



TSI HOLDINGS

TSI HOLDINGS CO., LTD.

Q1 Financial Results Briefing for the Fiscal Year Ending February 2024

July 13, 2023

Event Summary

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[Participants]	62
[Number of Speakers]	3
	Tsuyoshi Shimoji President and CEO
	Masanori Maekawa Director, Platform Headquarters
	Genya Oshiki Director General Manager of Business Headquarters

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Japan	050.5212.7790	North America	1.800.674.8375
Tollfree	0120.966.744	Email Support	support@scriptsasia.com

Question & Answer

Moderator [M]: Thank you very much. We will now move on to the question and answer session.

We have received two questions from Mr. Nozawa from Daiwa Securities.

Nozawa [Q]: First, the yen has been weakening recently. What is the impact on the Company's performance from Q2 onward, and what are your thoughts on price revisions for H2 for fall/winter and next spring/summer?

For the second question, in the domestic apparel market, the growth rate of some brands has slowed. Could you tell us about your view of the apparel market for this spring/summer and fall/winter season?

Shimoji [A]: Thank you for your question. First of all, we raised the prices of each brand, but not uniformly, and we also allocate prices according to the quality and content of the products. Therefore, it is slightly difficult for me to talk about price revisions overall.

Naturally, however, the price range is commensurate with the quality of the products and value added to the products.

Maekawa [A]: I am Maekawa from the Platform Headquarters. I will answer your question.

As of today, I think the exchange rate was about JPY138 to the US dollar, but please understand that the current rate is basically within our expectations.

In addition, we believe that the impact on the fall and winter season is within our expectations. The yen fell to JPY150 or so to the US dollar around October last year. Unless there is a significant change in the market, we can handle the situation with the same price increases as the previous year. I can say the same thing for next year's SS as well, and we will continue to monitor how this will change in the future. That is all.

Moderator [M]: This is a follow-up question asking if you could give us your view of the domestic apparel market for this spring/summer and fall/winter season. This question will also be answered by Shimoji first.

Shimoji [A]: As for trends in the domestic apparel market, customers are returning to storefronts for spring and summer, and there is a sense of revitalization in the air, including coloring. We are also developing new products in line with this trend, and we are seeing a very positive trend in this product line.

Also, for our standard products, I think sales are slightly weaker. Therefore, in my opinion, the industry as a whole will become more vibrant with newer products and products that offer more beautiful colors.

As expectations are rising for the fall and winter season, we would like to make a strong push for the start of the season from August onward.

Oshiki [A]: My name is Oshiki, and I supervise the business division.

As the president just mentioned, the market is very active, and we are now stepping on the accelerator in this area, including manufacturing.

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In particular, the weak yen has contributed to brands with a high percentage of sales from overseas visitors, and I think we can expect even higher sales in this area as we expect to receive many more Chinese customers in the future.

Since the overall market is becoming more and more vibrant, we are considering setting up a proper brand in order to increase sales. That is all.

Nozawa [M]: Thank you for your explanation. That is all.

Moderator [M]: Thank you very much. Now, we have a question from Mr. Suzuki of Amundi Japan Ltd..

Suzuki [Q]: You were unable to increase sales in some areas, but what are your expectations for a turnaround in the future?

Shimoji [A]: We will catch up properly. Naturally, for our numerical projections, there is a balance with the inventory for which we decided to conduct final price reductions. But in reality, there were many items that were sold out at that time. We regret that we were not able to make full use of the difference between popular products and non-popular products in the current merchandising process.

However, we are aware that needs are increasing, and in this respect, we are in the process of branding our stores and product procurement for the fall and winter seasons, taking into account the situation in the spring and summer.

Suzuki [M]: Thank you very much.

Moderator [M]: Thank you very much. Mr. Ichikawa of THE SEN-I-NEWSs has a question.

Ichikawa [Q]: I was wondering if you could tell me more about the recovery of NANO universe.

Shimoji [A]: First of all, I am pleased to report that NANO universe has undergone a complete makeover, including the leadership and the business managers. Also, the way we do things has finally been sorted out over the past few terms, so in that sense, the brand and product communication and sorting of the merchandise in the stores have begun to be conducted properly.

We also recognize that target points for NANO universe's customers and consumers have become clearer, which is an improvement, and the Company as a whole is providing strong support to achieve this goal.

Oshiki [A]: I am Oshiki. For NANO universe, the new business manager, stands in the store in person every weekend. First, at the storefront, we basically understand the needs of our customers every day and modify the products, etc. daily.

We are also reviewing our customer service methods. In this context, the purchase rate and other factors have been increasing, and sales are rising.

Overall, I believe that motivation is rising very high, including in the stores, and this has led to strong sales.

Shimoji [A]: With sales at 112% YoY, on average, prices have been adjusted by more than 10%. Basically, prices have gone down slightly, but we have also changed the weight of our higher-priced products, which I think has made them more affordable. That is all.

Moderator [M]:

Now, let me move on to the next question. We received this from Mr. Kojima.

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Kojima [Q]: The golf-related business, which has been the driving force during the COVID period, I guess for the last three years or so, seems to have slowed down somewhat. What measures are you taking with regard to brands driven in the post COVID period?

In addition, in your presentation, it seems that the performance and speed of the Company's business has declined somewhat. What do you think?

Oshiki [A]: During COVID, manufacturing was very passive, but we made some progress this spring, and as I mentioned earlier, overall product sales have not yet fully recovered, and there are still many brands where the product lineup is not at all effective.

We have a situation where we have not been able to fully expand our sales due to a shortage of our best-selling items, so for this fall and winter, we will change the MD of our products based on this situation, and then we will properly clarify the situation as we prepare to expand our sales. We are now making preparations to expand the product lineup.

Shimoji [A]: To add, PEARLY GATES is 94% over the previous year. However, if we look at the YoY growth of New Balance golf, for example, it is 120%, and Jack Bunny!! is up 126% compared to the previous year. So, overall, we can say the golf business is expanding.

As to why PEARLY GATES is in the 94% range, the previous year saw a very large jump, so I think it can be said that the growth has been very stable compared to the previous two fiscal years, FY2019 and FY2020.

Therefore, since we settled the brand down as a whole from an extremely temporary rise in popularity, the golf business may look like it's decreasing. However, I would like to say that the overall golf business has been very effective in contributing to this trend. That is all.

Moderator [M]: How about you, Mr. Kojima? Do you have any further questions?

Now, we have a question from Mr. Nagamatsu of SENKEN SHIMBUN.

Nagamatsu [Q]: What are your plans for the future of your overseas business, including the overseas expansion of NANO universe? I understand that support from the strong performance of your portfolio companies was large in the past, but what are your thoughts on original ladies' brands and clothing?

Oshiki [A]: Regarding NANO universe, we recently opened in rraportin Taichung. Right now, sales have not exploded very much yet, but we are getting more and more clients every day, and sales are increasing. As for NANO universe, we are currently planning to open a store in Taipei.

As for other businesses, we are still focusing on cross-border e-commerce rather than opening stores overseas, and we will continue to consider overseas markets as we monitor the situation.

Shimoji [A]: With regard to overseas, overseas wholesale is also growing. As explained earlier, the branding of "and wander" has been selling very well in Europe, and we are receiving many orders for next spring/summer from wholesalers as well. "and wander" is particularly strong in Europe and the United States.

Needs from China are rapidly increasing, and although we are not in a position to expand sales since we are a high-priced outdoor brand, we will step up our efforts little by little. In this sense, I would like to say that the brand has been growing steadily.

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Needs are greater from Europe than expected. As Oshiki also mentioned regarding NANO universe in Taiwan, we will be working in conjunction with Japan to some extent, and we believe we can capture sales as part of the same trade area.

In the ladies' wear business, there is a mixture of three factors: brands that are performing well, brands with future growth potential, and brands that are slightly stagnant.

In this context, I believe that digital brands, digital divisions, etc., will take the next step forward with their youthfulness, as they seek to expand as a brand with a new name. In this regard, we are in the process of examining new ways of opening new stores and new ways of investing.

Nagamatsu [M]: I understand. Thank you very much.

Moderator [M]: Thank you very much. We have received a question from Mr. Murata of FASHION SNAP.

Murata [Q]: Regarding the termination of the UNDEFEATED agency agreement, I was wondering if you could give me more details on the reasons, if any.

Shimoji [A]: The UNDEFEATED contract was terminated at this point in time, but collaboration for sneakers has settled down or stabilized. In that sense, since we hoped to consider an organization that will create the next trend, we terminated the contract, but we mutually agreed that we will each move on to the next step.

Murata [Q]: Thank you. I would like to ask one additional question, when exactly did the agency contract end? We would also like to know if you are planning to sign an agency agreement with a new store in the future, or if you have any other plans to do so. Thank you.

Shimoji [A]: It is difficult for me to state the date of the contract clearly, so I will say that the agency contract ended in the spring of this year.

As for whether we will develop stores or something else as part of our new vision, we are currently in the process of considering several new brands. We would like to develop a brand that can create a new brand that will please everyone again.

Murata [M]: Thank you.

Moderator [M]: Thank you very much. Now, we have a question from Mr. Shimasaki.

Shimasaki [Q]: What is the status of discounting as the Company enters Q2?

Oshiki [A]: As for sales as a whole, since the number of sales items are extremely low in each brand, we are not doing anything too drastic at the moment in order to maintain the yield.

Shimasaki [M]: Thank you very much.

Moderator [M]:

That concludes the Q&A session. This marks the end of the presentation of financial results for Q1 of the fiscal year ending February 28, 2024. Thank you very much for your time today.

Shimochi [M]: Thank you very much.

[END]

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