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

Stock Information

Share Price	Share Outstanding	Total Market Cap.	ROE (Act.)	Trading Unit	
¥ 825	87,074,993 shares	¥ 71,836 million	5.0%	100 shares	
DPS (Est.)	Dividend Yield (Est.)	EPS (Est.)	PER (Est.)	BPS (Act.)	PBR (Act.)
¥ 19.00	2.3%	¥ 53.04	15.6x	¥ 1,287.25	0.6x

*The share price is the closing price on April 12. All figures are from the financial results for FY2/24.

Earnings Trends

Fiscal Year	Sales	Operating Income	Ordinary Income	Net Income	EPS	DPS
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 Act.	155,383	1,760	3,758	4,849	59.97	15.00
Feb. 2025 Est.	160,000	2,000	2,500	4,000	53.04	19.00

* 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 fiscal year ended February 2024 and medium-term management plan.

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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. They set out the purpose: “We create empathy and social value across the world through the power of fashion entertainment..”**
- **In the fiscal year ended February 2024, sales grew 0.6% year-on-year to 155.3 billion yen. Overall domestic sales increased due to strong performance in physical stores, but EC (e-commerce) sales were sluggish. Overseas EC sales, too, declined. Operating income decreased 24.4% year-on-year to 1.7 billion yen. The reason for this double-digit decrease is that SG&A expenses were unchanged from the previous fiscal year, while gross profit declined 0.2% year-on-year due to the yen depreciation, soaring raw material prices, the discount in response to the accumulation of inventory, and the rise in loss on revaluation. Net income rose 58.3% year-on-year to 4.8 billion yen. This significant increase is attributable to tax effect accounting in addition to the posting of a gain on sales of investment securities of 2.2 billion yen, an impairment loss of 1.3 billion yen, etc. Both sales and operating income exceeded the revised forecasts, thanks to the recovery of demand from foreign visitors to Japan and the demand in Japan, the curtailment of headquarters’ expenses, including those for IT and digital systems, etc.**
- **For the fiscal year ending February 2025, sales and operating income are expected to grow. Sales are projected to increase 3.0% year-on-year to 160 billion yen, and operating income is forecast to rise 13.6% year-on-year to 2 billion yen. In the first fiscal year of structural reform, sales are expected to keep growing and gross profit is projected to decline due to soaring raw material prices and the rationalization of inventory management, but they aim to increase profit by improving profitability by growing business, reducing SG&A expenses, and reforming their business structure. The company plans to pay a dividend of 19.00 yen/share, up 4.00 yen/share from the previous fiscal year. The expected payout ratio is 35.8%.**
- **They upheld the medium-term management plan “TSI Innovation Program 2025 (TIP25),” but in the second year of the plan (in fiscal year ended February 2024), their performance significantly fell below the plan. Accordingly, they worked on structural reform by making a new start in fiscal year ending February 2025 and produced the TSI Innovation Program 2027 (TIP27) as a rolling plan, which is independent of the previous plan. In order to improve corporate value, they will promote drastic reform of the revenue structure and investment for accelerating growth. They will fortify their management base, allocate the cash earned by reforming the revenue structure and selling non-business assets to the investment for growth, and then become a “creator of fashion entertainment.”**
- **The company estimates that the cost of shareholders’ equity is 5.4-7.8%. They aim to achieve an ROE exceeding the cost of shareholders’ equity and expand equity spread to realize a PBR of 1. In order to improve ROE, they will improve their earning capacity, enhance the return to shareholders, and decrease non-business assets to streamline the use of assets. In addition, in order to further enrich the return to shareholders, they have revised the policy for shareholder return and stated that “they will aim to achieve a payout ratio of 30% or higher.” Furthermore, they revealed that they will acquire treasury shares worth 10 billion yen during the period “TIP27,” adopt dividend on equity as a target indicator and aim to increase the dividend on equity ratio (DOE) to 4% or higher by the fiscal year ending February 2027.**
- **On April 12, they announced the structural reform under TSI Innovation Program 2027 (TIP27), marking a new start for the fiscal year ending February 2025. It is independent of the previous plan. Stock price rose significantly at the beginning of the week. Investors highly evaluated the details of the generation of cash amounting to 50 billion yen and the allocation of capital in 3 years and their initiatives for realizing a PBR of 1 or higher.**

- It seems that achieving “an operating income margin of 6% or higher and an ROE of 8% or higher” is definitely not easy, but attaining these target is indispensable for sustainably increasing the share price. With President Shimoji resolved to achieve these target figures through unflagging group-wide efforts, we expect to the steady progress in their endeavor.

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 “creator of 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.”

【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 the Tokyo Stock Exchange (TSE). After the market restructuring, it was listed on the Prime Market of TSE in April 2022.

【1-2 Corporate philosophy】

With the following corporate philosophy, vision, purpose, and group’s code of conduct, they aim to become a “creator of fashion entertainment.”

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	We create empathy and social value across the world through the power of fashion entertainment.
Group's code of conduct	<ol style="list-style-type: none"> 1. We value our spirit of fairness/impartiality and honesty and work with passion and responsibility. 2. We always have problem consciousness, strive for self-study, and actively challenge with flexibility. 3. We respect each person's individuality, communicate well, and contribute to the team by running our own roles. 4. We deliver excitement and pleasure to our customers with sincere hospitality and strive to improve customer satisfaction. 5. We respect each stakeholder's position to realize mutual benefit and contribute to the sustainable growth of the company. 6. We sincerely appreciate society and the natural environment and contribute to social development through our business.

【1-3 Business description】

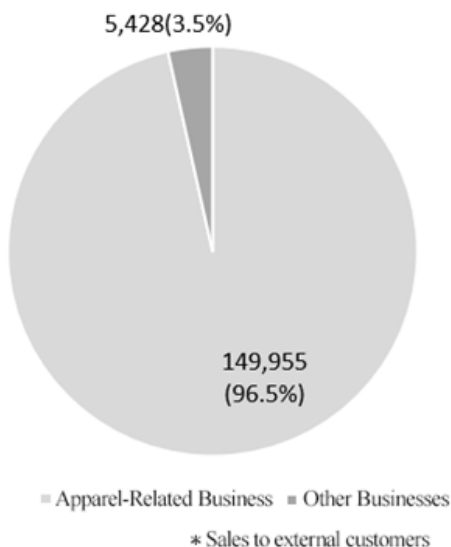
The TSI Group is composed of TSI Holdings, which is a holding company, 26 consolidated subsidiaries, and 1 equity-method affiliate.

In the “apparel-related business,” the main activities include planning, manufacturing, and selling mainly clothes and, as well as licensing brand operation and production/ logistics businesses. The “other business” includes sales agency and staffing services, synthetic resin-related business, store design/management, as well as restaurant operations.

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Sales composition by segment (FY2/24 Unit: million yen)






(1) Brands

Currently, they operate over 50 brands. They set clear targets (according to gender, age, preference, etc.) for each brand and provide products to a broad range of customers.

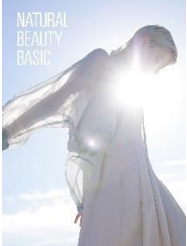
The top 10 brands account for about 60% of total sales. The gross profit margin is about 50-65%.


* Outline of major brands

Brand	Targets	Concept
 <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>Nano Universe</p>	Women and men	Under the concept of “glamour yourself up,” this brand brings out the attractive points of each customer and gives them confidence, with refined designs and high-quality functional materials.
 <p>Margaret Howell</p>	Women and men	In 1970, the British designer Margaret Howell started producing clothes at home. Clothing is not a passing fad but part of daily life, so she puts importance on materials, craftsmanship, and styles. This brand operates a broad range of businesses, including the sale of clothing and home-use products and the operation of cafes.

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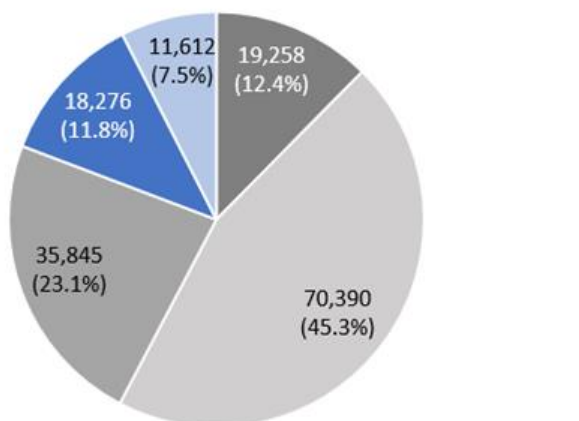
<p>Natural Beauty Basic</p> 	<p>Women</p>	<p>Based on the intrinsic natural beauty of each woman, this fashion store brand is for women who live each day beautifully, elegantly, and simply embracing their own unique femininity.</p>
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<p>HUF</p> 	<p>Men</p>	<p>Started as an original brand of the shop dealing in products from various brands, opened by legendary skater Keith Hufnagel in 2002. Lifestyle brand that designs products with his unique style and artistic sense inspired by skating and street cultures.</p>
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(2) Sales channels

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

Sales composition by channel (FY2/24 Unit: million yen)



■ Department stores ■ Commercial facilities ■ E-Commerce
 ■ Domestic others ■ Overseas
 * Fashion building, terminal building, outlet mall, etc.
 Others are other apparel business which offers sale to employee, wholesale, etc.

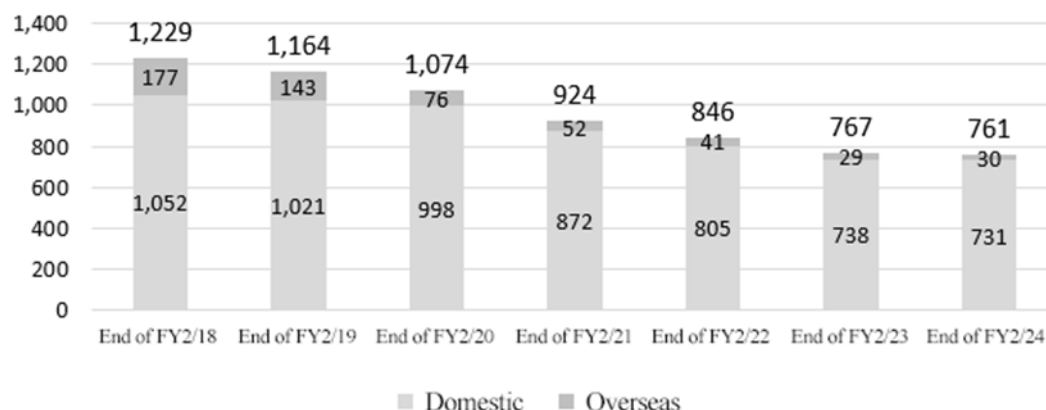
The number of physical stores was 798 (including overseas) as of the end of fiscal year ended February 2024. Among them, 761 stores sell apparel.

Although closing unprofitable stores as part of its business restructuring, the company, described as a "fashion entertainment company," believes that physical stores remain important as bases for articulating brand narratives and providing entertainment to customers. The company will continue to develop stores centered on brands that are popular with customers while abolishing and building systems. By opening stores with large floor sizes and/or in prime locations, they will reform the revenue structure of their physical store business.

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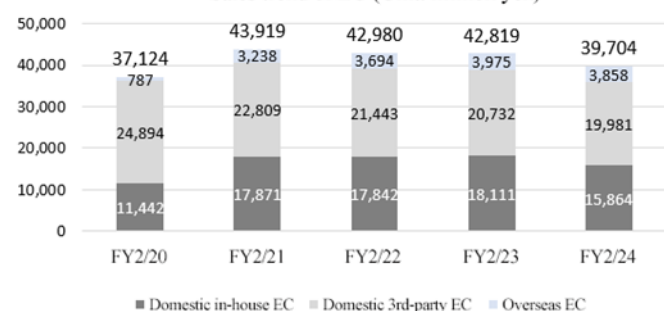


Trend of apparel stores

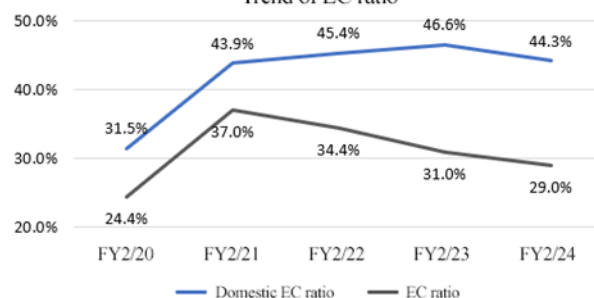


The ratio of sales via their own websites to domestic EC sales had been rising but dropped in the fiscal year ended February 2024 due to the withdrawal from some businesses. Due to discount-curbng measures, sales via other domestic companies' EC sites decreased, so they need to regrow the sales.

Sales trend of EC (Unit: million yen)



Trend of EC ratio



* 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 trends of the times.

The domains of athleisure, wellness, outdoor, and streetwear are thriving, partially because people became interested in outdoor activities and health enhancement amid the COVID-19 pandemic, and “PEARLY GATES” earns one of the largest sales as a golf wear brand in Japan.

The company has successfully found brands through its networks in the U.S., U.K., and beyond . In the past years, few companies have introduced new brands and made them successful, like TSI Holdings.

The company’s competitive advantages come from its base and experience in taking risks, as well as its know-how and track record of developing brands.

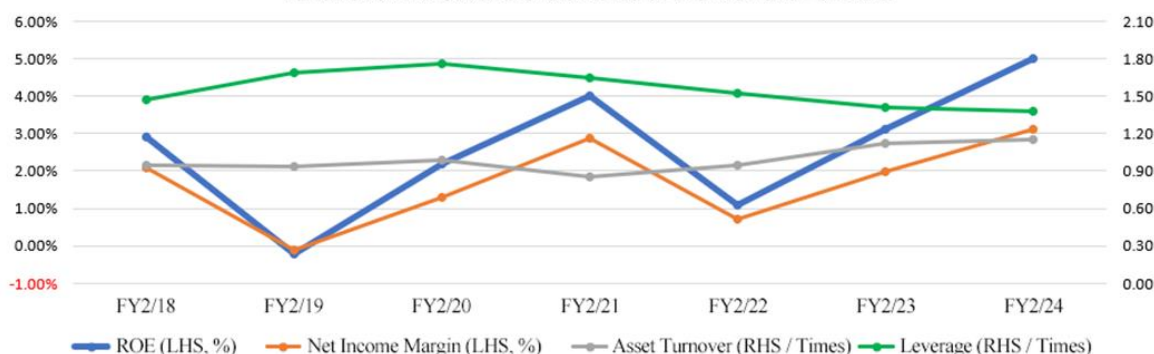
[1-5 ROE analysis]

	FY 2/18	FY 2/19	FY 2/20	FY 2/21	FY 2/22	FY 2/23	FY 2/24
ROE (%)	2.9	-0.2	2.2	4.0	1.1	3.1	5.0
Net income margin (%)	2.07	-0.12	1.28	2.88	0.73	1.98	3.12
Total asset turnover (times)	0.95	0.93	0.99	0.85	0.95	1.12	1.16
Leverage (times)	1.47	1.68	1.76	1.64	1.52	1.41	1.37

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Variations in ROE and 3 elements of the DuPont Formula



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

In the mid-term management plan “TIP 27,” the company aims to increase ROE to 8.0% or higher by the term ending February 2027. The key is how they will improve profitability.

2. Medium-term management plan “TSI Innovation Program 2027”

The company announced its medium-term management plan, “TSI Innovation Program 2025 (TIP25),” in April 2022. However, it had significantly failed to meet its objectives in fiscal year ended February 2024, which was the second year of the plan. Recognizing that it is due to not only the company's poor performance in some of its businesses amid the unfavorable external environment, but also the company's delay in responding to changes in the business environment, the company has adopted a new strategy for structural reforms beginning in fiscal year ending February 2025, and formulated the new TSI Innovation Program 2027 (TIP27) in the form of a rolling plan, which is not an extension of the previous plan.

	TIP25 Target	FY 2/24 Results
Sales	172.3 billion yen	155.4 billion yen
EC ratio	35%	28%
Operating income (Operating income margin)	4.7 billion yen (2.8%)	1.7 billion yen (1.1%)
ROE	5.3% (Target for FY 2/25)	5.0% (*Real 2.9%)

*Real ROE: When net income excluding the effect of tax effect accounting is used

[2-1 Background to the formulation of TIP27, formulation policy, outline of the plan, and vision]

(1) Background to the formulation and analysis of the current situation

Following the merger and integration of Tokyo Style and Sanei International in 2011, the TSI group has grown by emphasizing the autonomy of each brand and strengthening each brand. However, while the management foundation was established, efforts to unify business operations were still underway, resulting in performance often falling significantly below goals.

Current status and challenges faced by TSI Holdings

- * Sales remain flat due to delay in recovery after COVID-19
- * Low profitability due to inefficiency resulting from delayed organization integration
- * Capital inefficiency

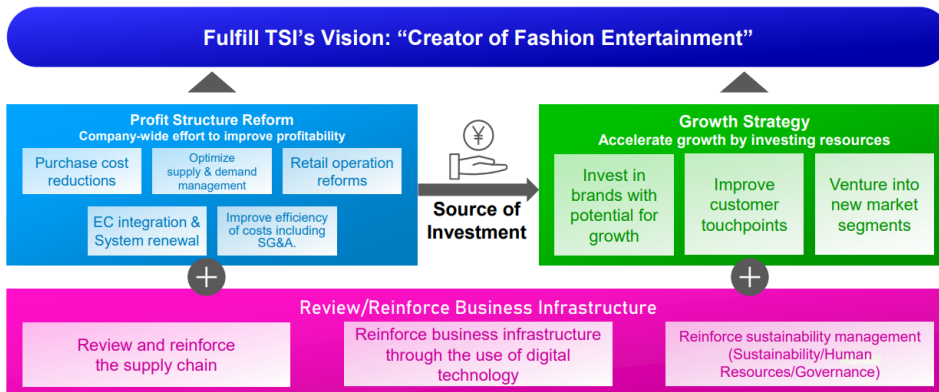
(2) Formulation policy

In order to actually generate large revenues as TSI Holdings, TIP27 was designed to accelerate fundamental structural reforms aimed at optimizing company-wide business operations, focusing on “cross-brand profit structure reforms” and “growth strategies based on core brands.”

(3) Outline of the plan

In order to increase corporate value, the company will promote both fundamental reform of its profit structure and investments aimed at accelerating growth.

In addition to strengthening the management foundation, the company will allocate the cash generated by the profit structure reform to growth investments and fulfill its goal of becoming a “creator of fashion entertainment.”



(Taken from the reference material of the company)

(4) Vision

By promoting the medium-term management plan, and through “building a community,” “fashion that leads to health and happiness,” and “self-realization through beauty and individual characteristics,” the company aims to contribute to society with fashion, design, and hospitality at its core.

[2-2 Profit structure reform and growth strategies]

(1) Profit structure reform

Traditionally, each brand has independently sourced materials and managed production based on its unique designs, shaped by individual experiences and sensibilities. They have set prices according to their own rules, and sold products through independently operated stores and e-commerce platforms, all in pursuit of an optimization strategy that highlights each brand's individuality.” However, in the future, the company will integrate the processes for planning and designing products and sourcing materials, which have been conducted by respective organizations or systems, set prices under uniform guidelines based on structured supply and demand management, and streamline its operational bases through strategic personnel allocation and area selection, while enhancing its e-commerce operations by consolidating over 30 independent e-commerce sites to achieve optimized, company-wide business operations.

Specifically, the company plans to increase revenues by approximately 10 billion yen by fiscal year ending February 2027 through five reform initiatives: “purchase cost reductions,” “optimization of supply and demand management,” “retail operation reforms,” “EC integration and system renewal,” and “improvement of efficiency of costs, including SG&A.”

Purpose	Current Issues	Course of Action	Completion	Impact
Purchase Cost Reductions	▶ Decentralized procurement is causing high COGM.	Consolidate orders/improve purchasing leverage ▶ Cost reduction through revision of business schemes/contracts with suppliers/manufacturers	▶ FYE Feb 2026	FYE Feb 2027 (1-year) Approx. 3 billion yen
Optimized Supply & Demand Management	▶ Stick to the traditional way of setting retail prices. ▶ Increasing loss of opportunity and volume of dead stock.	Strategic pricing/sales promotions ▶ Optimization of retail pricing and cost ratio. ▶ Reassess promotional/discount sale programs	▶ FYE Feb 2027	Approx. 2.5 billion yen
Retail Operation Reform	▶ Inefficiencies in assigning staff specifically for each brand/store.	Increase efficiency/productivity of staffing ▶ Optimal allocation of store staff across brands and by area. Consolidate underperforming stores and development of large stores.	▶ FYE Feb 2026	Approx. 1.5 billion yen
EC Integration & System Renewal	▶ Inefficiencies in system-related/operational costs due to an overabundance of independent EC sites within TSI.	EC site integration ▶ Improve operational efficiency by integrating EC functions/websites that exist under each brand. ▶ Streamline the backend operations	▶ FYE Feb 2025	Approx. 0.5 billion yen
Improve efficiency of costs including SG&A	▶ Insufficient cost budgeting ▶ Brands working in silos.	Ensure ROI-driven expenditures ▶ Review of brand positioning and cost/staffing structure based on ROI of measures	▶ FYE Feb 2026	Approx. 2.5 billion yen
				TOTAL: 10 billion yen

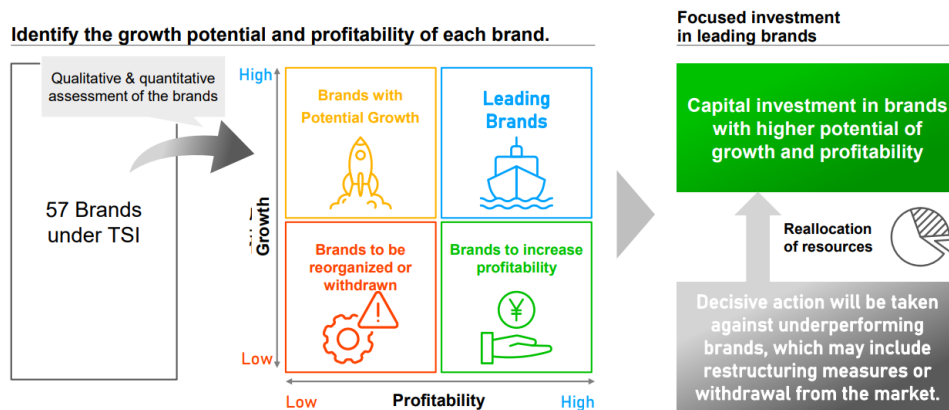
(Taken from the reference material of the company)

(2) Growth strategy

① Selection of brands to strengthen: Assessment of the brand portfolio

The company currently has 57 brands, which will be assessed both qualitatively and quantitatively to clarify the role of each brand based on growth potential and profitability.

In addition, the company will focus its investments on strengthening brands with high growth potential and profitability. For brands with low growth potential and profitability, the company will take decisive action, which may include restructuring measures or withdrawal from the market.



(Taken from the reference material of the company)

② Investment in leading brands: Expanding existing brands

In the four business domains (divisions) set out in “TIP25,” the company aims to provide value to customers by focusing on the following brands.

Mission	Bring Joy and Style to the Sports Offer sophisticated fashion style	Playful and Distinctive Styling	Enhance the Beauty of our Customers.	Pursuit of the Most Advanced Business Styles
Leading Brand	PEARLY GATES MARGARET HOWELL	AVIREX STUSSY	HUF NANO universe	NATURAL BEAUTY BASIC ARPEGE ADORE LE PHIL E T R É hueLe Museum
The Way Forward	<ul style="list-style-type: none"> Develop and venture into new market with sport-oriented casual wear. Offer a simple yet sophisticated lifestyle that our target consumers aspire to by broadening the concept of the brand. 	<ul style="list-style-type: none"> As a leading company in the streetwear category, drive growth in the industry by developing new brands and expand the scope of distribution channels including department stores. Provide playgrounds where street culture will be created. 	<ul style="list-style-type: none"> Venture into premium market with the brands nurtured in department stores and shopping centers adjacent to the railroad stations. Expand the collection to include non-apparel categories such as household goods that align with the brand's concept. 	<ul style="list-style-type: none"> Create new markets and values with innovative creators/technologies

(Taken from the reference material of the company)

③ Improvement of customer touch points: Proposing new value tailored to customers across brands

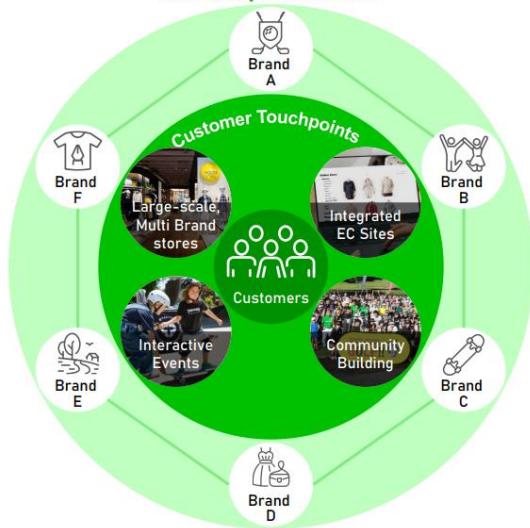
The company aims to build multi-dimensional links with customers through its unique brands.

Based on the premise of consolidating stores and e-commerce platforms, the customer touch points that each unique and diverse brand has built will be extended to the entire TSI brand.

The company will propose new entertainment value across brands in line with customer preferences and backgrounds.

The company will offer experiences and new discoveries that will make people fall in love with the brand even more, not only through stores and e-commerce, but also through communities and interactive events.

Build multi-dimensional links with customers with our unique brands.



(Taken from the reference material of the company)

④ Venturing into new fields

*** Entering new fields based on market trends and TSI's strengths**

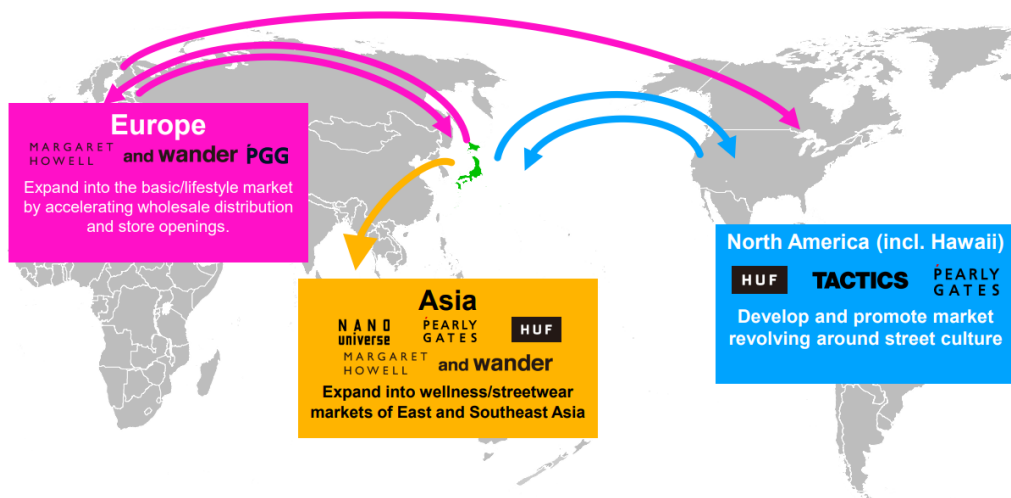
The market is experiencing polarization of prices.

In this environment, the company will leverage its strengths, which include high fashion creativity and a large number of unique brands, to enter the high-end market with its existing “high-priced” and “basic” brands, as well as the mid to low-priced market, which offers both fashion and affordability.

The latter is an area where the company can leverage its fashion creativity and is considering launching a new brand, including through M&A.

*** Venturing into overseas markets**

The company aims to increase revenues in overseas markets, including the U.S., Asian, and European markets, based on the preferences and needs of each market.



(Taken from the reference material of the company)

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[2-3 Quantitative targets]

For fiscal year ending February 2027, the company aims to achieve sales of 165 billion yen, an operating profit of 10 billion yen, an operating profit margin of at least 6.0%, and an ROE of at least 8.0%.

	FYE Feb 2024 (Actual)	FYE Feb 2025 (Target)	FYE Feb 2027 (Target)	
Target Revenue (JPY)	Sales	155.4 billion	160 billion	165 billion
	Operating Profit	1.7 billion	2 billion	10 billion
	Net Income	4.8 billion (2.8B*)	4 billion	7.7 billion
KPI (%)	Operating Profit Margin	1.1%	1.3%	6.0%~
	ROE	2.9%*	4.2%	8.0%~
	DOE	1.3%*	1.4%	4.0%~

*: Calculated based on net income on an Effective Tax Rate basis, without taking into account tax effects.

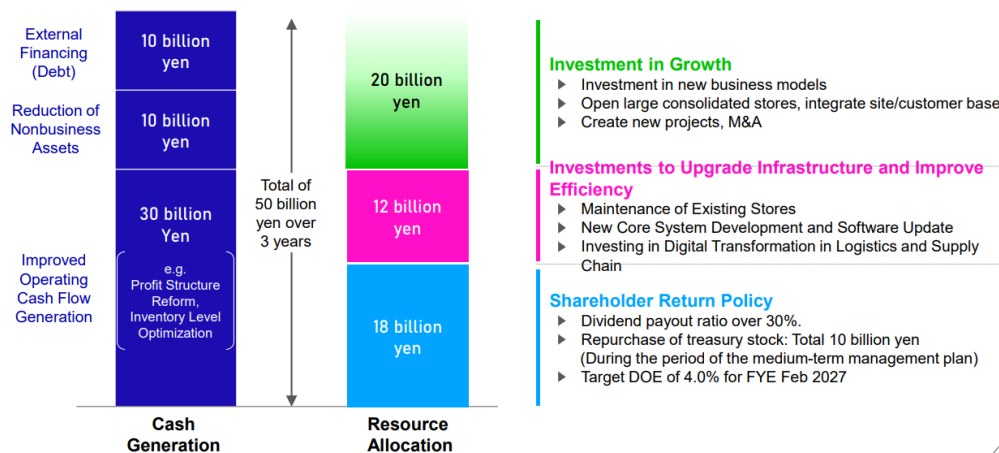
(Taken from the reference material of the company)

[2-4 Financial strategy and capital policy]

(1) Cash generation and capital allocation

Cash generation and capital allocation for a total of 50 billion yen over the three-year period is as follows:

The company will improve its cash generation capabilities through profit structure reforms, reduce inefficient assets, and then invest in strengthening its business foundation to accelerate growth.



(Taken from the reference material of the company)

(2) Achieving a PBR of over 1

The company estimates the cost of shareholders' equity to be between 5.4% and 7.8%.

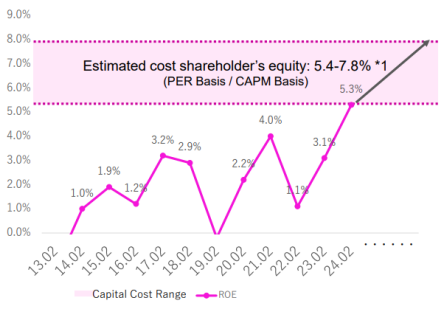
By achieving an ROE that exceeds this target and expanding equity spread, they will achieve a PBR of 1.

In order to improve ROE, the company will improve profitability, enhance shareholder returns, and improve asset efficiency by reducing non-business assets.

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ROE transition and current cost of capital for TSI (Range)



※ Calculation by Financial Institutions. *1 Calculated based on net income at the effective tax rate without considering tax effects. *2 Calculated based on net income at the effective tax rate without considering tax effects.

PBR 0.65 Stock Price 812 JPY (As of April 11 2024) Net Assets per Share 1,287.25 JPY (End Feb 2024)	ROE 5.0% (2.9%)*2 (End of FYE FEB 2024)	Net Income Margin 3.1% (End of FYE Feb 2024)	Profitability Improvement
		Financial Leverage 1.37 Net Asset 97,422M JPY (End of FYE Feb 2024)	Enhance shareholder returns Reduction of non-business assets
	PER 14.6 (As of April 11 2024)		Business Growth

* Excluding the impact of deferred tax assets
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(Taken from the reference material of the company)

The company's shareholder return policy has been to maintain a stable dividend level while enhancing corporate value over the long term. However, in order to further enhance shareholder returns by improving profitability and promoting financial and capital policies based on management conscious of capital costs, share price and PBR, the company has revised its shareholder return policy, specifying that “dividend payout ratio shall be 30% or higher as an indicator of the level of shareholder returns.”

In addition, in order to improve capital efficiency and clearly demonstrate its commitment to shareholder returns, the company announced that it will acquire more treasury shares worth 10 billion yen during the “TIP27” period and aim to achieve a dividend-on-equity ratio (DOE) of 4% or higher by fiscal year ending February 2027.

[2-5 Sustainability]

*The following is a summary. For details, please refer to the company's securities report (FY 2/24).

(1) Basic understanding

The corporate group operates its business with the purpose of “We create empathy and social value across the world through the power of fashion entertainment” under the corporate philosophy: “We create value that shines the hearts of people through fashion and share the happiness of living tomorrow together with society.”

The challenges facing the world include serious risks of global warming, human rights violations, and war. The company believes that a healthy global environment and a society in which human rights are respected are the foundations for conducting business, and that without these, sustainable corporate growth cannot be achieved. The corporate group sees the rapid changes in society as an opportunity for growth and will make sustainability-oriented management the core of its business activities, integrating both financial and non-financial aspects of the company's operations.

Based on this concept, the company announced its medium-term management plan, “TSI Innovation Program 2025 (TIP25),” in April 2022 and revised it to “TSI Innovation Program 2027 (TIP27)” in April 2024.



(Taken from the securities report of the company)

(2) Material issues

The corporate group has identified the following material issues that it will prioritize in each of the areas of “global environment,” “human,” and “society.”

Global environment	Human	Society
<ul style="list-style-type: none"> · Energy · Raw materials · Waste · Water resources · Bio-diversity 	<ul style="list-style-type: none"> · Diversity · Health and safety · Employees’ happiness · Fair labor 	<ul style="list-style-type: none"> · Co-creation with local communities · Nurturing the next generation · Supporting society

* For a detailed description of each material issue, please refer to the following URL.

Global environment (<https://sustainability.tsi-holdings.com/materiality/environment/index.html>)

Human (<https://sustainability.tsi-holdings.com/materiality/human/index.html>)

Society (<https://sustainability.tsi-holdings.com/materiality/social/index.html>)

(3) Major initiatives and approaches

① Governance

Toward sustainability-oriented management, the company is promoting the establishment of a business operation system suitable for a global fashion company by integrating its E (Environment), S (Society), and G (Governance) initiatives with its business activities and making material issues the backbone of all its activities. The company is working to maintain soundness and transparency, develop a system for rapid decision-making, and strengthen internal control, including thorough compliance and risk management.

In addition, indicators and targets for each material issue are set as part of the management strategy, and the status of their achievement is quantitatively reflected in the evaluation of the executive directors and executive officers of each group company, including TSI Holdings. In order to realize the purpose, the TSI group will address issues that it needs to address on its own in order to continuously promote sustainability-oriented management. By complying with social norms, laws and regulations throughout the value chain and acting with high ethical standards, the company will live up to the “trust” of all stakeholders, including customers, business partners, shareholders, employees, and local communities.

The sustainability committee was established as an advisory body to the President and CEO to expand efforts to promote sustainability-oriented management and strengthen governance to ensure its diffusion. The committee is responsible for formulating and implementing sustainability strategies linked to management policies and the medium-term management plan and developing management systems.

② Human capital

The goal of creating value that brightens people's hearts lies at the core of the company's business operations. Therefore, people, who form the backbone of value creation, are the group's most important management resource and source of competitiveness. In order to realize its purpose of providing fashion entertainment, the group respects the diversity of all personnel involved in the business and strives to develop personnel and create an environment in which they can thrive, ensuring their mental and physical well-being and enhancing their creativity.

In order to create a working environment that promotes employees’ well-being and mental health, the company has implemented legally regulated systems, such as occupational safety and health committees and stress assessments. In addition, the company is actively working on workstyle reforms, reducing working hours, and promoting remote work as ways to achieve a work-life balance.

③ Climate change and natural capital

The apparel industry is said to account for 4-10% of the total CO₂ emissions of all industries, and its reduction is a top priority. Therefore, in April 2022, the company set a long-term objective to achieve carbon neutrality by 2050. In October of the same year, the company endorsed the TCFD recommendations and disclosed its CO₂ emission reduction targets. In October 2023, the company obtained “SBT (Science Based Targets) Initiative” certification, which states that its CO₂ and other greenhouse gas reduction targets are based on scientific grounds. In addition, the company received the score “B,” the third highest score in the “Climate Change” section of the 2023 CDP questionnaire, and the score “C,” the average for the apparel industry, in the “Water Security” section.

<Actual CO₂ emissions and reduction targets>

	Sum of Scopes 1 to 3	Scopes 1 and 2	Scope 3
Actual CO ₂ Emissions FY 2/20 (tons)	305,000	9,000	295,000
CO ₂ emission reduction target (tons) FY 2/31	-35% (-108,000)	-48% (-4,000)	-35% (-103,000)
CO ₂ emission reduction target setting standard in SBT	-	Annual reduction of 4.2% in line with the 1.5°C climate commitment	Annual reduction of 2.5% in line with a well-below 2°C commitment (WB2°C)

* Reduction targets for Scopes 1 and 2 are in line with the 1.5°C target. Scope 3 is in line with the 2050 carbon neutrality target. Emissions are rounded down to the nearest thousand tons.

* Progress data on emission reduction is available at the following URL.

<https://sustainability.tsi-holdings.com/materiality/environment/climate-change.html>

3. Fiscal year ended February 2024 Earnings Results

[3-1 Overview of business results]

	FY 2/23	Ratio to sales	FY 2/24	Ratio to sales	YoY	Ratio to initial forecast	Ratio to revised forecast
Sales	154,456	100.0%	155,383	100.0%	+0.6%	-4.1%	+0.6%
Gross profit	84,901	55.0%	84,729	54.5%	-0.2%	-	-
SG&A	82,572	53.5%	82,968	53.4%	+0.5%	-	-
Operating income	2,329	1.5%	1,760	1.1%	-24.4%	-62.6%	+25.7%
Ordinary income	3,859	2.5%	3,758	2.4%	-2.6%	-31.7%	+25.3%
Net income	3,063	2.0%	4,849	3.1%	+58.3%	+38.5%	+73.2%

*Unit: million yen. The revised forecast figures are those announced in January 2024.

Sales increased, but profit decreased; the revised forecasts was exceeded.

Sales grew 0.6% year-on-year to 155.3 billion yen. Overall domestic sales increased due to strong performance in physical stores, but EC (e-commerce) sales were sluggish. Overseas EC sales, too, declined.

Operating income decreased 24.4% year-on-year to 1.7 billion yen. The reason for this double-digit decrease is that SG&A expenses remained unchanged from the previous fiscal year, while gross profit declined 0.2% year-on-year due to yen depreciation, soaring raw material prices, the discount in response to the accumulation of inventory, and the rise in loss on revaluation.

Net income rose 58.3% year-on-year to 4.8 billion yen. This significant increase is attributable to tax effect accounting in addition to the posting of a gain on sales of investment securities of 2.2 billion yen, an impairment loss of 1.3 billion yen, etc. Both sales and operating income exceeded the revised forecasts, thanks to the recovery of demand from foreign visitors to Japan and the demand in Japan, the curtailment of headquarters' expenses, including those for IT and digital systems, etc.

BRIDGE REPORT



【3-2 Trend in each channel】

	FY 2/22	FY 2/23	FY 2/24	YoY
Department stores	13,820	19,555	19,258	-1.5%
Non-department stores	60,736	67,022	70,390	+5.0%
Domestic EC	39,286	38,843	35,845	-7.7%
Other domestic channels	15,434	16,115	18,276	+13.4%
All domestic channels	129,276	141,537	143,771	+1.6%
Overseas	11,104	12,918	11,612	-10.1%
Total	140,382	154,456	155,383	+0.6%

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

*Non-department stores: fashion malls, outlet stores, etc. Other: other apparel businesses, including wholesale and sale to employees and non-apparel businesses of group companies.

- * The sales at physical stores in Japan increased by 3.5% year-on-year. Although the number of stores decreased by 7, the performance of streetside stores in urban areas and department stores improved, resulting in sales growth.
- * Sales via other domestic channels increased by 13.4% year-on-year. While society was faced with a shortage of manpower, the scale of the personnel support service of the subsidiary S-Groove Co., Ltd. kept growing, contributing to the sales growth.
- * Outside Japan, the U.S. athleisure market, which is the main field, was faced with an excess of supply in the wake of the special demand during the COVID-19 pandemic, so the price-cutting war intensified. Profitability declined, due to the weakening of consumer confidence caused by inflation, the reactionary decline from the anniversary campaign of HUF in the previous year, etc.

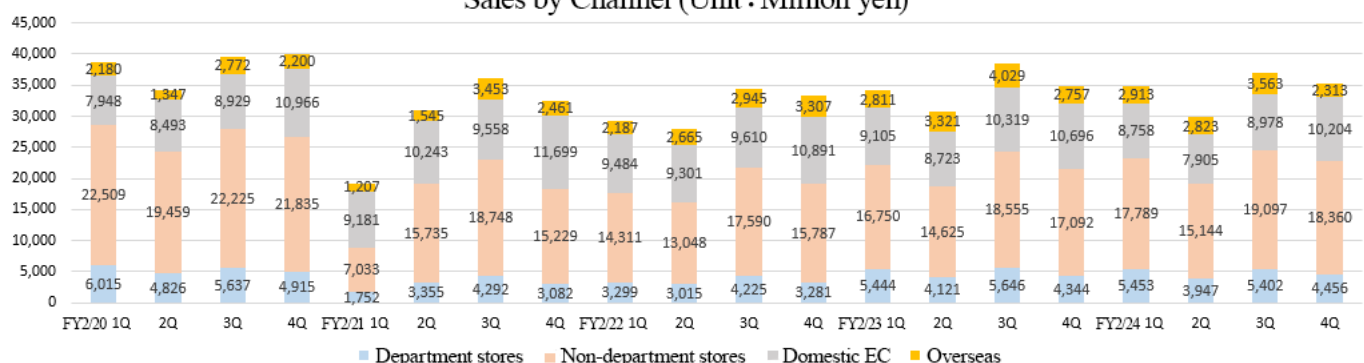
◎EC Sales Trends

	FY 2/22	FY 2/23	FY 2/24	YoY
Domestic EC	39,286	38,843	35,845	-7.7%
In-house EC	17,842	18,111	15,864	-12.4%
Other	21,443	20,732	19,981	-3.6%
Overseas EC	3,694	3,975	3,858	-2.9%
Total amount for EC	42,980	42,819	39,704	-7.3%

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

EC sales decreased by 7.3% year-on-year, due to the slowdown of the market surrounding their overseas business, the withdrawal from the business of BOSCH, and the termination of distributorship contracts for SUNSPEL and UNDEFEATED. For streetwear brands whose special campaigns and collaborative sneakers performed well in the previous year, the buzzworthy products decreased continuously, producing negative effects.

Sales by Channel (Unit : Million yen)



BRIDGE REPORT

**[3-3 Number of Stores and Brand Overview]****(1) No. of stores****The Number of Stores**

		FY Ending Feb. 2023	Store Open	Store Close	FY Ending Feb. 2024	Y/Y Change
Apparel	Domestic	738	+53	-60	731	-7
	Overseas	29	+1	-	30	1
	Total	767	+54	-60	761	-6
Restaurant	Domestic	8	-	-2	6	-2
Cosmetics	Domestic	36	+1	-6	31	-5
Total		811	+55	-68	798	-13

(Taken from the reference material of the company)

The company continued to close domestic apparel stores.

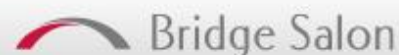
(2) Sales and gross profit margin of each brand**Brands Overview**

	FY Ending Feb. 2023			FY Ending Feb. 2024			YoY	
	Sales	Composition Rate (%)	Gross Profit Ratio (%)	Sales	Composition Rate (%)	Gross Profit Ratio (%)	Sales (%)	Gross Profit Ratio (pt)
1. PEARLY GATES	17,086	11.1	60.8	16,111	10.4	54.5	94.3	-6.3pt
2. NANO universe	14,764	9.6	51.2	14,268	9.2	50.6	96.6	-0.6pt
3. MARGARET HOWELL	12,801	8.3	64.5	14,133	9.1	62.3	110.4	-2.1pt
4. NATURAL BEAUTY BASIC	10,994	7.1	63.1	11,108	7.1	64.2	101.0	+1.0pt
5. HUF	9,853	6.4	51.3	8,843	5.7	53.2	89.8	+1.9pt
6. AVIREX	7,084	4.6	54.5	8,125	5.2	60.3	114.7	+5.8pt
7. STUSSY	4,617	3.0	64.5	5,387	3.5	62.8	116.7	-1.7pt
8. new balance golf	4,409	2.9	51.3	4,714	3.0	49.0	106.9	-2.3pt
9. human woman	4,400	2.8	64.1	4,297	2.8	64.3	97.6	+0.3pt
10. Jack Bunny!!	3,445	2.2	47.5	3,597	2.3	45.9	104.4	-1.6pt
TOP10	89,457	57.9	57.8	90,588	58.3	57.0	101.3	-0.9pt
Other Brands	60,166	39.0	52.1	64,238	41.3	51.2	106.8	-1.0pt
Continuing Brands	149,624	96.9	55.5	154,827	99.6	54.5	103.5	-1.0pt
Closed Brands	4,832	3.1	37.5	556	0.4	51.5	11.5	+14.1pt
TOTAL	154,456	100.0	55.0	155,383	100.0	54.5	100.6	-0.4pt

(Taken from the reference material of the company)

- * Except for the stagnant brands due to the recoil from the special demand in the COVID-19 pandemic, major brands performed well. In particular, “MARGARET HOWELL,” “AVIREX,” and “STUSSY” performed well throughout the year, and sales grew by double digits from the previous fiscal year.
- * In addition to the major brands, the brands that have differentiated themselves by offering unique products, such as “LE PHIL” and “ADORE,” whose products for women are sold at department stores at high prices, and “ROYAL FLASH” and “Schott,” which operate shops that deal in products of various brands, were highly evaluated by customers inside and outside Japan, and performed well.
- * PEARLY GATES
Down 5.7% from the previous fiscal year.
This brand grew rapidly due to the special demand during the COVID-19 pandemic, but that boom has subsided and it is now on a plateau. They implemented stock clearance sales for the first time in several years to optimize their business.
- * NANO universe
Down 3.4% from the previous fiscal year.
Overall sales declined from the previous fiscal year, due to the revision in production and sale plans focused on profitability as well as closure of stores. However, sales at existing stores increased by 23% year-on-year thanks to the improvement of their product lineup, etc.

BRIDGE REPORT



* NATURAL BEAUTY BASIC

Up 1.0% from the previous fiscal year.

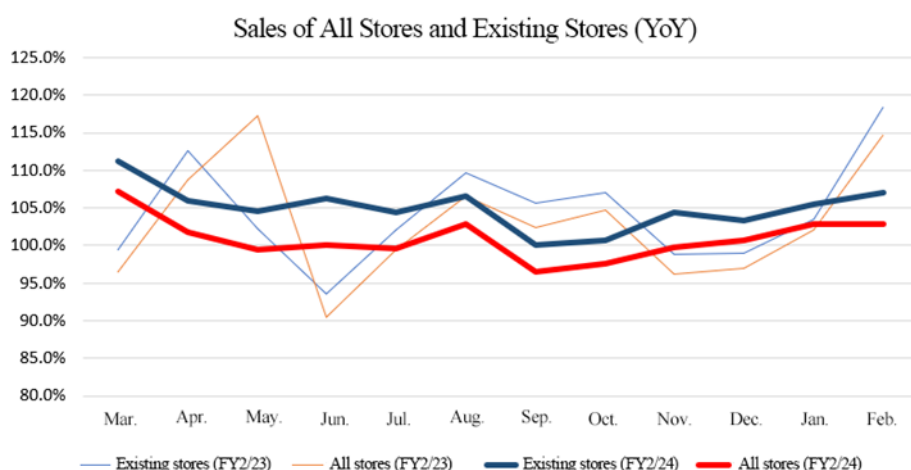
Revenues grew thanks to the healthy performance of “LIMITED EDITION,” which is available at selected locations.

However, supply was insufficient to meet unexpectedly high demand, resulting shortages for so some products.

Existing stores performed well, but closure of some stores limited overall growth.

(3) Domestic Sales of All Stores and Existing Stores

In the fiscal year ended February 2024, the sales at existing stores increased by 4.8% year-on-year (3.5% year-on-year in fiscal year ended February 2023), and the total sales at stores grew by 1.0% year-on-year (2.1% year-on-year in fiscal year ended February 2023).



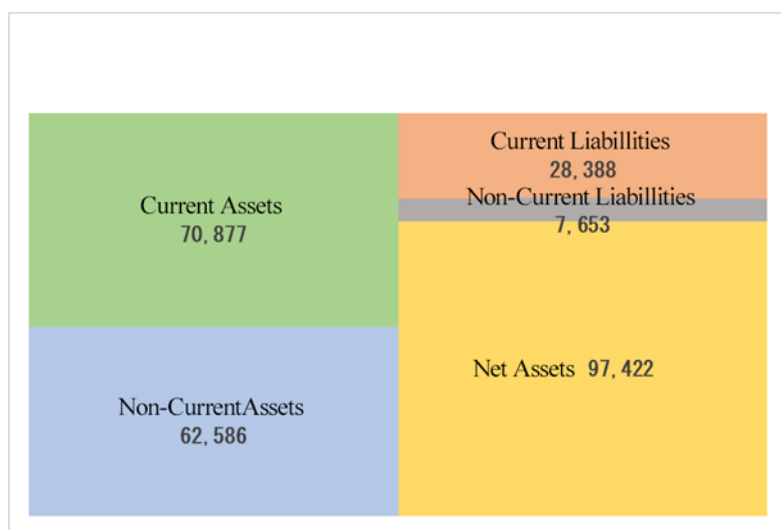
* Produced by Investment Bridge Co., Ltd. with reference to the material of TSI Holdings.

【3-4 Financial statement and cash flow】**◎ Major BS**

	End of Feb. 2023	End of Feb. 2024	Increase/decrease		End of Feb. 2023	End of Feb. 2024	Increase/decrease
Current assets	71,837	70,877	-960	Current liabilities	26,239	28,388	+2,149
Cash deposits and	32,205	27,472	-4,733	Accounts payable	11,407	9,615	-1,792
Accounts receivable	10,731	11,681	+950	Short-term interest-bearing liabilities	4,758	8,325	+3,567
Inventory assets	24,679	28,051	+3,372	Non-current liabilities	10,309	7,653	-2,656
Non-current assets	63,589	62,586	-1,003	Long-term interest-bearing liabilities	5,014	1,631	-3,383
Property, plant and equipment	6,136	6,560	+424	Total liabilities	36,549	36,041	-508
Intangible assets	8,946	7,159	-1,787	Net assets	98,878	97,422	-1,456
Investments and other assets	48,506	48,866	+360	Retained earnings	56,052	60,052	+4,000
Total assets	135,427	133,464	-1,963	Total liabilities and net assets	135,427	133,464	-1,963

*Unit: million yen. Interest-bearing liabilities include lease obligations.

BRIDGE REPORT



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

Total assets decreased by 1.9 billion yen to 133.4 billion yen from the end of the previous period, mainly due to a decrease in cash and deposits, despite an increase in inventories.

Total liabilities decreased by 0.5 billion yen to 36.0 billion yen from the end of the previous period due to a decrease in accounts payable.

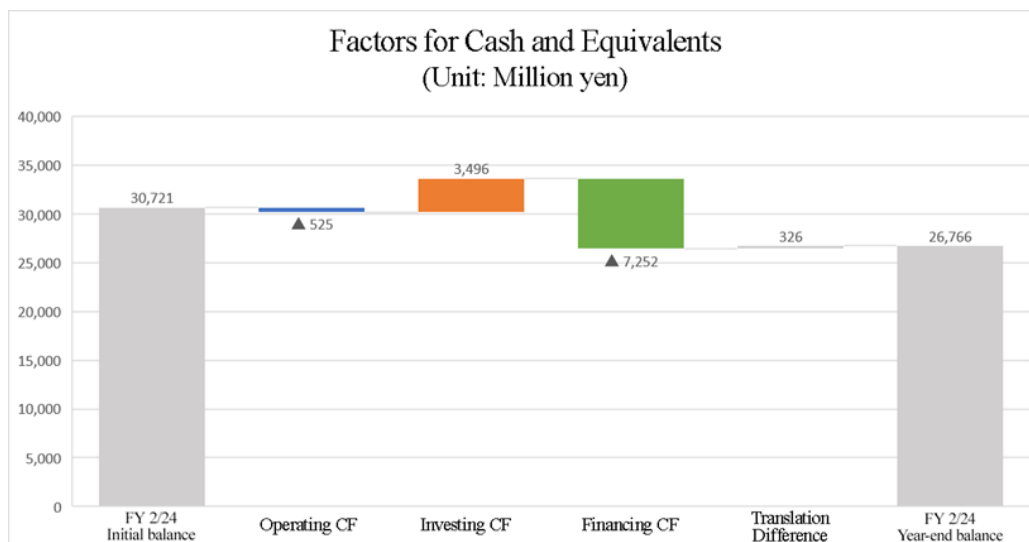
Net assets decreased by 1.4 billion yen to 97.4 billion yen, mainly due to an increase in treasury shares, despite an increase in retained earnings.

Equity ratio was 72.7%, unchanged from the end of the previous period.

◎ Cash Flow

	FY 2/23	FY 2/24	Increase/ decrease
Operating CF	1,326	-525	-1,851
Investing CF	-110	3,496	+3,606
Free CF	1,216	2,971	+1,755
Financing CF	-9,589	-7,252	+2,337
Cash and cash equivalents	30,721	26,766	-3,955

*Unit: million yen.



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

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In the previous fiscal year, the company posted a cash inflow from operating activities, but in fiscal year ended February 2024, the company posted a cash outflow from operating activities due to the decline in accounts payable, etc. Meanwhile, they posted a cash inflow from investment activities thanks to the growth of revenues from the sale of investment securities, etc. The cash position declined.

4. Fiscal Year ending February 2025 Earnings Forecasts

【4-1 Earnings forecast】

	FY 2/24	Ratio to sales	FY 2/25 Est.	Ratio to sales	YoY
Sales	155,383	100.0%	160,000	100.0%	+3.0%
Operating income	1,760	1.1%	2,000	1.3%	+13.6%
Ordinary income	3,758	2.4%	2,500	1.6%	-33.3%
Net income	4,849	3.1%	4,000	2.5%	-17.4%

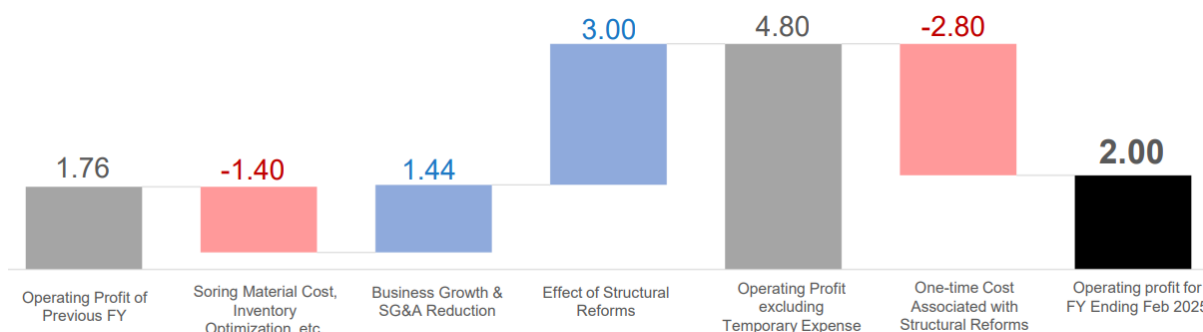
*Unit: million yen. This forecast was made by the company.

Growth in sales and operating income are expected

Sales are projected to increase by 3.0% year-on-year to 160 billion yen while operating income is forecast to rise by 13.6% year-on-year to 2 billion yen.

In the first fiscal year of structural reform, sales are expected to keep growing.

Gross profit is projected to decline due to soaring raw material prices and the rationalization of inventory management, but they aim to increase profit by improving profitability by growing business, reducing SG&A expenses, and reforming their business structure.



(Taken from the reference material of the company)

The company plans to pay a dividend of 19.00 yen/share, up 4.00 yen/share from the previous fiscal year. The expected payout ratio is 35.8%.

5. Conclusions

On April 12, they announced the structural reform under TSI Innovation Program 2027 (TIP27), marking a new start for the fiscal year ending February 2025. It is independent of the previous plan. Stock price rose significantly at the beginning of the week.

Investors highly evaluated the details of the generation of cash amounting to 50 billion yen and the allocation of capital in 3 years and their initiatives for realizing a PBR of 1 or higher.

It seems that achieving an operating income margin of 6% or higher and an ROE of 8% or higher is definitely not easy, but attaining these target is indispensable for sustainably increasing the share price. With President Shimoji resolved to achieve these target figures through unflagging group-wide efforts, we expect to the steady progress in their endeavor.

<Reference: Regarding Corporate Governance>

◎ Organization type, and the composition of directors and auditors

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

◎ Corporate Governance Report

The latest update: May 27, 2024

<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 enhancing 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

We uphold the sustainability policy: “We sincerely work on sustainable fashion while respecting the dialogue with all stakeholders and continue our endeavor to realize a society in which people will remain happy through our business activities.” We identify material issues and set KGIs as the foundation for bringing happiness for a long period of time in a sustainable manner through the business activities of our corporate group.

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

For reports on specific activities, please see TSI Holdings Sustainability Website (<https://sustainability.tsi-holdings.com/index.html>)

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)

“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 operates brand business, intellectual property, including 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 “We create empathy and social value across the world through 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 managers accounted for 30.9% of the total number of managers at the Group at the end of February 2024, 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 categories, 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 the ratio of female employees in managerial positions further, which is already over 30% 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 burdens related to shop work attire, among other employee welfare initiatives, 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 the 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.

◎ Promotion of active engagement of women

While female managerial positions accounted for 30.9% of all managerial positions in the Group at the end of February 2024, 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 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, the number of employees aged 65 or above actively contributing is increasing.

◎ Empowerment of people with disabilities

To date, the Group, mainly through its special subsidiaries, has avidly promoting the participation of people with disabilities. Its employees with disabilities accounted for 2.62% of the total workforce as of the end of February 2024. We will continue to work on creating opportunities for them to find fulfillment directly linked to operations.

◎ Promotion of understanding of LGBT

To date, the Group has 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 congratulatory allowances for marriage).

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 remote work 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 a 100.0% childcare leave uptake rate and a 97.4% return-to-work rate after childcare leave for women (both as of the fiscal year ended February 2024) through the above-mentioned reduced working hour system that allows employees to work from 30 minutes and up to four hours, supportive measures including offering the reduced working hours system for childcare until the child graduates from elementary school, and thorough communication when employees return to work. We are constantly making improvements to maintain and enhance such environment.

◎ Creating a system for balancing nursing care and work

We work to address anticipated increases in work restrictions due to nursing care, hospital visits, and medical treatment by extending the legally stipulated total number of care giving days from 93 days to a maximum of 365 days and by implementing flexible policies.

[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 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 sharing 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 widely understood and strictly enforced.

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

The Company establishes its business strategy based on an understanding of its own capital cost and discloses 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 crucial factors in the decision-making process.

Furthermore, following the Tokyo Stock Exchange's announcement on March 31, 2023, regarding “Action to Implement Management that is Conscious of Cost of Capital 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. On April 12, 2024, we issued a notification on the revision to the shareholder return policy, setting a target dividend payout ratio of at least 30%. Additionally, we plan to repurchase 10 billion yen worth of our own shares from the fiscal year ending February 2025 to the fiscal year ending February 2027, and a DOE of 4% or more by the fiscal year ending February 2027.

[Supplementary Principle 5.2.1]

In the medium-term management plan, TSI Innovation Program 2027 (TIP27), we have disclosed the entire program, including the basic policy on the business portfolio.

“Medium-Term Management Plan: TSI Innovation Program 2027”

(<https://www.tsi-holdings.com/pdf/TIP27.pdf>)

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