



TSI HOLDINGS

TSI HOLDINGS CO., LTD.

Q2 Financial Results Briefing for the Fiscal Year Ending February 2025

October 15, 2024

Event Summary

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[Participants]		
[Number of Speakers]	5	
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Presentation

Moderator: Good morning. As the time has arrived, we will begin the briefing on the financial results of TSI HOLDINGS CO., LTD. for H1 of the fiscal year ending February 28, 2025.

FY2025 1H: Executive Summary

Targets for Net Sales, Operating Income, and Net Profit Achieved as Structural Reforms Exceed Expectations



- Although sales struggled in March, falling below the previous year's level, consumer demand increased afterward due to the warm weather. Effective product offerings for mid-summer and late-summer contributed to a result of **730 million yen above the initial plan**.
- Despite the projected earnings decline attributed to temporary expenses, the operating income showed reduced deterioration, **exceeding the original plan by 670 million yen**, owing to sales growth and structural reforms.
- The net income was impacted by a reduction in investment-related income due to the divestment of non-operating assets, as well as foreign exchange losses and an increase in tax adjustments. This resulted in a **100 million yen increase** compared to the original plan.

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Shimoji: Good morning. Thank you very much for your continued support. We will present the financial results for H1 of the fiscal year ending February 2025. Thank you very much for your cooperation.

This is a summary of the financial results for H1 of the fiscal year ending February 28, 2025.

We achieved all our net sales, operating income, and net income targets. This is because the effects of structural reforms have begun to emerge.

Consolidated net sales totaled JPY 75,230 million. The sales in March were down from the previous year, but from April onward, consumption and demand gradually increased due to the weather and other factors. We have strengthened our ability to respond to product demand in mid-summer and late summer, resulting in an increase of JPY 730 million compared to the initial plan.

Operating income was negative JPY 220 million. However, it was up JPY 670 million from the initial plan due to the effects of sales growth and structural reforms, despite the planned deterioration in profitability considering one-time expenses.

The net income for H1 was negative, at JPY 790 million. This result was influenced by a decrease in investment-related earnings due to the reduction of non-business assets, which had been partially anticipated, and by foreign exchange losses. However, it was positively impacted by an increase in tax adjustments, leading to a net income that exceeded the initial plan by JPY 100 million.

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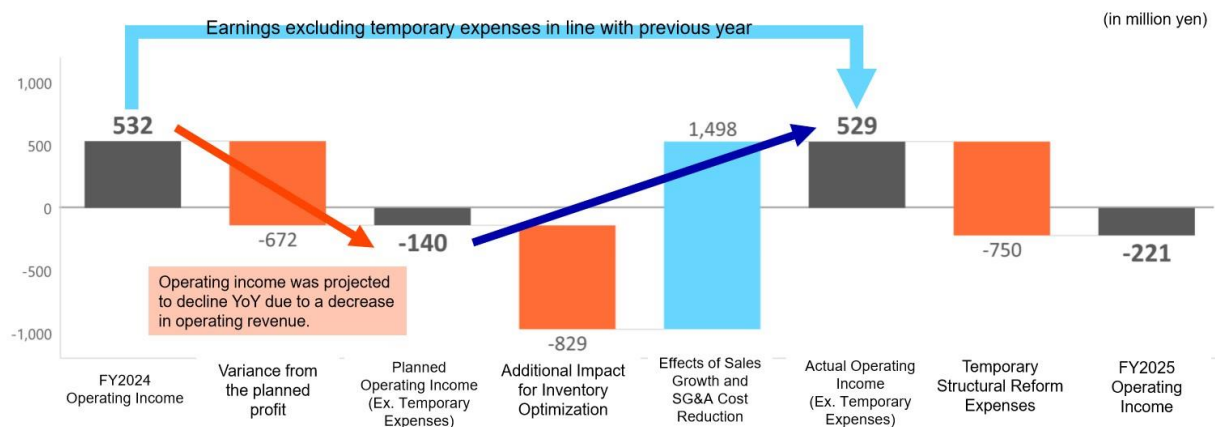
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FY2025 1H: Items Affecting Operating Income

Earnings Declined, but Profitability Maintained at Previous Year's Level Excluding Impact of Temporary Expenses



(Commentary) Despite the anticipated decline in gross profit attributed to the deteriorating foreign exchange rate, escalating raw material costs, and increased discounts and impairment losses stemming from excess inventory, supplementary measures were enacted to expedite inventory optimization, leading to a further reduction in gross profit. Nonetheless, the surpassing of sales growth targets and the accelerated realization of benefits from structural reforms contributed to enhanced profitability.

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4

H1 of FY2025, items affecting operating income.

Operating income for the current term deteriorated from the previous year to negative JPY 220 million, but excluding one-time expenses associated with structural reforms, operating income was JPY 530 million, maintaining profitability at the same level as the previous year.

Although gross profit appears to have worsened due to such factors as the deterioration of the cost-of-sales ratio and the impact of inventory optimization, earnings have been improving, with sales growth exceeding plans and the early realization of the effects of structural reforms.

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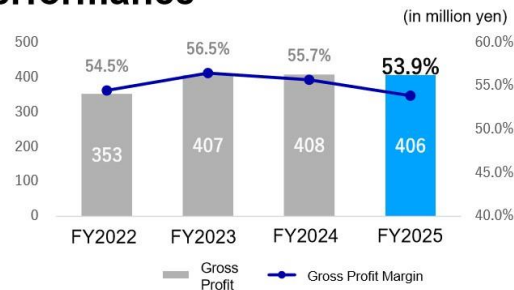
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FY2025 1H: Performance

Gross Profit
¥40,550
 million
 99.3% YoY
 Up ¥280 million YoY

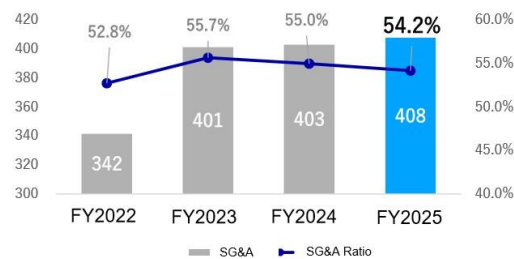


> Gross Profit

- Rising raw material costs due to deteriorating foreign exchange rates and soaring energy prices.
- Increased impairment losses due to higher inventory levels.
- Discounted sales aimed at inventory optimization.

⇒ Both the gross profit amount and gross profit margin have deteriorated, but this is a temporary trend due to efforts aimed at inventory optimization

SG&A Expenses
¥40,770
 million
 101.2% YoY
 Up ¥460 million YoY



> SG&A Expenses

- Occurrence of temporary expenses related to structural reforms
- Increase in personnel expenses (including base salary increases of overseas subsidiaries)
- Streamlining of promotional, advertising, and logistics costs
- Reduction in outsourcing costs through the utilization of internal personnel

⇒ While incorporating temporary expenses related to structural reforms, cost-cutting measures have progressed, resulting in a 0.8 percentage point improvement in the SG&A expense ratio.

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Next is the performance trend.

Gross profit was JPY 40.55 billion, or 99.3% of the previous year's level.

SG&A expenses were JPY 40.77 billion, or 101.2% of the previous year's level.

Gross profit and the gross profit margin ratio deteriorated due to the problems of worsening gross profit and foreign exchange rates, soaring raw material prices due to energy, an increase in remaining inventories, an increase in valuation losses, and discounted sales to optimize inventory. We recognize this is a temporary trend resulting from our efforts to optimize inventory. However, concerns remain about the need to further accelerate inventory reduction to achieve optimal levels.

Next, SG&A expenses. There are some one-time expenses associated with structural reforms and an increase in labor costs, including base-pay increases at overseas subsidiaries. Additionally, overseas operations have faced significant increases in logistics costs, and administrative expenses have more than doubled compared to 2019 due to inflation. We have achieved a 0.8% improvement in the SG&A ratio, but we will continue to refine and reduce this ratio further in the current fiscal year.

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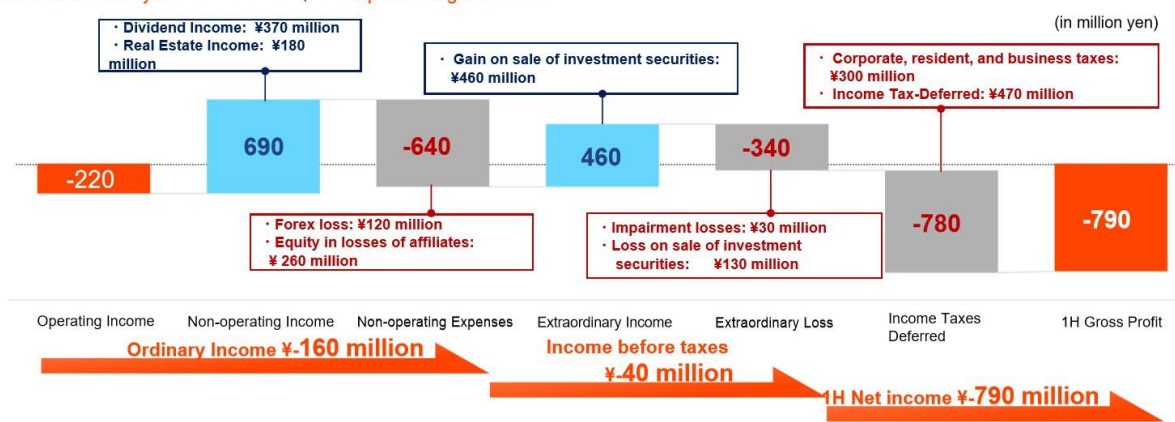
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FY2025 1H: Items Affecting Net Profit

The company recorded a **negative ordinary income of 160 million yen**, largely due to a strategic reduction in investment securities, which led to a decrease in dividend income. Additionally, non-operating losses, including foreign exchange losses and equity-method investment losses in U.S. affiliates, further impacted financial performance.

Similarly, the company recorded extraordinary losses of 120 million yen, including gains and losses on the sale of investment securities and impairment losses. In addition, tax adjustments (loss) amounted to 470 million yen, including a reduction in deferred tax assets, resulting in a **net loss of 790 million yen** for the first half, with a **profit margin of -1.1%**.



Net income impact items for H1.

Net income for H1 was negative JPY 790 million, and the profit margin was negative 1.1%.

The breakdown.

Ordinary income was negative JPY 160 million due to a decrease in dividend income as a result of the reduction of investment securities, as well as non-operating losses such as foreign exchange losses and equity-method investment losses from a US-affiliated subsidiary.

Similarly, extraordinary gains and losses of JPY 120 million were recorded, including gains on the sale of investment securities and impairment losses. Tax adjustments, including a reduction in deferred tax assets, amounted to JPY 780 million, resulting in a net income for H1 of negative JPY 790 million and a profit margin of negative 1.1%, as reported earlier.

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Balance Sheet

(in million yen)

	1ST Half 2024 Ending Feb.		Cumulative Q1ST 2025 Ending Feb.		1ST Half 2025 Ending Feb.					
	Results	Composition Rate (%)	Results	Composition Rate (%)	Results	Composition Rate (%)	Y/Y Change	Y/Y (%)	Q2/Q1 Change	Q2/Q1 (%)
Current Assets	67,566	50.9%	68,588	52.0%	65,263	50.8%	-2,303	96.6%	-3,325	95.2%
(of Cash and Deposits)	24,660	18.6%	24,425	18.5%	21,680	16.9%	-2,980	87.9%	-2,745	88.8%
(of which, Inventory)	27,792	20.9%	28,859	21.9%	28,375	22.1%	583	102.1%	-484	98.3%
Non-current Assets	65,113	49.1%	63,428	48.0%	63,100	49.2%	-2,013	96.9%	-328	99.5%
(of Investment Securities)	27,792	20.9%	25,816	19.6%	25,644	20.0%	-2,148	92.3%	-172	99.3%
(of Investment Real estate)	4,695	3.5%	4,886	3.7%	4,880	3.8%	185	103.9%	-6	99.9%
Total Assets	132,679	100.0%	132,016	100.0%	128,363	100.0%	-4,316	96.7%	-3,653	97.2%
Current Liabilities	23,963	18.1%	27,529	20.9%	27,127	21.1%	3,164	113.2%	-402	98.5%
(of Short-term borrowings)	-	0.0%	5,000	3.8%	5,098	4.0%	5,098	0.0%	98	102.0%
(of Current portion of long-term borrowings)	4,203	3.2%	2,759	2.1%	1,952	1.5%	-2,251	46.4%	-807	70.8%
Non-current Liabilities	9,435	7.1%	7,449	5.6%	7,034	5.5%	-2,401	74.6%	-415	94.4%
(of Long-term borrowings)	3,047	2.3%	1,345	1.0%	1,016	0.8%	-2,031	33.3%	-329	75.5%
Total Liabilities	33,398	25.2%	34,979	26.5%	34,162	26.6%	763	102.3%	-817	97.7%
Total Net Assets	99,280	74.8%	97,037	73.5%	94,200	73.4%	-5,080	94.9%	-2,837	97.1%
(of Treasury stock(-))	-4,537	-3.4%	-4,052	-3.1%	-5,890	-4.6%	-1,353	129.8%	-1,838	145.4%
Total Liabilities and Net Assets	132,679	100.0%	132,016	100.0%	128,363	100.0%	-4,316	96.7%	-3,653	97.2%

> Cash and Deposits

Due to the repurchase of treasury stock and growth investments, there was a decrease of 2,980 million yen compared to the previous fiscal year.

> Inventory

While production-sales balance management for current-season products is under control, the pace of clearing prior-season products remains moderate, resulting in a year-on-year increase of 580 million yen. However, inventory levels have improved compared to the end of the first quarter.

> Treasury Stock

(Repurchased over the past year: approx. ¥8,000 million)

The repurchase of treasury stock resulted in an increase of ¥1,830 million in the treasury stock balance for the quarter. The shares acquired by the end of September are scheduled to be cancelled by the end of October, 2024. Additionally, a new repurchase of ¥3,000 million is planned starting in October.

> Equity Ratio

Maintained a high equity ratio of 73.1%.

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7

Balance sheet.

Cash and cash equivalents decreased by JPY 2.98 billion due to the repurchase of treasury stock and growth investments.

Inventory increased by JPY 580 million from the previous period due to the slow pace of clearance of prior-year items, although production and sales control of current-year items is on track. Inventory levels, however, have improved compared to the end of Q1.

The balance of treasury stock increased by JPY 1.83 billion during the quarter due to the repurchase of approximately JPY 8 billion in the past year and its cancellation. In addition, a new acquisition of JPY 3 billion is planned for October.

The equity ratio of 73.1% has remained high.

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FY2025 1H: Existing Channels

Both domestic and international sales increased, but different challenges exist across channels:

Domestic physical stores (department and non-department stores): While department store sales fell short of the previous year due to a net decrease in store count, overall physical store sales remained strong, supported by demand for outings and inbound tourism, achieving **105.1% YoY growth (+2,160 million yen)**.

Domestic e-commerce: Sales were significantly impacted by the withdrawal of some brands, resulting in 98.4% year-on-year performance.

International: Although physical stores struggled, e-commerce performed steadily, supported by successful initiatives. While currency rate effects provided some boost, overall international sales reached 102.4% year-on-year.

		1H of FY Ended Feb 2023	1H of FY Ended Feb 2024	1H of FY Ending Feb 2025	YoY
Domestic Retail	Department Store (% of total sales)	9,560 (13.3%)	9,400 (12.8%)	9,310 (12.4%)	99.1%
	Non-Department Store (% of total sales) *1	31,370 (43.5%)	32,930 (44.9%)	35,180 (46.8%)	106.8%
	EC (% of total domestic retail sales)	17,820 (30.3%)	16,660 (28.2%)	16,400 (26.9%)	98.4%
	Domestic Misc. (% of total sales) *2	7,180 (10.0%)	8,540 (11.7%)	8,450 (11.2%)	99.0%
	International (% of total sales)	6,130 (8.5%)	5,730 (7.8%)	5,870 (7.8%)	102.4%

*1 Non-Department Store: Stores located in shopping centers, outlet malls etc.

*2 Domestic Misc. Wholesale sales, sales to the employees and other sales by TSI Group's apparel related business as well as non-apparel business.

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9

Overview by channel. The following is an overview of sales by channel for H1 of the fiscal year ending February 28, 2025.

Both domestic and international sales increased, but different challenges exist across channels.

Physical stores in Japan, including department stores and non-department stores. Department stores failed to reach the previous year's level due to a net decrease in the number of stores. However, physical stores are performing well, up 105.1% of the prior year, supported by demand for out-of-home activities and tourism demand from international visitors.

Domestic e-commerce had a significant impact due to brand withdrawal, resulting in 98.4% YoY growth.

International: Physical stores are struggling, but EC is performing well due to the successful implementation of measures. The impact of foreign exchange rates was also a factor in boosting sales. Overall, international sales grew 102.4% YoY.

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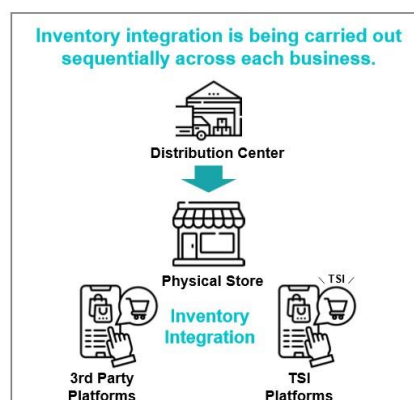
FY2025 1H: Existing Channels (E-commerce)

Efforts to consolidate inventory across our e-commerce and third-party platforms domestically have been successful, resulting in improved inventory efficiency and increased sales. Excluding the impact of ending the 'UNDEFEATED' distribution agreement last year, we are seeing a positive recovery trend.

Internationally, the strong performance of 'HUF' has been a driving force, supported by successful collaborative products and effective utilization of customer data.

	(in million yen)				
	1H FY 2023	1H FY 2024	1H FY 2025	Vs 2023	Vs 2024
Domestic In-House E-comm sales (% of total EC sales)	8,730 (49.0%)	7,840 (47.1%)	7,150 (43.7%)	82.0% (-5.3pt)	91.3% (-3.4pt)
Domestic E-comm sales (% of total domestic retail sales)*	17,820 (30.3%)	16,660 (28.2%)	16,400 (26.9%)	92.0% (-3.4pt)	98.4% (-1.3pt)
Int'l E-comm sales (% of Total Int'l retail sales)	1,940 (31.7%)	1,790 (31.3%)	1,960 (33.5%)	101.3% (1.8pt)	109.8% (2.3pt)
Total E-comm Sales (% of total retail sales)*	19,770 (30.5%)	18,450 (28.5%)	18,370 (27.5%)	92.9% (-2.9pt)	99.5% (-1.0pt)

* The e-comm sales ratio is calculated excluding other domestic sales (such as wholesale and employee sales).



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10

Here are the EC sales results.

Domestically, we have been progressively centralizing our own and third-party EC inventory, and the increase in inventory efficiency has contributed to sales, especially of the third-party EC. Excluding the impact of the termination of the UNDEFEATED distributor contract in the previous year, sales of our own EC were almost on par with the previous year.

Internationally, HUF's V-shaped recovery, driven by the success of collaborative products and the effective utilization of customer data, appears to lead the overall sales.

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FY2025 1H: Core Brands

(%: YoY sales)

 <p>98.5% YoY The brand struggled to maintain a balance between past inventory and current-season products, yet sales remained on par with the previous year. The company will continue to prioritize careful management of inventory optimization by clearing past stock while driving growth with new products.</p>	 <p>102.3% YoY Key stores in central Tokyo are driving sales. MARGARET HOWELL's GINZA SIX store and MHL's Daikanyama store have both exceeded 130% YoY, maintaining strong performance.</p>
 <p>102.8% YoY Sales growth has continued across all channels due to product revisions and improved sales management. The previously challenging task of profitability improvement is making progress, and the focus will now shift toward further sales growth.</p>	 <p>95.2% YoY During the first quarter, while some stores experienced temporary closures due to renovations, the strong performance of key stores and newly renovated locations has contributed to narrowing the gap.</p>
 <p>107.3% YoY Throughout the first half of the year, both existing and new stores performed well. One factor driving sales growth was the alignment of products, such as the 'DAILY COLLECTION,' with actual weather conditions, effectively meeting customer needs and encouraging purchases.</p>	 <p>125.8% YoY Several stores have achieved over 150% year-on-year growth, maintaining excellent performance. The 'Stussy Sapporo Chapter,' which opened earlier this year, is also ranked among the top TSI stores and continues to perform well.</p>

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12

This is an overview by brand, each of our leading brands.

Regarding PEARLY GATES, sales reached 98.5% of the previous year's figure. We are still facing challenges in balancing past inventory with current products. Although sales are comparable to last year, the key challenge lies in striking a delicate balance between clearing out old inventory to optimize stock levels and making progress with new merchandise.

The second is MARGARET HOWELL, which is performing well, with a YoY increase of 102.3%. The leading stores in Tokyo drive sales. Sales at MARGARET HOWELL's GINZA SIX store and MHL's street store in Daikanyama exceeded 130% compared to the previous year and are continuing to do well, driven significantly by sales to international tourists.

NANO universe is performing well, with a year-on-year increase of 102.8%. Product review accuracy and sales control have significantly improved, and profitability is improving. We are now approaching a phase in which we will be able to build sales growth while carefully examining the product offerings.

Next, although the sales of NATURAL BEAUTY BASIC have declined slightly to 95.2% of the previous year's level, the brand is showing signs of recovery heading into the H2. The rebranding, including merchandising, has progressed significantly, and we are beginning to attract new and younger customers. We are confident that the brand will continue to grow moving forward.

AVIREX, the fifth item, showed a YoY increase of 107.3%. The sales of bottoms were solid, and I hear that this trend is continuing to H2.

The sixth, Stussy, is the most successful brand, with a 125.8% YoY growth rate. Some flagship stores exceeded 150% compared to the previous term. The Sapporo store, which opened at the beginning of the year, also ranks high among TSI's stores.

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FY2025 1H: Growing Brands

Several Brands Achieved Double-Digit Growth Year-on-Year, Beyond the Core Brands

(%: YoY sales)

Strong Performers

ROYAL FLASH



BEAVER

SEVEN BY SEVEN

Dice&Dice



143.5% YoY

YLÈVE is experiencing consistent double-digit growth, with the Isetan Shinjuku store, which reopened in September last year, notably achieving over 300% year-on-year growth. The brand is entering a growth phase and plans to actively explore opportunities for new store openings and pop-up events.



231.1% YoY

SEVEN BY SEVEN currently operates two physical retail locations and an e-commerce platform. Its sales are experiencing rapid growth as brand awareness gradually expands. To bolster its image, the brand is executing initiatives such as hosting SSS MARKET, where the designer curates and sells meticulously chosen vintage items and personal belongings of stylists.



and wander

YLÈVE

hueLe Museum



A D O R E

LE PHIL

Arpege story

C A D U N É

E T R É



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13

Outside of our core brands, we have several brands that have achieved double-digit or higher growth from the previous year. The brands listed on both sides of this page are those brands.

In particular, YLÈVE, with a year-on-year growth rate of 143.5%, all stores continued to achieve double-digit growth. Isetan's Shinjuku store, which was renovated in September last year, is growing steadily, exceeding 300% year-on-year, which is outstanding.

SEVEN BY SEVEN of the same group, 231% compared to the previous term. It has only two stores, but including e-commerce sales, the name recognition is increasing, helping us gain new customers. With a very creative product development, the brand is attracting young customers.

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FY2025 1H: Growing Brands

hueLe Museum



hueLe Museum, with its unique concept of *Fashion × Flowers × Art*, presents a creative world that extends beyond clothing.

The brand has steadily grown since its 2021 debut, leveraging pop-up store events to boost brand recognition while operating through a permanent location at GINZA SIX and its e-commerce site. This fiscal period, hueLe Museum continues its strong trajectory, achieving 150.9% year-on-year growth

Recent Topics

In pursuit of further growth, new stores opened at Omotesando Hills on Aug 24 and NEWoMan Shinjuku on Sep 7.

The grand openings were celebrated with the release of limited-edition items created in collaboration with line artist Eri Yoshida. Additionally, the brand featured initiatives such as offering art-inspired Japanese confections as exclusive gifts to emphasize its core concept.



ETRÉ TOKYO



The much-anticipated third iteration of the renowned EDWIN × ETRÉ TOKYO collaboration has made its return this year. This collaboration has a history of rapid sell-outs. In commemoration, a pop-up event took place at Lumine Shinjuku, attracting significant attendance with all advance reservation slots fully booked.

In addition to active use of social media, the brand's ongoing collaborations and in-store initiatives have continued to attract both loyal customers and new clientele, resulting in a strong sales performance of 147.0% year-on-year.



▲ Showcasing appeal via brand's YouTube channel

▲ The blue interior, inspired by the color of denim, grabbed attention.

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We would also like to introduce hueLe Museum and ETRÉ TOKYO as strong performers.

hueLe Museum opened a store in Omotesando Hills on August 24, and the NEWoMan Shinjuku store opened on September 7. They hosted vivacious store opening events featuring artists performing in front of the customers. The store was very well received, and customers were able to see the artwork in the store while shopping. Although we struggled initially, we have high expectations for hueLe Museum, which is creating a universe based on the concepts of fashion, flowers, and art, and we hope to grow the business.

ETRÉ TOKYO has launched several successful collaborations, including one with EDWIN, a renowned denim brand, which customers have well received. The brand continues to perform strongly, with a 147% year-on-year increase in sales.

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Brands Introduce Sub-brands, Showcasing a New Dimension

In the upcoming autumn season, four prominent brands will unveil new product lines, leveraging their distinctive concepts to expedite the delivery of novel value and venture into interconnected segments of the fashion industry.

ALUNC	wagona	UNIPH	jbpsl ^{se}
			
<p><i>PINKY & DIANNE</i> aims to attract luxury customers by offering a sophisticated new elegance style, with <i>excitement and quality</i> as key concepts. The brand seeks to differentiate itself through a line of dresses and outfits for special occasions, targeting the acquisition of new customers.</p>	<p><i>human woman</i> introduces a new line featuring "lifeware," encompassing crafts and lifestyle goods. The brand's objective is to progress by engaging a diverse array of individuals, ranging from designers to artisans, and to offer not only original apparel but also a wide variety of products.</p>	<p><i>ADORE</i> is set to unveil a new collection of sophisticated and high-fashion daily wear tailored for mature women. This strategic move seeks to broaden the brand's customer base while staying true to its fundamental identity.</p>	<p><i>Jack Bunny</i> introduces a new line of high-quality daily wear for golf enthusiasts. The collection emphasizes functionality, environmental consciousness, and domestic production, delivering quality through the expertise unique to a sportswear brand.</p>
<p>Launch</p> <ul style="list-style-type: none"> • Nov 6-12: Pop-up store at Mitsukoshi Ginza • Nov 13: Sales start at Roppongi Hills and online <p>https://store.tokystyle.co.jp/alunc.html</p>	<p>Launch</p> <ul style="list-style-type: none"> • Available at 10 human woman stores, mainly in Tokyo, and the official online store • Oct 12-14: Pop-up store at CASICA <p>www.wagona.jp</p>	<p>Launch</p> <ul style="list-style-type: none"> • Debuted at the newly reopened ADORE Daimaru Shinsaihashi on Sep 20 and on the official online store. <p>https://www.adore2005.com/features/20240913-1p.html</p>	<p>Launch</p> <ul style="list-style-type: none"> • Debuted on August 16, exclusively at directly operated stores nationwide and the official online store. <p>https://store.tsjgs.com/PEARLYGATES/pg-topics/pg-ib-jbpsl/</p>

News and topics.

This fall, four of our brands are debuting their sublines. ALUNC by PINKY & DIANNE, wagona by human woman, UNIPH by ADORE, and jbpsl^{se} by Jack Bunny!!

We would like to accelerate the expansion around fashion by maximizing each brand's unique universe and providing new values and the heights of the stage.

We hope you will take a look at our introduction, including our product websites.

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Exclusive Distribution Deal with Alpha Industries, Inc. for FW 2025 Japan Launch

Alpha Industries, a long-established supplier of authentic military apparel and urban lifestyle products with a dedicated global following, will be joining TSI's brand portfolio.



Future Developments

Starting in the fall of 2025, sales will gradually begin through domestic wholesale, directly operated stores, and e-commerce with the goal of expanding market share in military and casual fashion.

<https://www.alphaindustries.com/>

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We are pleased to announce that we have signed an exclusive distributorship agreement with Alpha Industries for the Japanese market, starting in Fall 2025.

Alpha Industries is already a globally recognized brand with a large fanbase. As part of the brand's rebranding effort, we decided to partner together and introduce a new approach to their iconic military fashion.

Alpha Industries, renowned for its MA-1 flight jackets and M-65 field jackets, is a long-established US military supplier. Over the years, it has shared the military fashion and flight jacket market with Avirex.

Although Alpha Industries has a larger presence, this partnership will allow us to expand our share in the military fashion segment further. Given the brand's strong following among many designers, we are confident that it will take Alpha Industries to new heights.

We hope you are as excited as we are for this new venture, which will officially launch in the fall of next year.

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Achieving Environmental Impact Reduction and Conservation

Implement business activities with minimal environmental impact and promote a sustainable business model.

Global Environment

Materiality

- 1 Energy resources
- 2 Raw materials
- 3 Waste
- 4 Water Resources
- 5 Biodiversity

Transition to Plastic-Free Shopping Bags by End of FY2025 and Use FSC-Certified Paper*

As a key goal for 2050, the company has established a focus on reducing environmental impact through the selection of raw materials. The medium-term management plan also includes a target of reducing paper resource consumption.

By the conclusion of the fiscal year ending February 28, 2025, the Company will implement charges for existing shopping bags and discontinue the procurement of plastic shopping bags. This transition will involve a gradual migration to bags manufactured from FSC-certified paper as the current inventory is depleted.

Additionally, from October 1, 2024, the company has begun gradually switching to FSC-certified paper for cardboard boxes shipped from TSI warehouses to customers.

* FSC-certified paper refers to paper made from wood sourced from responsibly managed forests, in accordance with standards set by the FSC® (Forest Stewardship Council).

Sustainable Material Sourcing Goals

2050: Achieve Carbon Neutrality

STEP 3 By the end of FY2031
Reduce the use of shopping bags by 60% by FY 2031, compared to FY 2024.

STEP 2 By the end of FY2027
Reduce the use of shopping bags by 40% by FY 2027, compared to FY 2024, and increase the use of FSC-certified paper to 90% or more.

STEP 1 By the end of FY 2025
Charge for shopping bags and gradually replace plastic bags with paper ones. Switch cardboard boxes to FSC-certified paper.

Charges to begin on Nov 1, 2024 (except at some stores).

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As part of our commitment to sustainability, we will first work to reduce our environmental impact and achieve conservation.

One of the goals of our mid-term management plan is to reduce paper consumption. In order to reduce our environmental impact, we will charge for shopping bags and stop ordering plastic bags by the end of the fiscal year ending February 2025. We will also gradually convert to all FSC-certified paper bags as soon as our stock runs out.

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Passing on to the Next Generation Through Technology and Expertise

Collaborating with next-generation talent to tackle apparel industry challenges and drive sustainable growth in fashion.

Social

Materiality

- 10 Collaboration with Local Communities
- 11 Foster the Next Generation
- 12 Community Services

NANO universe and BUNKA Fashion College Collaborate on T-Shirt Production Using 'Made by ZOZO' in Hands-On Lecture

Since April 2023, the SDGs Promotion Office has been implementing an educational curriculum at Bunka Fashion College as part of TSI's 'Next-Generation Development' initiative, a key materiality goal related to the SDGs.

As a component of the program, comprehensive lectures covered the work processes of corporate designers and the social challenges posed by mass production and waste. Students also had the opportunity to collaborate with 'NANO universe' on producing T-shirts through 'Made by ZOZO,' a system that customizes production to meet specific demand and reduces excess.

This initiative not only educated future designers on the environmental issues facing the apparel industry and explored potential solutions but also gave students hands-on experience in sustainable manufacturing practices



▲ Selected designs from the lectures are now available as printed T-shirts, exclusively on ZOZOTOWN from July 5.

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19

As we consider the fashion industry's future, we believe that a collaborative effort between industry and academia is necessary, and we would like to make a great effort in this area.

As part of this endeavor, NANO universe held a hands-on workshop at BUNKA Fashion College, where students worked together under the NANO universe brand to co-create T-shirts. In this initiative, aspiring designers, producers, and creators discussed the environmental problems facing the industry and explored solutions to address these issues.

Moving forward, we will continue to leverage our skills and expertise to create environmentally conscious products and pass the knowledge on to the next generation.

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Empowering Society Through the Power of Fashion

Contributing to the creation of an inclusive society where everyone can shine as their true selves through fashion design.

Social

Materiality

- 10 Collaboration with Local Communities
- 11 Foster the Next Generation
- 12 Community Services

First Universal Design Initiative: 'MOVE WEAR,' Clothing for Wearable Arm Robot Developed by Ory Yoshifuji, is Now Finished.

Neuroscience research is being conducted on how people's psychology and emotions affect the brain. We, TSI, are exploring whether the 'power of fashion' can be used to generate positive psychological and emotional effects.

As part of these efforts, a collaborative development project called 'MOVE WEAR' was launched with Ory Yoshifuji, a robot developer and representative of Ory Laboratory. The project brings together a cross-disciplinary team to tackle social challenges.



From left: Yusuke Honda, ReSew; Kaiha Osawa, Designer of NANO universe; Tsuyoshi Shimoji, President of TSI Holdings; Masatane Muto, Representative Director of WITH ALS; Ory Yoshifuji, Director of Ory Laboratory; Mikito Ogino, Project Professor, Graduate School of Arts and Sciences, University of Tokyo



Universal design clothing was created for ALS patient Masatane Muto and the robotic arm specially designed for him.

Muto, who serves as both producer and performer, is set to wear the outfit at 'MOVE FES. 2024,' a music festival dedicated to raising ALS awareness, on November 24, 2024.

Introducing a new styling concept: 'clothing worn with a wheelchair.' The outfit features aurora-colored reflective prints to enhance nighttime visibility, inspired by the theme of the music festival, 'Human Body Augmentation.' It also incorporates a series of triangular motifs inspired by Muto's artwork.

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20

As previously announced, we have launched MOVE WEAR, a joint project team with Ory Yoshifuji of Ory Laboratory, a leading robot developer. This project brings together experts from various industries and academic fields, forming a multidisciplinary team to tackle pressing social issues.

In this initiative, we have created a universal design outfit specifically for Masatane Muto, a patient with ALS. The outfit is designed to cover his body, including his robotic arm and entire wheelchair. This project aims to offer the wearer a more seamless and integrated experience, enhancing both functionality and aesthetics while addressing accessibility needs.

He will be wearing this outfit at a music festival in November. He is an exceptional performer who participated in the opening ceremony of the 2020 Tokyo Paralympics, delivering a remarkable performance and expressing art in various forms, all despite his physical challenges.

TSI resonates with his visions and actions, and as part of our commitment to fostering new ways of doing business, we want to ensure that passionate individuals with strong beliefs are not left feeling isolated. With this in mind, we joined the initiative. The project was launched as a collaborative effort, with the NANO universe design team and ReSew, a repair team, taking charge of the sewing.

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Profit Structure Reform

(Excerpt from *Medium-term Management Plan* dated April 12, 2024)

Purpose	Current Issues	Course of Action	Completion	Impact
Purchase Cost Reductions	<ul style="list-style-type: none"> Decentralized procurement is causing high COGM. 	<p>Consolidate orders/improve purchasing leverage</p> <ul style="list-style-type: none"> Cost reduction through revision of business schemes/contracts with suppliers/manufacturers 	<ul style="list-style-type: none"> FYE Feb 2026 	<p>FYE Feb 2027 (1-year)</p> <p>Approx. 3 billion yen</p>
Optimized Supply & Demand Management	<ul style="list-style-type: none"> Stick to the traditional way of setting retail prices. Increasing loss of opportunity and volume of dead stock. 	<p>Strategic pricing/sales promotions</p> <ul style="list-style-type: none"> Optimization of retail pricing and cost ratio. Reassess promotional/discount sale programs 	<ul style="list-style-type: none"> FYE Feb 2027 	<p>Approx. 2.5 billion yen</p>
Retail Operation Reform	<ul style="list-style-type: none"> Inefficiencies in assigning staff specifically for each brand/store. 	<p>Increase efficiency/productivity of staffing</p> <ul style="list-style-type: none"> Optimal allocation of store staff across brands and by area. Consolidate underperforming stores and development of large stores. 	<ul style="list-style-type: none"> FYE Feb 2026 	<p>Approx. 1.5 billion yen</p>
EC Integration & System Renewal	<ul style="list-style-type: none"> Inefficiencies in system-related/operational costs due to an overabundance of independent EC sites within TSI. 	<p>EC site integration</p> <ul style="list-style-type: none"> Improve operational efficiency by integrating EC functions/websites that exist under each brand. Streamline the backend operations 	<ul style="list-style-type: none"> FYE Feb 2025 	<p>Approx. 0.5 billion yen</p>
Improve efficiency of costs including SG&A	<ul style="list-style-type: none"> Insufficient cost budgeting Brands working in silos. 	<p>Ensure ROI-driven expenditures</p> <ul style="list-style-type: none"> Review of brand positioning and cost/staffing structure based on ROI of measures 	<ul style="list-style-type: none"> FYE Feb 2026 	<p>Approx. 2.5 billion yen</p>
				TOTAL: 10 billion yen

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22

Next, I would like to report on the progress of structural reforms in our medium-term management plan.

There are five reform items as topics, and structural reforms are underway across the board.

We had expected that some of the effects of the fifth item, streamlining SG&A expenses, would be realized in H1, but the effects have been more significant than we had expected. It is one of the reasons for the narrowing of the deficit.

The effects of reducing procurement costs, optimizing supply-demand management, implementing store reforms, and implementing EC integration and system renewal will become evident in H2 of the fiscal year and beyond, so progress is generally on track as planned.

Details of each measure will be discussed on the subsequent pages.

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Profit Structure Reform: Status

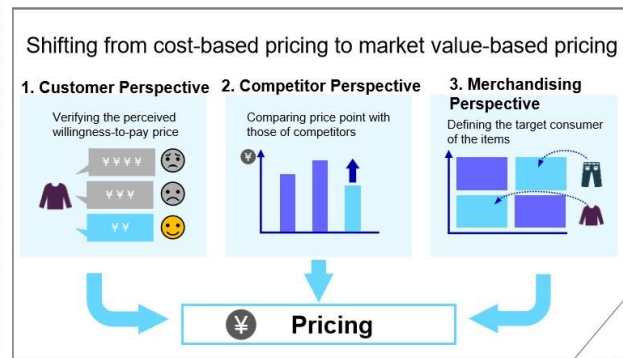
Purchase Cost Reductions

With a focus on reducing FOB costs through supplier consolidation and local settlements, the company has initiated proactive measures, including accelerating production in ASEAN, primarily for brands with short production lead times. By the Fall/Winter 2025 season, efforts will be expanded to cover the majority of brands.



Optimized Supply & Demand Management

An architecture for price optimization has been established by leveraging internal and external data from customer, competitor, and company perspectives. In Fall/Winter 2024, this pricing approach will be implemented in advance for several key brands.



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Now, regarding reducing procurement costs, we are promoting consolidation of suppliers and local settlement.

Concerning consolidation, several large brands have started manufacturing with common suppliers. Although the percentage is still small, as shown in the chart, we are reducing procurement costs by consolidating factories in China and increasing the production ratio in ASEAN countries, and we are promoting the common use of raw materials between brands.

We plan to start offering products using shared materials in the spring and summer of 2025, with the cost benefits expected to materialize in the next fiscal year. We will continue promoting this initiative to expand its adoption across more brands starting from the following fall and winter seasons.

I would like to talk about optimizing supply and demand management. Until now, we have set retail prices by adding a certain amount of profit based on the knowledge and experience of the people in charge of the brands. In the current reform, we are creating a scheme for strategic pricing with the help of a third-party partner.

It has become essential to approach pricing strategies from three critical perspectives: the competitor's, the Company's, and the customer's perspectives. We combine these perspectives to determine the optimal pricing.

From the competitor's perspective, we analyze the price position of our own brands in the market and the price difference between our brand and the competitor's brand in each category.

From the Company's perspective, we clarified the role of each product and category within the brand, and then strategically decided whether to price aggressively against the competition or to hold down prices. However, this is only the manufacturer's point of view, so we determine whether the cost is in line with the customer's expectations, value, and perception, and we search for and determine an appropriate price setting that does not harm the customer's willingness to purchase.

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Profit Structure Reform: Status

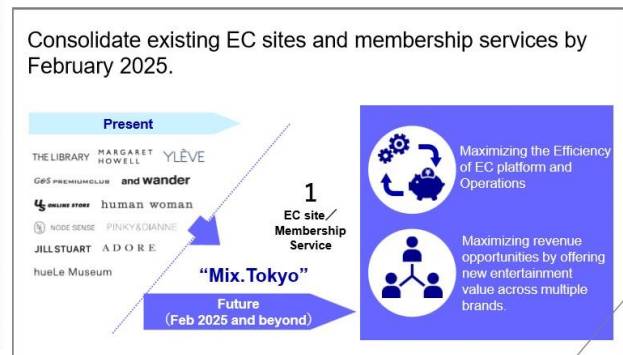
Retail Operation Reform

A scheme has been implemented to optimize staffing by reviewing shifts and assignments, aiming to improve the store labor cost ratio. Additionally, new career paths for sales staff are being developed to further enhance talent utilization.



EC Integration & System Renewal

By February 2025, TSI Inc. plans to relaunch the platform "Mix.Tokyo" by consolidating its 13 existing EC sites and membership services. From the following fiscal year onward, the company aims to achieve cost reductions through the standardization of operational processes.



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This is about store reform.

To maximize store earnings, we are first reallocating sales staff according to sales scale and brand characteristics and introducing new work styles.

The reallocation of sales staff involves organizing the appropriate number of operating personnel for each store and improving operational efficiency, including backyard and runner operations. In H1 of the fiscal year, we proceeded with briefing sessions and personnel interviews with employees. After a small start in some areas, we plan to lead to a nationwide operation.

Traditionally, employees have been promoted or transferred within a single brand. Many believe this is the only way to advance in their careers. However, we are now implementing a new approach that promotes the expansion of career paths. This will allow each salesperson and staff member to pursue what they enjoy, excel at, and where they can be most effective. We will implement a new system that enables staff to gain experience across multiple brands, facilitates quicker transfers between these brands, and introduces a shared sales staff structure. This will allow employees to work flexibly at various stores without being tied to a specific location. The nationwide rollout is planned for March 2025, with a preliminary launch in select areas starting in September 2024.

EC integration. As a multi-brand company owning many unique brands, we have operated more than 30 distinct EC sites across our portfolio of brands. On the other hand, our competitors are also multi-brand companies. However, by integrating entire brands into a single EC site, they have improved the efficiency of their systems and business operations. This approach has allowed them to continuously grow their EC sales by encouraging customers to explore different brands.

Although this may seem natural, the TSI Group, which has traditionally operated each brand individually to make the most of its uniqueness, plans to consolidate its EC platforms and renew its EC system. The goal is to

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enhance profitability by streamlining systems and business operations while expanding sales opportunities by encouraging cross-brand shopping.

In H1 of the fiscal year, we progressed in three key areas. The first was designing and developing an integrated website that includes brand sites and mobile apps. The second focused on designing, developing, and clarifying profitability criteria for a unified membership service. The third involved transitioning to a more efficient e-commerce platform and exploring potential system upgrades.

For the first initiative, the design and development of the integrated site, we concentrated on the apparel business utilizing TERRA, TSI Group's core system. We are working on consolidating EC sites, including mobile apps, to highlight the appeal of TSI's distinctive brands while maintaining solid relationships with existing customers. The goal is to maximize opportunities for cross-brand value through thoughtful design, services, and functionality.

At the same time, we are also progressing with integrating the membership service across in-store and e-commerce channels. The brand teams and the platform division, which plays a cross-functional role, are collaborating to study a new membership program that will provide an optimal customer experience across TSI. This is being done while respecting existing approaches and measures for providing tailored experiences to each brand's customers. With this new program, customers will be able to use points and benefits across TSI's various brands, which is expected to maximize value delivery opportunities for the company as a whole.

The third point involves transitioning to a new platform. We have noticed that many competitors are also upgrading their systems, and a range of platform options have become available in recent years. Although we are not disclosing the names of the vendors at this stage, we have already finalized our internal policy on this matter.

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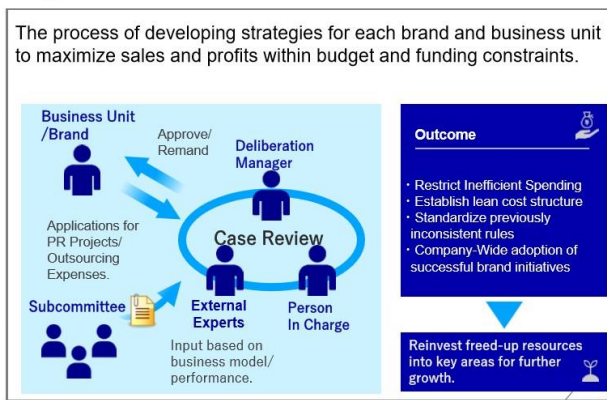
Profit Structure Reform: Status

Improve efficiency of costs including SG&A

To maximize growth and profitability through optimal resource allocation, the company will redefine its brand portfolio and set clear objectives. While aiming for revenue growth, it will also establish a foundation for new challenges using the resources generated.



Address structural challenges unique to the company, which are causing persistently high SG&A expense ratios, by enhancing systems and frameworks, benchmarking against competitors, and transforming cost management approaches.



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Improvement of the efficiency of SG&A and other costs. I would like to discuss some portfolio strategies that will impact SG&A costs.

With our existing brands, we have initiated strategic discussions to clarify the role and direction of our brands over the next three years and have reached a consensus on their future goals and strategies. We will continue refining these strategies, aiming for the final year of TIP27 or slightly beyond. By making targeted business investments, we will establish a solid foundation for further growth and new challenges. In TIP27, announced in April, we classified our portfolio into four categories: brands with growth potential, core brands, brands aimed at strengthening profitability, and those under review for revitalization. For the latter category, we have decided to withdraw from certain brands where restoring profitability is deemed difficult. Losses related to the withdrawal have largely been factored into this fiscal year's plan. In addition, as stated in the progress of structural reforms announced recently, we plan to downsize approximately 20% of the head office workforce by the end of the current fiscal year. Although some of this has been incorporated into the plan, the specific number of employees and the amount of impact have not yet been determined, so the full-year plan remains unchanged. Once the effect is determined, we will make an announcement in a timely manner.

Please refer to the right side of the document. As I mentioned, we have implemented cost management methods to improve cost-effectiveness. This includes establishing a deliberation process for reviewing costs on projects exceeding a certain threshold, particularly for advertising, promotional, and outsourcing expenses.

Following Q1, cost control in Q2 exceeded our expectations and contributed to narrowing the deficit in H1 of the fiscal year. In H2, we will continue implementing cost management with a balanced approach.

Although not shown on this page, we have made some progress in logistics. We are transitioning to a delivery service provider that can leverage economies of scale. Specifically, we have established rules for inter-store transfers and returns —off-center logistics—and have begun improving transportation efficiency. As this will significantly impact store operations, we held briefing sessions for sales staff in H1 of the fiscal year and initiated test operations.

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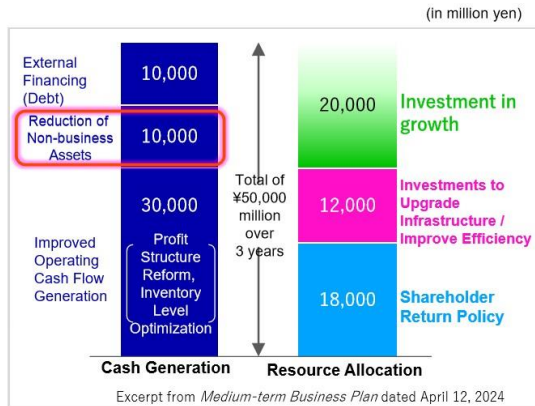
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Profit Structure Reform: Status

Reduction of non-business assets

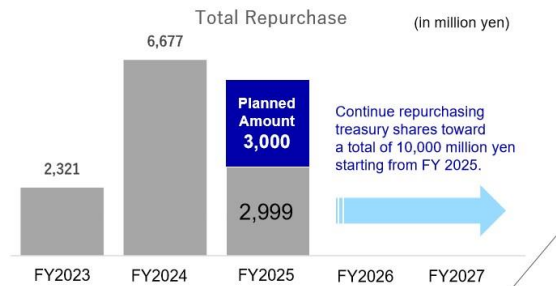
We are advancing efforts to generate ¥10,000 million in cash over three years through the sale of investment securities and investment properties, with plans to accelerate sales in the second half of the fiscal year and beyond.



Repurchase of treasury stock

The share repurchase program, which began in April 2024, concluded in September. The 3,386,600 shares acquired are scheduled for cancellation by the end of October. As part of a capital strategy aimed at enhancing shareholder returns and improving capital efficiency, an additional share repurchase has been announced.

Period	October 15, 2024 – March 31, 2025
Total repurchasable shares	3,400,000



Now, I want to discuss our financial strategy and capital policy.

As you can see on the left side of the document, we are reducing non-business assets. As mentioned in the H1 overview, this has resulted in a decrease in dividend income compared to the previous year.

In the area of investment securities, while we recorded gains on the sale of some securities, we have reduced the number of those with limited prospects for price appreciation, anticipating losses on their sales. Since we have reached an agreement to sell cross-held shares, we will continue to reduce these holdings in H2 onward.

Negotiations on investment real estate are also underway, taking into consideration the overall situation, including market prices, and will be announced at the appropriate time.

I would like to talk about the repurchase of treasury stock on the right side of the document. As mentioned on the balance sheet page, we have repurchased approximately JPY 8 billion of our own shares over the past year, starting in October of last year. TIP27 calls for a share buyback of more than JPY 10 billion over the three-year period, which is being implemented as part of efforts to improve capital efficiency and enhance shareholder returns.

Those shares repurchased in September will be retired at the end of this month. In addition to this, the Company will acquire an additional JPY 3 billion in shares starting today and plans to retire all of these as well. In the first fiscal year of TIP27, a total of JPY 6 billion will be repurchased.

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Full-Year Consolidated Earnings Forecast

The consolidated earnings forecast for the full year remains unchanged at this stage.

	FY2025 Forecast
	(in million yen)
Sales	160,000
Operating Income	2,000 (Profit margin : 1.25%)
Ordinary Income	2,500 (Profit margin : 1.56%)
Net Income Attributable to owners of the parent	4,000 (Profit margin : 2.50%)

- Impact on gross profit due to inventory optimization measures
- Business withdrawal as part of the structural reform and business portfolio review
- Additional costs from streamlining the headquarters organization

Considering the above factors, the consolidated earnings forecast for the full year will remain unchanged.

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28

Regarding the forecast of the consolidated financial results for the fiscal year ending February 28, 2025, we are not making any changes at this time.

We are implementing inventory optimization measures, which will impact gross profit. Additionally, we will proactively work to eliminate past-period inventories.

We will also factor in the business withdrawal expenses from the ongoing business portfolio review, which is part of our structural reforms. Additionally, we have included costs related to improving the efficiency of the head office organization, and therefore, we have yet to see the final details of these expenses.

In light of this, we intend to keep the consolidated earnings forecast unchanged from the previous announcement at this stage.

We are the company that creates global empathy and social value through the power of fashion entertainment. As a creator of fashion entertainment, TSI will not slow down on the reforms it is currently undertaking and is determined to make significant progress this fiscal year.

There have been many firsts, and the reforms require a lot of energy, but I believe that everyone is moving forward with each step carefully and boldly. Thanks to the support of our customers, I am confident that we will achieve our goals.

We sincerely appreciate your continued attention and support for TSI. Your encouragement serves as a vital source of motivation, helping us move forward with strength. Thank you for your ongoing support.

Thank you very much for your time today.

[Video Ends]

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