></tr> <tr><td>8. Schott</td><td>16. NANO universe</td></tr> </table>	1. STÜSSY	9. B'2nd	2. HUF	10. BEAVER	3. UNION	11. LHP	4. BAIT	12. ROYAL FLASH	5. FIGURE	13. GARDEN (善亦紅)	6. Forget-me-nots	14. MANASTASH	7. AVIREX	15. Resew	8. Schott	16. NANO universe
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(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.

### ◎ Business division composition

“Wellness Business Division”

It is a group that operates business while forming communities in the fields of sports and fitness, not limited to the golf business.

“Lifestyle Business Division”

It is a group that creates new business designs that can offer experiences beyond conventional apparel, while maintaining the core of the established brand.

### ◎ 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.

### ◎ Business division composition

“Street & Culture Business Division”

It is a group that provides authentic wear and gears based on the culture of playing, disseminates cultures through the collaboration and combination of brands as a retailer that selects and deals in products of various brands, and creates customer value while forming communities by giving opportunities to experience events and encounter new brands.

### ◎ 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.

#### ◎ Business division composition

“Fashion Capital Business Division”

It is a group that focuses on highly sensitive apparel, redefines the roles of department stores, shopping centers, and e-commerce in order to promote customers’ engagement while responding to trends and changes, and maximizes the advantage of having real shops.

#### ◎ 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, status of customer support in stores and 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

#### ◎ Business division composition

“Digital Generation Business Division”

It is a group that creates systems and mechanisms for proposing diverse styles to and gaining support from the digital native generation (Generation Z), and flexibly adjusting to spur-of-the-moment purchase, and develops next-generation communities and trading zones.

#### ◎ 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, including new businesses such as ETRE TOKYO, MECRE, EC Cosmetics, F2C\* Brand, 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 of final fiscal year(\*)

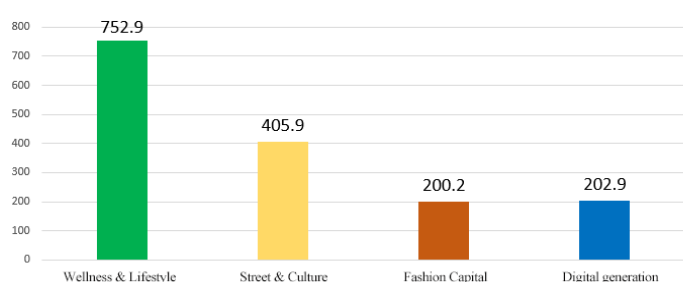
The numerical goals in each business domain are as follows.

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

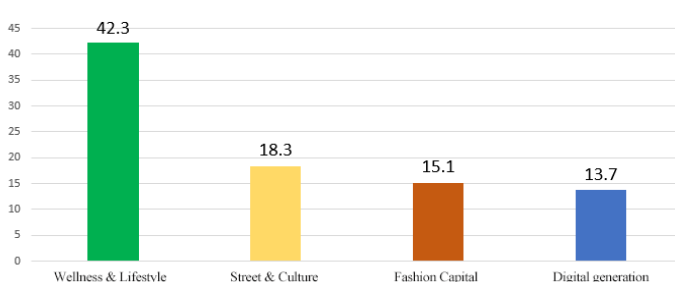
Unit: 100 million yen. CAGR is the compound annual growth rate for the period from FY 2/2022.

(\*) Please note that there is a possibility of fluctuation between divisions due to organizational or brand restructuring. Additionally, sales from other businesses are not included, so the total sales of the four divisions do not match the total consolidated sales.

TIP25 Final year target : Sales (Unit: hundred million)



TIP25 Final year target : Operating Income (Unit: hundred million)



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

(Taken from the reference material of the company)

## 3. Second quarter of the Fiscal year ending February 2024 Earnings Results

### 【3-1 Overview of business results】

	2Q of FY 2/23	Ratio to sales	2Q of FY 2/24	Ratio to sales	YoY	Ratio to forecast
Sales	72,087	100.0%	73,278	100.0%	+1.7%	-2.3%
Gross profit	40,735	56.5%	40,841	55.7%	+0.3%	-
SG&A	40,146	55.7%	40,308	55.0%	+0.4%	-
Operating income	588	0.8%	532	0.7%	-9.5%	-46.7%
Ordinary income	1,892	2.6%	1,608	2.2%	-15.0%	+14.9%
Quarterly net income	2,249	3.1%	1,472	2.0%	-34.5%	+47.2%

\*Unit: million yen.

### Sales grew, but profit dropped.

Sales increased 1.7% year on year to 73.2 billion yen. Overall domestic sales increased due to strong performance in real stores, but EC(e-commerce) sales were sluggish. Overseas EC sales, too, declined. Operating income dropped 9.5% year on year to 0.5 billion yen. Gross profit rose only 0.3% year on year due to depreciation of the yen and soaring raw material prices, as well as increased discounting and valuation losses due to inventory growth. They made the augmentation of SG&A expenses slight, but failed to offset it. Quarterly net income decreased 34.5% year on year to 1.4 billion yen. A gain on sales of investment securities of 500 million yen and an impairment loss of 80 million yen were recorded. Sales and operating income fell short of the forecasts.

## BRIDGE REPORT



## 【3-2 Trend in each channel】

	2Q of FY 2/22	2Q of FY 2/23	2Q of FY 2/24	YoY
Department stores	6,314	9,565	9,400	-1.7%
Non-department stores	27,359	31,375	32,933	+5.0%
Domestic EC	18,785	17,828	16,663	-6.5%
Other domestic channels	7,438	7,185	8,543	+18.9%
All domestic channels	59,896	65,955	67,541	+2.4%
Overseas	4,852	6,132	5,736	-6.4%
Total	64,751	72,087	73,278	+1.7%

\*Unit: million yen. For the second quarter of FY 2/22, accounting was based on the old revenue standards, while for the second quarters of FY 2/23 and FY 2/24, new revenue standards were applied.

\*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.

- \* Due to the impact of brands that were withdrawn in the previous term, department store sales decreased. However, non-department stores experienced growth, especially in streetwear brands, thanks to an increase in foot traffic and the recovery of inbound tourism. Despite closing 41 stores from the previous year, the combined sales of department and non-department stores increased 103.4% year on year.
- \* Domestic e-commerce, affected by brand withdrawals and discount control on other e-commerce platforms, saw improved profitability, but a decrease in sales.
- \* Outside Japan, while the business in Europe performed well, U.S. sales for the HUF brand stagnated due to the recoil from its 20<sup>th</sup> anniversary year and a decline in consumer demand caused by rapid inflation, leading to an overall decrease in sales.

## ◎EC Sales Trends

	2Q of FY 2/22	2Q of FY 2/23	2Q of FY 2/24	YoY
Domestic EC	18,785	17,828	16,663	-6.5%
In-house EC	8,993	8,731	7,845	-10.2%
Other	9,792	9,096	8,818	-3.1%
Overseas EC	1,603	1,942	1,793	-7.7%
Total amount for EC	20,388	19,771	18,457	-6.6%

\*Unit: million yen. For the second quarter of FY 2/22, accounting was based on the old revenue standards, while for the second quarters of FY 2/23 and FY 2/24, new revenue standards were applied.

Amid a decline in consumer confidence due to rising product prices and a shift to physical stores, the company faced challenges in expanding the stock of high-turnover products and creating new content, so e-commerce sales fell below the previous year's level.

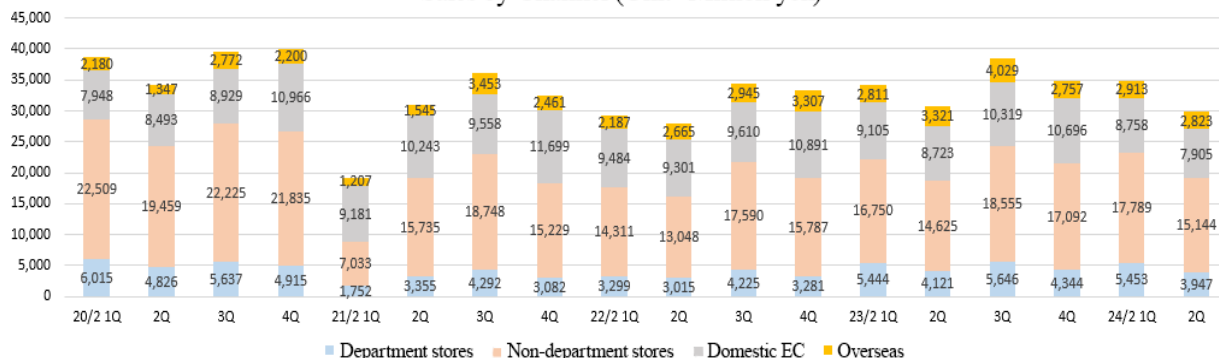
The company plans to implement a company-wide e-commerce strategy, aiming to attract new customers by creating new topics and maximizing e-commerce revenue.



BRIDGE REPORT



Sales by Channel (Unit : Million yen)



**【3-3 Number of Stores and Brand Overview】**

◎No. of stores

**The Number of Stores**

		1ST Half 2023 Ending Feb.	FY Ending Feb. 2023	Store Open	Store Close	1ST Half 2024 Ending Feb.	Y/Y Change	Q2/Q4 Change
Apparel	Domestic	774	738	+32	-37	733	-41	-5
	Overseas	40	29	+1	-	30	-10	1
	<b>Total</b>	<b>814</b>	<b>767</b>	<b>+33</b>	<b>-37</b>	<b>763</b>	<b>-51</b>	<b>-4</b>
Restaurant	Domestic	8	8	-	-	8	0	0
Cosmetics	Domestic	36	36	+1	-2	35	-1	-1
<b>Total</b>		<b>858</b>	<b>811</b>	<b>+34</b>	<b>-39</b>	<b>806</b>	<b>-52</b>	<b>-5</b>

(Taken from the reference material of the company)

The company continued to close apparel domestic stores.

◎Sales and gross profit margin of each brand

Brands Overview (Revenue recognition standards)	1ST Half 2023 Ending Feb.			1ST Half 2024 Ending Feb.			YoY	
	Sales	Composition Rate (%)	Gross Profit Ratio (%)	Sales	Composition Rate (%)	Gross Profit Ratio (%)	Sales (%)	Gross Profit Ratio (pt)
1. PEARLY GATES	8,369	11.6	63.3	7,941	10.8	58.4	94.9	-4.9pt
2. MARGARET HOWELL	5,978	8.3	65.3	6,705	9.2	66.0	112.2	+0.8pt
3. NANO universe	6,165	8.6	52.1	6,251	8.5	52.7	101.4	+0.7pt
4. NATURAL BEAUTY BASIC	5,377	7.5	63.0	5,594	7.6	64.1	104.0	+1.1pt
5. HUF	4,686	6.5	51.1	4,066	5.5	52.9	86.8	+1.9pt
6. AVIREX	2,805	3.9	65.3	3,321	4.5	58.3	118.4	-7.0pt
7. STUSSY	2,039	2.8	65.6	2,481	3.4	64.8	121.6	-0.8pt
8. new balance golf	2,196	3.0	51.7	2,429	3.3	48.2	110.6	-3.6pt
9. human woman	2,131	3.0	65.0	2,203	3.0	65.9	103.4	+0.9pt
10. Jack Bunnyll	1,630	2.3	47.1	1,647	2.2	47.0	101.0	-0.1pt
<b>TOP10</b>	<b>41,380</b>	<b>57.4</b>	<b>59.4</b>	<b>42,642</b>	<b>58.2</b>	<b>58.7</b>	<b>103.0</b>	<b>-0.8pt</b>
Other Brands	30,061	41.7	52.7	30,619	41.8	51.8	101.9	-0.9pt
Continuing Brands	71,442	99.1	56.6	73,262	100.0	55.8	102.5	-0.8pt
Closed Brands	645	0.9	49.5	16	0.0	89.9	2.5	+40.4pt
<b>TOTAL</b>	<b>72,087</b>	<b>100.0</b>	<b>56.5</b>	<b>73,278</b>	<b>100.0</b>	<b>55.8</b>	<b>101.7</b>	<b>-0.7pt</b>

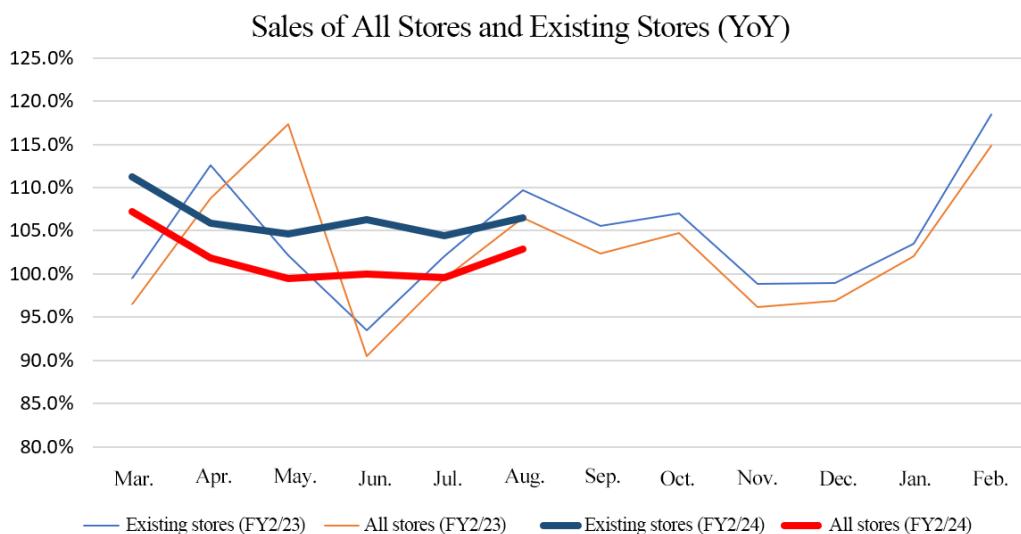
(Taken from the reference material of the company)

**BRIDGE REPORT**



- \* Among the top 10 brands in sales, 8 outperformed the results in the same period of the previous year. MARGARET HOWELL, AVIREX, and STUSSY continued their strong performance from the previous year, achieving double-digit growth.
- \* Regarding performance of brands other than major brands, there are struggles in specific channels, but the performance is generally good. Notably, high-end women's apparel businesses (such as LE PHIL and ADORE) and streetwear businesses (BAIT, BEAVER, etc.) made significant strides.
- \* PEARLY GATES:  
Sales were 94.9% of those in the same period of the previous year. While continuing to significantly exceed pre-pandemic levels, the sales growth has plateaued with the subsiding tailwind in the golf market during the pandemic. The company is focusing on inventory clearance while ensuring sales and profitability.
- \* MARGARET HOWELL:  
Sales were 112.2% of those in the same period of the previous year. Both real stores and e-commerce grew sales. MHL's casual line developed in Japan was particularly successful, achieving a significant 137.9% growth in e-commerce sales from the same period of the previous year.
- \* NANO universe:  
Sales were 101.4% of those in the same period of the previous year. Real stores recovered. While e-commerce sales decreased due to the suppression of excessive discount sales, profitability improved. The strategy is to grow sales while maintaining profitability through appropriate sales strategies.
- \* HUF:  
Sales were 86.8% of those in the same period of the previous year. While domestic performance was favorable, international sales struggled due to the recoil from the 20th-anniversary celebration, inflation, and challenging market conditions after the COVID pandemic. The company aims to recover by developing new categories.

**◎ Domestic Sales of All Stores and Existing Stores**



\*Produced by Investment Bridge Co., Ltd. with reference to the material of TSI Holdings.

**【3-4 Financial statement and cash flow】**

**◎Major BS**

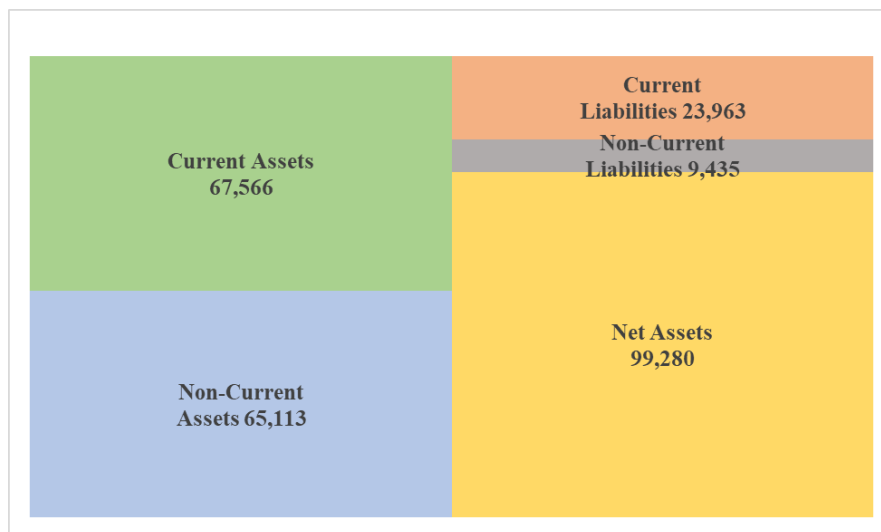
	End of Feb. 2023	End of Aug. 2023	Increase/decrease		End of Feb. 2023	End of Aug. 2023	Increase/decrease
Current assets	71,837	67,566	-4,271	Current liabilities	26,239	23,963	-2,276
Cash and deposits	32,205	24,660	-7,545	Trade payable	11,407	10,217	-1,190
Trade receivable	10,731	11,205	+474	Short term interest-bearing liabilities	4,754	4,203	-551

## BRIDGE REPORT



Inventory assets	24,679	27,792	+3,113	Non-current liabilities	10,309	9,435	-874
Non-current assets	63,589	65,113	+1,524	Long term interest-bearing liabilities	5,010	3,047	-1,963
Property, plant and equipment	6,136	6,746	+610	Total liabilities	36,549	33,399	-3,150
Intangible assets	8,946	8,373	-573	Net assets	98,878	99,280	+402
Investments and other assets	48,506	49,993	+1,487	Retained earnings	56,052	56,672	+620
Total assets	135,427	132,679	-2,748	Total liabilities and net assets	135,427	132,679	-2,748

\*Unit: million yen.



\*Produced by Investment Bridge Co., Ltd. with reference to the material of TSI Holdings.

Total assets decreased 2.7 billion yen from the end of the previous period to 132.6 billion yen, mainly due to a decrease in cash and deposits, despite an increase in inventories.

Total liabilities decreased 3.1 billion yen from the end of the previous period to 33.3 billion yen due to a decrease in notes and accounts payable-trade and interest-bearing debt.

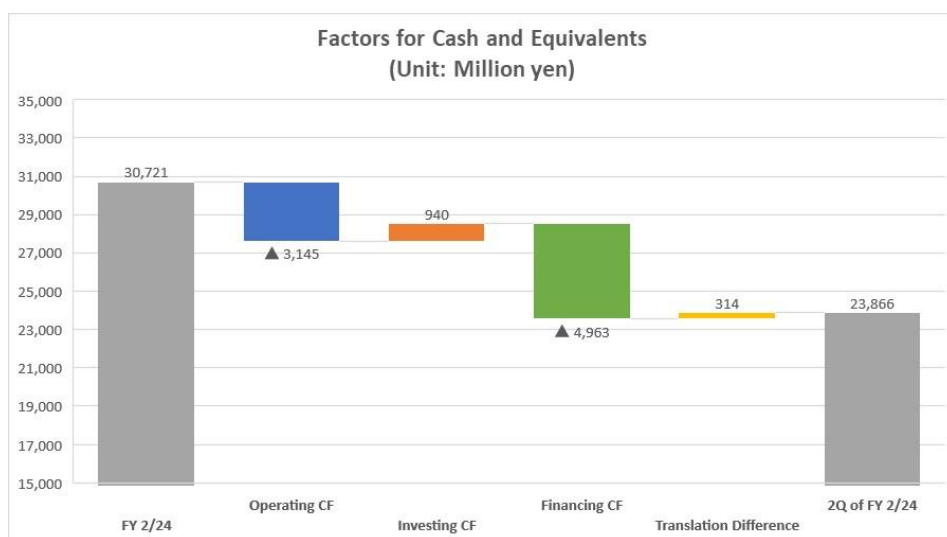
Net assets grew 0.4 billion yen to 99.2 billion yen, mainly due to an increase in retained earnings.

Equity ratio rose 1.8 points from the end of the previous period to 74.5%.

### ◎Cash Flow

	2Q of FY 2/23	2Q of FY 2/24	Increase/ decrease
Operating CF	888	-3,145	-4,033
Investing CF	1,743	940	-803
Free CF	2,631	-2,205	-4,836
Financing CF	-5,570	-4,963	+607
Cash and cash equivalents	36,250	23,866	-12,384

\*Unit: million yen.



\*Produced by Investment Bridge Co., Ltd. with reference to the material of TSI Holdings.

Operating cash flow and free cash flow turned negative due to the decreases in net income before taxes and other adjustments and accounts payable.

The cash position declined.

### **【3-5 Progress of TIP 25】**

The progress of each business domain in the midterm management plan “TIP 25” is as follows.

#### **(1) Activities in each business domain**

##### **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.

In the first half of fiscal year ending February 2024, sales increased 42% year on year to 23.67 billion yen.

#### **◎Measures and activities**

##### **①A new press room gathers popular golf brands**

A press room focused on golf brands has been established. Nine TSI golf brands each have their own booths, integrating a variety of attractions into one space.

Continuing its commitment to sustainability through exhibitions and the Think Golf initiative, this press room has become a place which stakeholders are eager to visit, incorporating these sustainable elements.

##### **② “SEVEN BY SEVEN” Debuts at a Runway Show**

The company unveiled its 2024 SS collection at one of the Big Five fashion weeks, Rakuten Fashion Week TOKYO.

The runway show held at the National Stadium attracted a large audience, creating a buzz.

Additionally, a flagship store opened in Yoyogi-Uehara in October. Going forward, the store will sell vintage and select items personally procured by the designers, along with unique in-house initiatives.

##### **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.

In the first half of fiscal year ending February 2024, sales increased 0.2% year on year to 25.65 billion yen.

### ◎Measures and activities

#### ① “HUF” holds its first NFT event

The TSI Group held its first NFT project, “HUFSET NFT.”

This event, accessible only to those who received NFT cards by purchasing specific products, featured “REMIO,” a HUF ambassador, as the main guest for a live painting event and exclusive product sales.

The company aims to incorporate new technologies and create fashion entertainment.

#### ② “Forget-me-nots” supports female artists

The thriving brand “Forget-me-nots,” which saw a 71.8% increase in sales from the same period last year, launched the project <Hello, World!> in July to support young female artists. They provide free store space to female artists under 35 and support activities like solo exhibitions.

Depending on their career stage, they offer not only space, but also collaboration projects and content creation to empower women.

### 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

In the first half of fiscal year ending February 2024, sales increased 3.9% year on year to 17.02 billion yen.

### ◎Measures and activities

#### ① “Arpege,” a new business model with strengths in information dissemination and experiential value

Arpege Salone, a new business model, opened in Shinjuku Marui. It is a compound store that features an array of Arpege brands and has a studio attached to it. It is not only for LIVE streaming, but also serves as an event space.

In addition to the role of a store to sell clothes, it will also play a new role as a place to transmit information and provide experiential value.

#### ② “human woman” collaborates with different industries inside the company

Celebrating its 25th anniversary, “human woman” has developed collaborative items with the food business Urth Caffé.

They used discarded coffee grounds as dye, creating items with a natural texture.

A portion of the sales is donated to environmental protection projects.

### 4. Digital generation

To develop contents for attracting the next generation.

To foster sympathy and enthusiasm with tangible and intangible unlimited contents

In the first half of fiscal year ending February 2024, sales decreased 3.7% year on year to 5.74 billion yen.

### ◎Measures and activities

#### ① “hueLe Museum,” an exhibition fused with fine arts

For the first time, the 2023 FW exhibition was open to the public, offering an “Immersive Art Museum” - Dive into art - where visitors could immerse themselves in the world of art. The concept provided an experience of the brand's ethos “Fashion × Flower × Art.”

The exhibition included not only clothes, but also digital content and art pieces, making it worthy of being called a museum.

The brand will continue to showcase its unique charm by combining fashion and art.

#### ② “JILL by JILL STUART” revives popular products

JILL by JILL STUART, celebrating its 15th anniversary in August 2023, has launched the COME BACK PROJECT as a token of gratitude.

Under the theme “That cuteness, continues,” popular items from the archives are being sold for a limited time.

The brand will continue to create products that encapsulate the charm of “JILL by JILL STUART,” valuing its history to be loved for a long time to come.

## 4. Fiscal Year ending February 2024 Earnings Forecasts

### 【4-1 Earnings forecast】

	FY 2/23	Ratio to sales	FY 2/24 Est.	Ratio to sales	YoY	Rate of progress
Sales	154,456	100.0%	162,000	100.0%	+4.9%	45.2%
SG&A	82,572	53.5%	86,100	53.1%	+4.3%	46.8%
Operating income	2,329	1.5%	4,700	2.9%	+101.8%	11.3%
Ordinary income	3,859	2.5%	5,500	3.4%	+42.5%	29.2%
Net income	3,063	2.0%	3,500	2.2%	+14.3%	42.1%

\*Unit: million yen. This forecast was made by the company. The revenue recognition standards have been applied from FY 2/23.

### There are no changes to the earnings forecast. Forecasted Increase in sales and profit

There are no changes to the earnings forecast. For the term ending February 2024, sales are expected to increase 4.9% year on year to 162 billion yen, and operating income is projected to rise 101.8% year on year to 4.7 billion yen. The company expects sales to recover to a certain level and will invest heavily in growing areas such as e-commerce and athletic leisure as well as in highly profitable sales promotions. Although the operating income in the first half fell short of the forecast, the company aims to achieve the budget target through improvement measures in the second half, including “focused investment in strong businesses,” “sales expansion by strengthening e-commerce,” “control of remaining inventory of fall/winter merchandise,” and “control of SG&A expenses. The company plans to pay a dividend of 15.00 yen/share, up 5.00 yen per share from the previous fiscal year. The expected dividend payout ratio is 36.1%. The acquisition of treasury shares was finished in September 2023, and the 3.06 million treasury shares acquired were retired at the end of October. As part of a capital policy aimed at enhancing shareholder returns and improving capital efficiency, the company has announced an additional share buyback “buyback amount of 5 billion yen (the largest ever for a half year)” (from October 2023 to the end of March 2024).

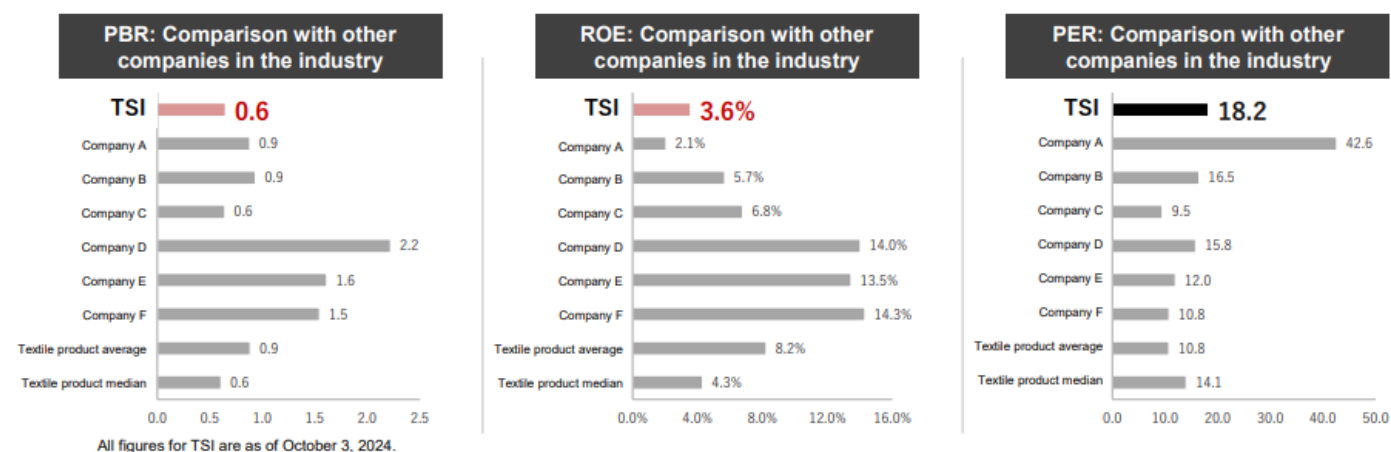
## 5. Management Conscious of Capital Costs and Share Prices

The company's current stock PBR (Price to Book Ratio) is below 1.

In response to the Tokyo Stock Exchange's March 2023 publication on “Measures to Realize Management with Awareness of Capital Cost and Stock Price,” the company disclosed its current situation, policy, and goals as follows:

### 【5-1 Current Situation】

As of October 2023, PBR is approximately 0.6. While the Price Earnings Ratio (PER) of 18 is relatively high compared to those of competitors, the Return on Equity (ROE) of 3.6% is low.



(Taken from the reference material of the company)

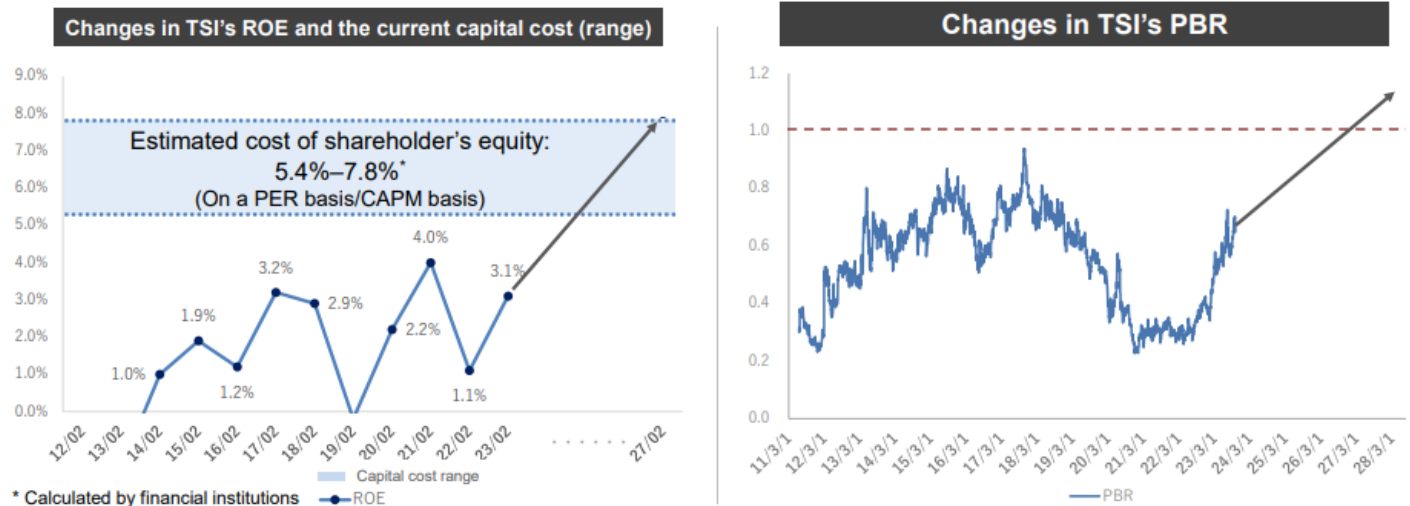
**BRIDGE REPORT**



The company recognizes that in comparison to its perceived cost of equity level, its ROE is low, thus its PBR continues to be 1 or lower.

In the textile industry, companies with an ROE exceeding 8% generally have a PBR around or above 1.

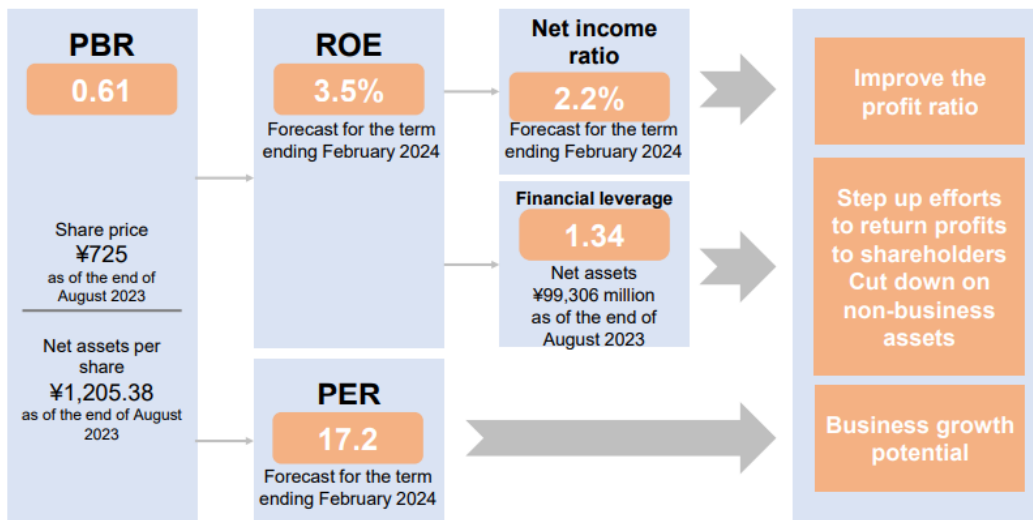
Thus, the company plans to control current cost of shareholder equity while achieving an ROE above this cost and expanding the equity spread, thereby realizing a PBR of 1.



(Taken from the reference material of the company)

**【5-2 Policy】**

To achieve this, the company aims to improve ROE by enhancing profitability, strengthening shareholder returns, and optimizing assets through the compression of non-operational assets.



(Taken from the reference material of the company)

**【5-3 Goals to Aim For】**

The company has set the following goals.

Concrete measures to achieve the target indicators are currently under consideration in terms of business operations, financial capital, and non-financial information, and are scheduled to be disclosed in April 2024.

**Targets of indicators**

**Operating income ratio: 5.0% or more**

**ROE: 8.0% or more**

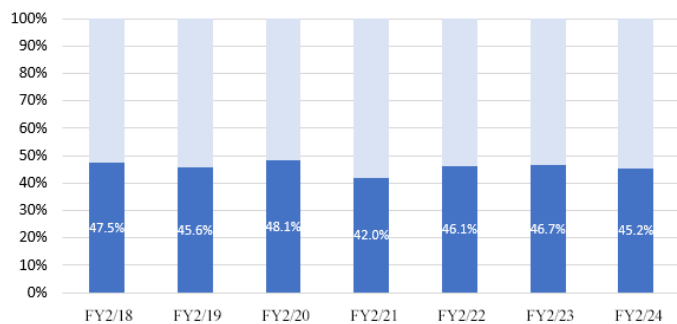
**PBR: 1.0 or more**

(Taken from the reference material of the company)

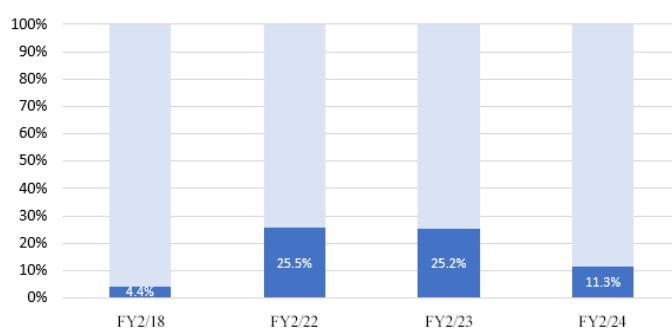
**6. Conclusions**

The progress rate toward the full-year forecast remains low, being 45.2% for sales and being 11.3% for operating income. The company aims to achieve its budget targets through improvement measures in the second half such as “focused investment in strong businesses,” “sales expansion by strengthening e-commerce,” “control of remaining inventory of fall/winter merchandise,” and “control of SG&A expenses,” but first, we would like to focus on the results of these measures in the third quarter.

Progress rate of sales in the first half of fiscal year



Progress rate of operating income in the first half of fiscal year



\* Ratio of the first half of fiscal year results to full-year results for FY18/2 to FY23/2. Operating loss in the first half of fiscal year results for FY19/2 to FY21/2.

While the company's stock price has surged to roughly a twofold increase since the beginning of this year, PBR is still well below 1. Although we will have to wait until April 2024 for specific measures to achieve the indicators, we look forward to seeing what measures they will implement as well as whether they will be able to achieve the forecast for this fiscal year.

**<Reference1: Sustainability>**

The company disclosed “Sustainability Storybook” in April 2022.

[https://www.tsi-holdings.com/pdf/TSI\\_SUSTAINABILITY\\_20220418\\_FIX\\_ENG\\_REV3.pdf](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.

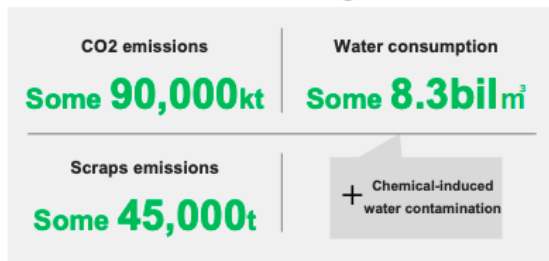


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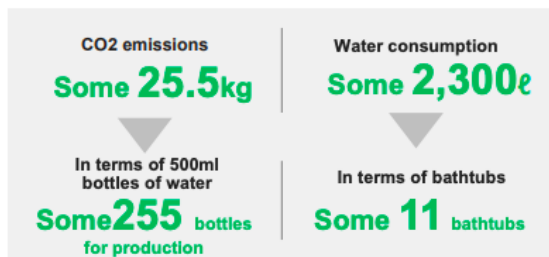


CO <sub>2</sub> emissions	The CO <sub>2</sub> emissions in the apparel industry are projected to augment over 60% between 2015 and 2030, reaching about 2 billion tons. This is equivalent to the annual CO <sub>2</sub> emissions from 230 million passenger vehicles, worsening global warming.
Mass production 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. It is said that 60% of about 13 million tons of marine micro-plastic waste are generated when washing synthetic fiber clothing.
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



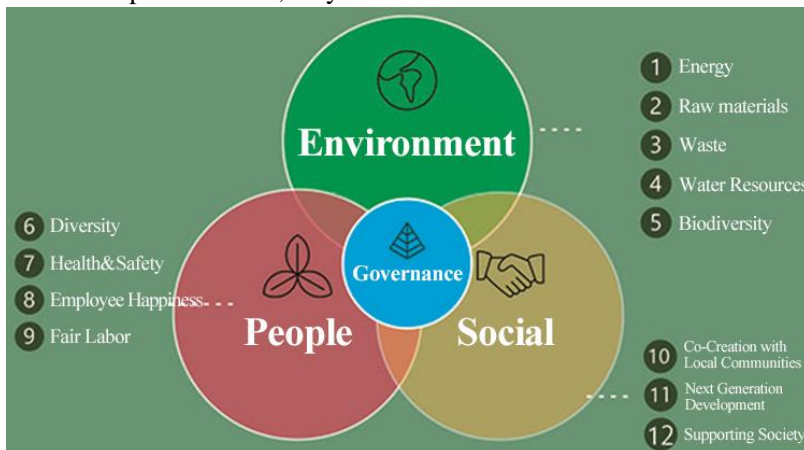
Conversion per garment



(Taken from the reference material of the company)

(2) Material issues of TSI

In three important fields, they have identified 12 material issues.



(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 Energy	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
⑤ Biodiversity	

#### ① Climate change

They promote “the endeavor to achieve carbon neutrality.”

The company aims to achieve carbon neutrality by 2050.

As stated in the press release dated October 12, 2022, “Announcement of Endorsement of TCFD Recommendations and Submission of Commitment Letter to the SBT Initiative,” the company has submitted a commitment letter to the SBT Initiative and set targets for reducing greenhouse gas emissions.

These reduction targets are certified by the SBT Initiative based on the scientific grounds stipulated in the Paris Agreement.

CO2 emissions and reduction targets			
	Results for the term ended February 2020	Reduction targets for the term ending February 2030	Level of reduction targets set by SBTi
Scope 1/2	9,000 t	-48% (-4,000 t)	1.5°C target 4.2% reduction each year
Scope 3	295,000 t	-35% (-103,000 t)	WB2°C target 2.5% reduction each year

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

(Taken from the reference material of the company)

SBT (Science Based Targets) refers to emission reduction targets that companies set for 5 to 10 years in the future, which are in line with the levels demanded by the Paris Agreement. The SBT Initiative (Science Based Targets initiative) was jointly established in 2015 by the four organizations: CDP, the United Nations Global Compact, WRI (World Resources Institute), and WWF (World Wide Fund for Nature) to encourage companies to set scientifically grounded greenhouse gas emission reduction targets in pursuit of the Paris Agreement goals.

The Paris Agreement stipulates keeping the temperature rise since the Industrial Revolution to well below 2°C, while also referring to making continuous efforts to limit the temperature increase to 1.5°C.

WB2°C means well-below2°C, lower than 2°C.

#### \* 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.

BRIDGE REPORT



Development of an organizational structure for visualizing CO <sub>2</sub> 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.
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② Raw materials / ④ Water resources

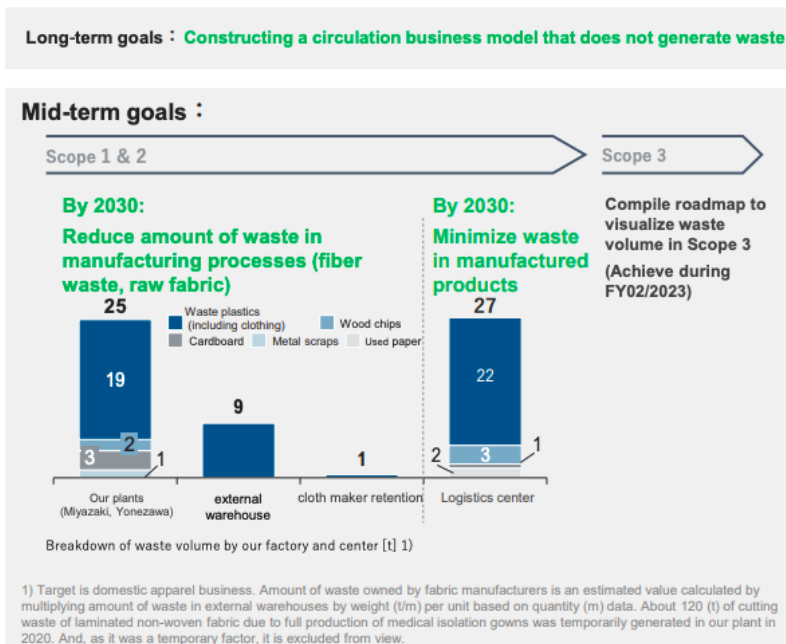
For curtailing water consumption while reducing CO<sub>2</sub> emissions, they will switch to materials with low environmental burdens, such as “sustainable cotton,” and develop materials like Tag Fastener made of biodegradable plastics developed by Toska-Bano’k, which is its subsidiary



(Taken from the reference material of the company)

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.

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In terms of recycling, with the cooperation of the Textile Scholarship Society, the company collects clothing in stores and manufactures products using some of the recycled materials produced from the collected clothing. Also commercialized T-shirts for unisex use and wearable regardless of gender.

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.

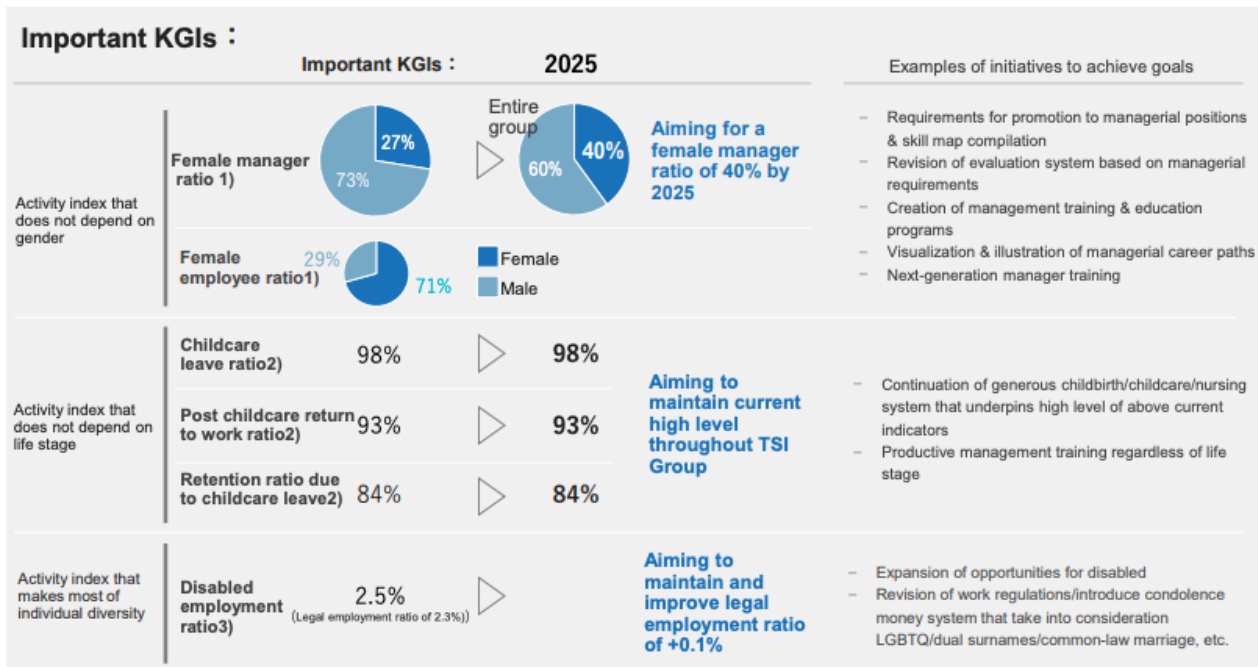
From now on, SCM Division plans to cooperate with the business section of each brand and implement more company-wide measures linked with the strategies for business and SDGs.

**•3-2 Human resources**

Material issue	Commitment
⑥Diversity	The company promotes initiatives to achieve diversity and flexibility in work-life, creating an environment where everyone can thrive in a diversity-rich environment.
⑦Health and safety	The company will safeguard the physical and mental health of each employee, which is the source of value.
⑧Degree of happiness of employees	The company will create value so that employees will be financially satisfied, feel mentally fulfilled, achieve self-realization, and grow.
⑨Fair labor	The company will respect the human rights of all people involved in the supply chain who will contribute to the creation of value.

**⑥ 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.



(Taken from the reference material of the company)

⑦ 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 <sup>1)</sup>	0	▷	0	Aiming to continue at zero across entire group	- Health & safety committee PR work
	Number of labor-related injuries <sup>1)</sup>	15	▷	0		
	Number of labor-related illnesses <sup>1)</sup>	0	▷	0		
Indicators for improving individual mental and physical health	Health check ratio <sup>1)</sup>	90%	▷	100%	Aiming to implement for all employees	- Stress checks within improvement measures - Initiatives to improve employee health literacy
Indicators for achieving work-life balance for individuals	Average overtime <sup>1)</sup>	4.2 hours	▷	Aiming to curb overtime		- 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)

⑥ Diversity / ⑦ Health and safety

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

A numerical overview of diversity, health & safety

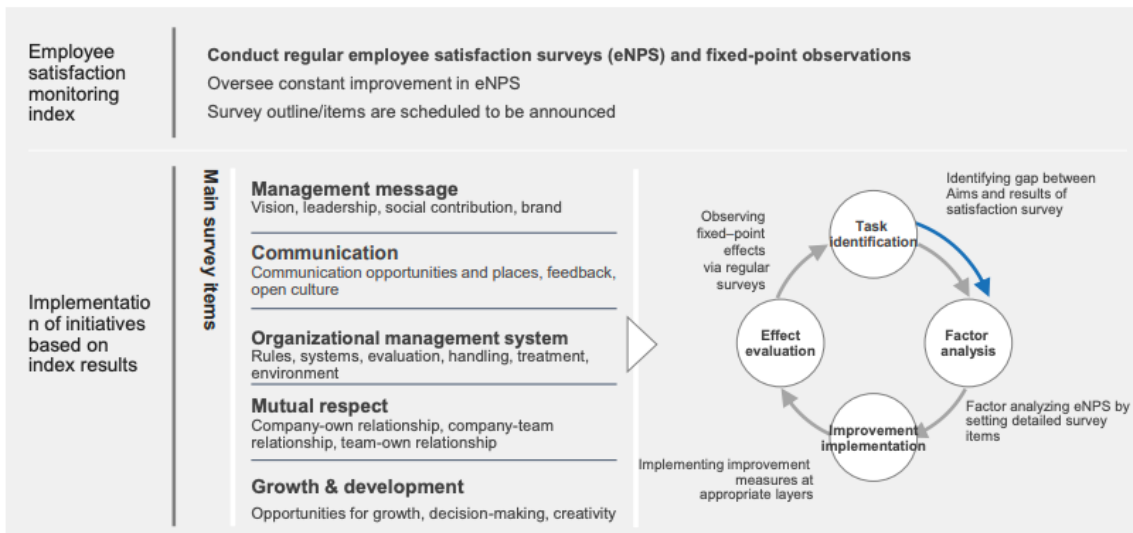


(Taken from the reference material of the company)

⑧ 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.

Long-term goals : **Constant improvement of employee satisfaction (eNPS)**



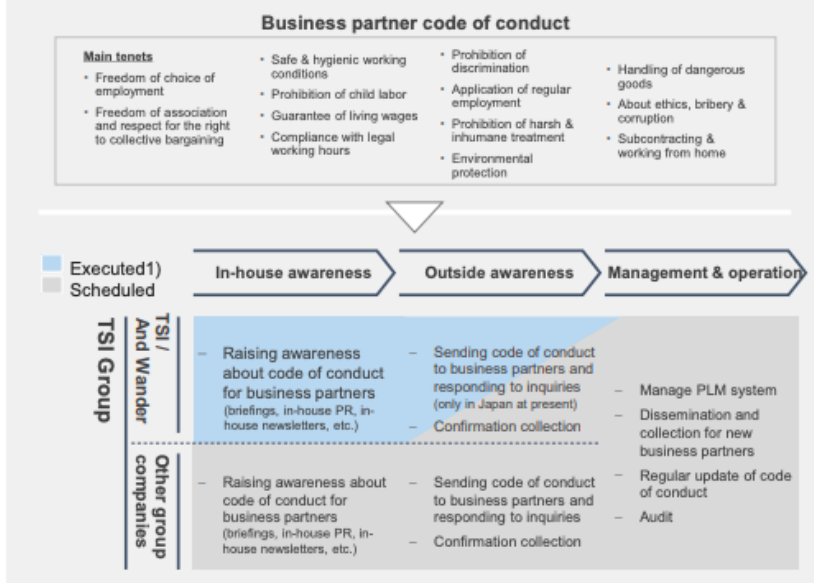
(Taken from the reference material of the company)

⑨ 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.

Long-term goals : **Respect for human rights throughout supply chain**

Mid-term goals : **Acquisition of supplier code of conduct signatures and establishment of management and operation system for all suppliers and designated inspection plants with the TSI Group by 2025**



(Taken from the reference material of the company)

### •3-3 Society

Material issue	Commitment
⑩ Coexistence with 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.
⑪ Fostering the Next Generation	
⑫ Support for Society	Under its purpose, the company is committed to building a sustainable future society together with all stakeholders through its business activities.

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.

Ishikari River Cleanup Operation	TSI employees participate in the “Ishikari River Cleanup Operation,” an initiative led by the town office aimed at preserving the natural environment. This participation contributes to the realization of a sustainable town, considering economic circulation as well as the natural environment and biodiversity.
Daisetsu Wildlife Encyclopedia Project 2023	The company supports the “Daisetsu Wildlife Encyclopedia Project,” an experimental project aimed at coexistence between tourism in Kamikawa Town and the natural environment of the Daisetsu Mountains, and the conservation of biodiversity. “MANASTASH,” operated by its group company, produced and provided T-shirts for this project.
Corporate Hometown Tax Donation	The company made donations (tax contributions) related to the “Local Creation Support Tax System” for the “SDGs Project to Protect the Natural Environment and Biodiversity of Daisetsuzan National Park” in Kamikawa Town.

### (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. Three 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.

## <Reference2: 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 3 external ones (including 3 independent executives)

### ◎ Corporate Governance Report

The latest update: July 13, 2023

#### <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.

#### <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.

#### 「SUSTAINABILITY STORY BOOK」

([https://www.tsi-holdings.com/pdf/TSI\\_SUSTAINABILITY\\_20220418\\_FIX\\_ENG\\_REV3.pdf](https://www.tsi-holdings.com/pdf/TSI_SUSTAINABILITY_20220418_FIX_ENG_REV3.pdf))

Additionally, the company's response to the TCFD, as well as its sustainability, human rights, governance, environmental, and social policies, are disclosed on the company's website.

"Information Disclosure Based on the TCFD Recommendations" ([https://www.tsi-holdings.com/pdf/221012\\_TCFD.pdf](https://www.tsi-holdings.com/pdf/221012_TCFD.pdf))

"Sustainability Policy" (<https://sustainability.tsi-holdings.com/management.html#policy>)

"Human Rights Policy" (<https://sustainability.tsi-holdings.com/materiality/human/index.html#policy>)

"Governance Policy" (<https://sustainability.tsi-holdings.com/materiality/governance/index.html#policy>)

"Environmental Policy" (<https://sustainability.tsi-holdings.com/materiality/environment/index.html#policy>)

"Social Policy" (<https://sustainability.tsi-holdings.com/materiality/social/index.html#policy>)

### (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 24.3% of the total number of managers at the Company at the end of February 2023, 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 managerial positions accounted for 24.3% of all managerial positions in the Group at the end of February 2023, we set the goal of raising the ratio to 40% by the end of February 2025 and strive to recruit and promote employees to increase the ratio of female managerial positions among 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 2.58% of the total workforce at the end of February 2023. 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 achieved 100.0% in childcare leave taking ratio and 98.2% in return from childcare leave ratio 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.

Furthermore, following the Tokyo Stock Exchange's announcement on March 31, 2023, regarding “Measures to Realize Management with Awareness of Capital Cost and Stock Price,” the company recognizes that improving its PBR, which is currently below the level requested by the Tokyo Stock Exchange, is a critical management issue. In the near future, the company plans to disclose and implement specific measures to raise its stock price level.

[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](https://www.tsi-holdings.com/pdf/220414_Medium-term_management_plan2025.pdf)

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