

TSI Holdings Group Code of Conduct



TSI HOLDINGS

PURPOSE

Through the power of fashion entertainment, we create emotional resonance and deliver social value around the world.



Corporate Mission

Through fashion, we create values that brighten people's hearts and share with society the joy to live tomorrow.

Vision

We aim to be the world's most beloved global group through our finest creations and lifestyle proposals that are ahead of the times.

TSI Group Standards of Conduct

1. We approach our work with passion and responsibility, valuing the spirit of fairness and integrity.
2. We strive for self- improvement and always work to proactively identify problems and take on challenges while being flexible.
3. We respect personality and individual differences of each person, work to communicate with each other, and fulfill our roles and make contribution to the team.
4. We work to improve customer satisfaction by delivering excitement and joy to our customers with heartfelt hospitality.
5. We respect the positions of each stakeholder, strive to realize mutual benefits, and contribute to the sustainable growth of the company.
6. As we appreciate the society and the natural environment, we contribute to the development of society through our business.



The TSI Holdings Group Code of Conduct lays out the attitude required of all group members in connection with our daily work, which makes up the basis of our ethical and responsible business activities.

The society we're living in today is changing at a dizzying pace. In it, the meaning of what is best changes very quickly as the environment surrounding us rapidly shifts and changes. The Code is a moral compass in this capricious environment that navigates us toward correct judgment and proper way of embracing those changes. I urge every one of you to not only refer to this Code when you are in doubt, but also come back to it again and again to reflect on whether your actions and the work you engage in are something you can truly take pride in vis-a-vis your loved ones and friends.

I look forward to seeing our business and each individual member of TSI Group grow together and, by putting the Code into practice, achieve our purpose: "Through the power of fashion entertainment, we create emotional resonance and deliver social value around the world."

Tsuyoshi Shimoji
Representative Director and President
TSI Holdings Co., Ltd.



As members of the Group, we must earn the trust of all stakeholders. To that end, it is imperative that we ensure full compliance to applicable laws, regulations, and other rules. In addition, it is of vital importance to approach our day-to-day work judiciously with dignity and self-reflect to make sure nothing is wrong with what we say and do.

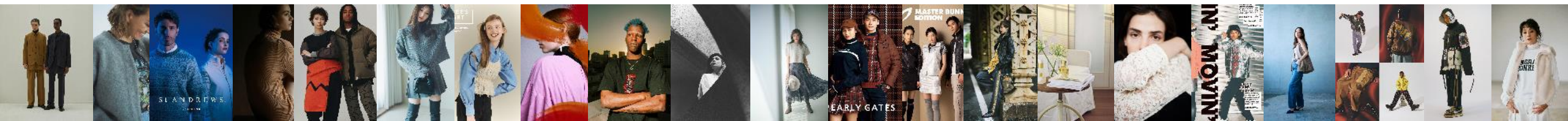
The TSI Holdings Group Code of Conduct covers a wide range, including how we should think and act in relation to work rules, society's needs, laws and regulations as well as relationships between superiors and subordinates, working attitudes, and career advancement. Our efforts to earn the trust of stakeholders will be measured against your words and actions. As such, everyone of you should always act as if someone were watching you. If you suspect a possible instance of wrongdoing judging from the behavior of someone around you, please make a report to the compliance hotline or inform your superior. We will never take retaliatory measures against good-faith reporting as it is the responsibility of the TSI management to see to it. Adhering to a set of values and principles the Code provides, let us move ahead together in our quest to be a trusted company by earning the trust of all our stakeholders.

Mitsuru Naito
Director / Head of Corporate Headquarters
TSI Holdings Co., Ltd.



TSI Holdings Group Code of Conduct

Introduction	6		
As Members of Society	7	Create Safe And Eco-Friendly Products	22
1. Corporate Governance	8	6. Quality Safety	23
2. Fair Corporate Activities	11	7. Global Environment Protection	24
3. Information Security	13	8. Supply Chain and Local Community	27
Create Values That Brighten People's Hearts	15	Managing Dialogue with Stakeholders	28
4. Human Rights	16	9. Accurate and Timely Disclosure	29
5. Labor, Safety, and Health	18	10. Responsible Communication with Consumers	31



Introduction

Overview

The Code is a set of guidelines that all members of TSI Group must observe daily to practice "integrity" in conducting business in accordance with laws and corporate ethics. We are establishing procedures and criteria with respect to our actions and judgments to ensure our adherence to ethical standards, laws, and regulations. At TSI, we act in line with the Code, strengthen our confidence in the company, and always make the right decision to meet society's expectations.

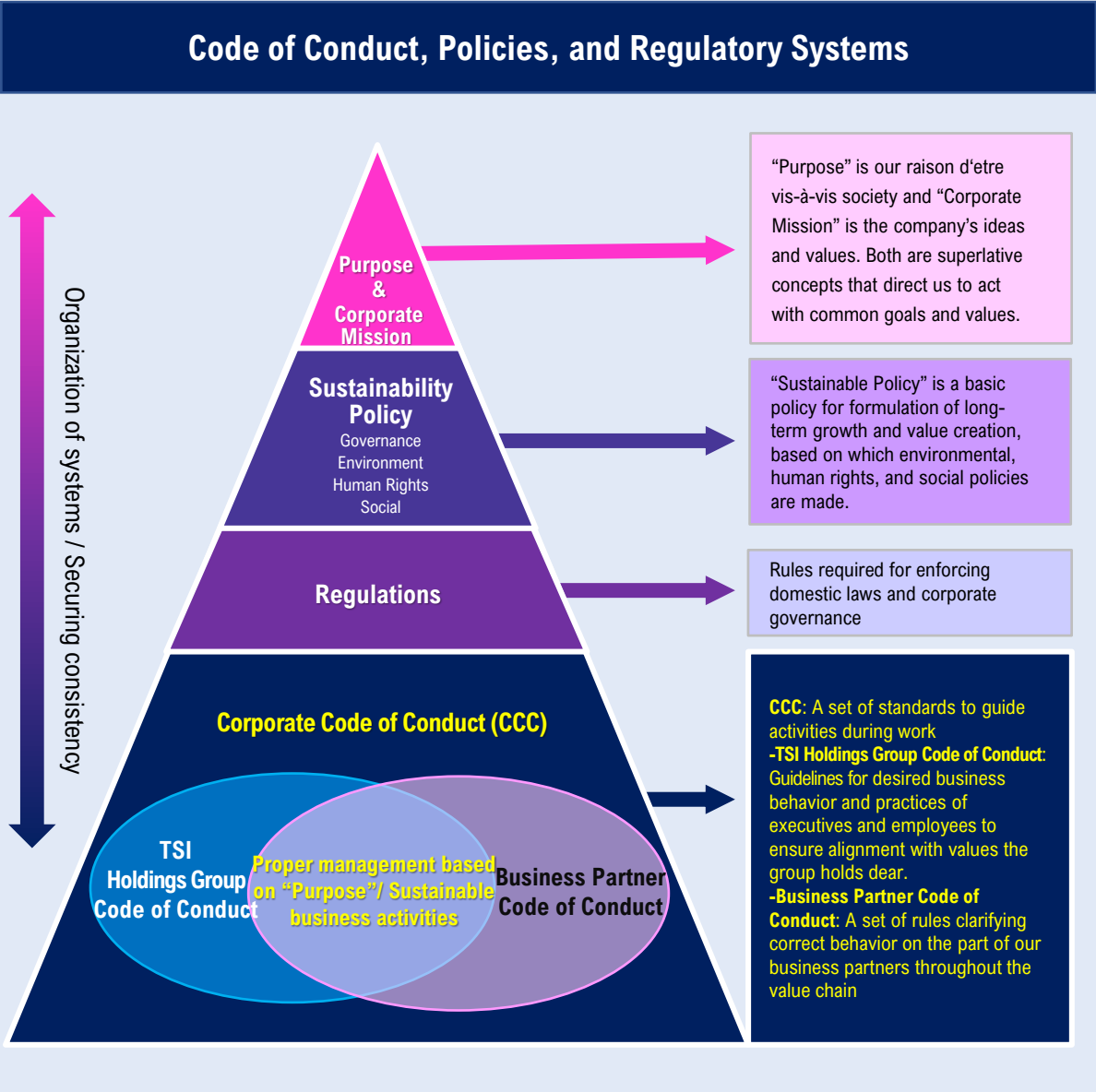
Who Must Follow the Code?

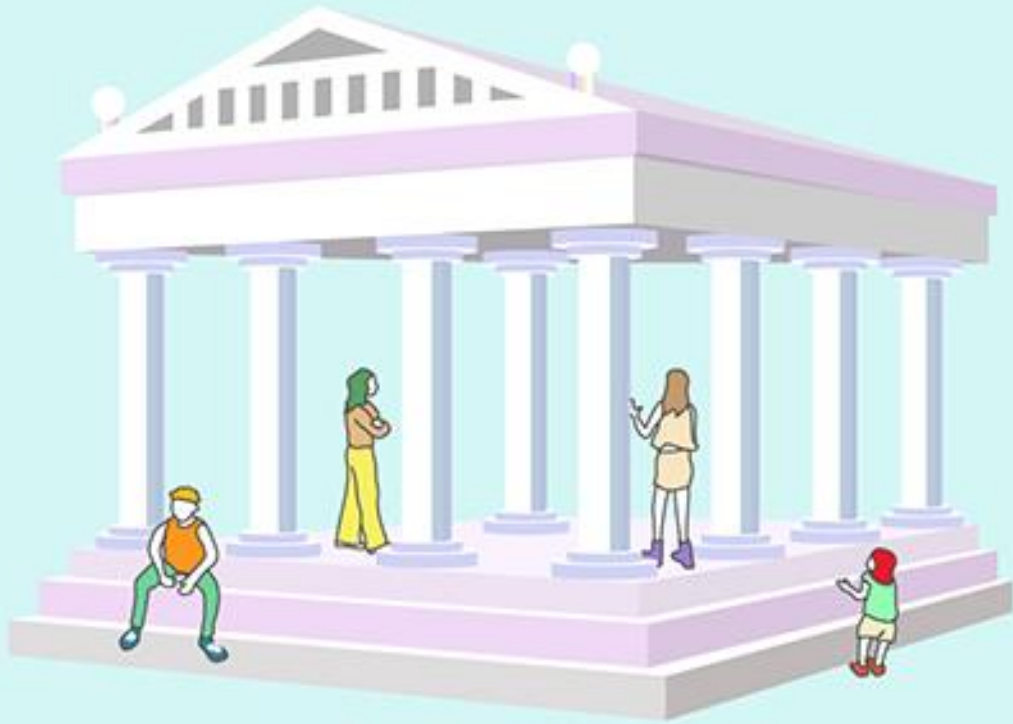
The Code must be observed by all who work in TSI Group around the world. Please always keep this in mind and act properly in your daily work.

Compliance with Laws and Regulations

Our business is built on the trust of our stakeholders which we have cultivated since our founding. By complying with social norms and laws and acting with high ethical standards, we can live up to the trust of all stakeholders, including customers, business partners, shareholders, employees, and local communities. It is critically important for each of us to thoroughly understand the Code, for full compliance with laws and regulations is essential in business survival.

For related group regulations, see "Regulations on Compliance"





As Members of Society

**We abide by laws and regulations,
respect ethics and human rights,
and always act with integrity.**

1. Corporate Governance

1-2 Building Internal Controls

We work to develop a business operation system suitable for a fashion apparel company expanding globally to maintain a high level of soundness and transparency and quick decision-making and strengthen internal management that includes full legal compliance and risk management. Specifically, we will develop effective management systems and mechanisms to ensure efficient operations, reliability of financial reporting, compliance with laws and regulations related to our business activities, and asset protection.

1-3 Building a Business Continuity Plan (BCP) System

To ensure stable business continuity or early business recovery in the event of a natural disaster, we are building a BCP system as we engage in effective risk management during normal times.

For related group regulations, see
“Regulations on Risk Management”



Basic Grasp

Key Word

■ Internal Controls

It is a management system that maintains corporate governance for a company to behave appropriately.

■ Stakeholders

Stakeholders are those who have a vested interest or stake in a company. We aim to build good relationships with everyone in our group, namely, shareholders, executives and employees, business partners such as suppliers and wholesalers, customers, other companies in the same industry, local communities, and raw material producers, regarding all of them as our stakeholders.

Key Points

Superiors and subordinates

Superiors (managers), responsible for the results of work, provide subordinates with appropriate instructions and orders regarding work. The subordinates are responsible for carrying out those instructions and orders so as to correctly implement the judgment of the superiors. Proper functioning of these relationships not only helps maintain internal controls, but also helps the company's smooth operations. The terms like “corporate governance” and “internal control” may sound esoteric and abstruse but a company will have trouble making right decisions in a situation where people have strained interpersonal relationships. Those people who are experiencing such strained relationships will not be able to take pride in their work. Building good relationships at work will lead to good results for both superiors and subordinates.

1. Corporate Governance

1-4 No Retaliation

Our group will not tolerate any retaliation against anyone who in good faith reports or provides information, or who participates in an investigation of a possible violation of the Code, the Standards, or the law. Anyone who makes a good-faith report will be treated fairly with respect.

1-5 Internal Reporting System: Compliance Hotline

If our business violates or is likely to violate the Code, you may directly make a report to our either the in-house or outside compliance hotline below. If you suspect harassment, corruption, legal violations, fraud, human rights violations, corporate ethics violations, or other types of compliance violations, please contact the hotline. We pledge to maintain strict confidentiality of a person who makes a report to us and not to treat such person disadvantageously before or after the report.

< Compliance Hotline >

Legal Compliance Dept., Corporate Headquarters, TSI Inc.

Tel : +81 3-5785-6411 E-mail : hotline@tsi-holdings.com

Nomura & Partners

Tel : +81 3-3591-1173 E-mail : nomura-sogo.speakup@n-lo.jp

For related group regulations, see
"Regulations on Whistleblower Protection"

1-6 Education and Awareness

To ensure that we align with the Code, we develop and implement policies, systems, behavioral guidelines, reporting systems, and education programs.

Key Points

Reporting and Seeking Advice

The reason why superiors give instructions and orders to their subordinates and subordinates must follow them is to ensure the company's smooth run of its business. Superiors are not allowed to give illegal instructions to their subordinates. Nor do subordinates have to follow such instructions.

If you suspect any foul conduct or doubt the validity of any action in your day-to-day work, please talk to your superior, HR, legal department, or any other relevant department. Please reach out to either the in-house hotline or the hotline operated by an outside consulting office to make a report. Even if an investigation found no wrongdoing, it will be very meaningful to have a confirmation of nonexistence of any foul play.

Even if you are unsure about the existence of a problem, do feel free to talk about it or make a report. Rest assured that our group will never tolerate any unfavorable treatment or retaliation against anyone who has made a report or consulted without malice, or who has cooperated with an investigation. No one who has seriously thought about what is right for the company should never be subject to unpleasant experiences. The Group will not tolerate such unreasonable behaviors.



2. Fair Corporate Activities

2-1 Basic Approach to Fair Corporate Activities

TSI Group conducts business with high ethical standards. We will not engage in any corrupt activities. We will comply with anti-bribery laws in all countries in which we operate. Be especially careful when you have contact with a civil servant or government official. We will procure materials and provide products and services only through fair, transparent, and free competition, and will not pursue profits by way of unfair means or questionable practices.

2-2 Prohibition of Conflicts of Interest

In situations where personal interests and corporate interests conflict, we will never engage in acts that would compromise corporate interests and prioritize personal gains.

2-3 Prohibition of Inappropriate Exchange of Benefits

We maintain healthy relationships with customers and business partners in transactional activities and do not inappropriately give or receive benefits.

2-4 Prohibition of Unfair Business Trade Practices

We will never engage in unfair transactions such as bid-rigging and cartels. We will not throw our weight around in relation with our business partners: we strictly refrain from abusing our superior bargaining position.

2-5 International Trade

To contribute to international peace and security, we comply with relevant domestic and international laws and regulations, and conduct importing and exporting of products, technology, and services in an appropriate manner.

Key Points

Gifts and Hospitality

The phrases like “prohibition of conflicts of interest” and “prohibition of giving or receiving inappropriate benefits” might puzzle you into wondering if they mean that we should not have dinner with business partners at all. It is impractical to avoid all that, since it is common practice in our group that we cover the cost of coffee during meetings with business partners or to split the bill for lunch meetings. Said that, however, if you receive money, goods, or food or drink in large amounts from your business partners and then purchase their products or services clearly inferior to those of competitors, that will constitute a violation of the Code, in which case you may be arrested by the police for breach of trust.

For instance, “the National Public Service Officials Ethics Code” of National Personnel Authority in Japan prohibits “accepting gifts of money or goods or entertainment” and “playing golf or traveling with interested parties, even if the bill is split.” What is important in all of this for each of us is to be aware of the conventional wisdom stricter than our own beliefs and conscious about whether we are being controlled or influenced by a particular business partner. A good rule of thumb is to interact with business partners in a “avoid the appearance of evil” attitude so you don’t feel embarrassed even when someone sees you at any given moment of business.



2. Fair Corporate Activities

2-6 Prohibition of Insider Trading

When we come to learn of important information unknown to the public about our group' business partners, we will not engage in stock transactions until that fact, which could affect the stock price, is made public.

2-7 Protection of Company Assets

We will appropriately utilize the company's tangible and intangible assets and work to protect them.

2-8 Donations/Contributions to Political Parties/Governments

When we make donations to political or government organizations, we will give due consideration to the necessity and appropriateness well in advance, and will comply with relevant laws, regulations, and company regulations in doing so.

2-9 Political/Ideological Activities

When you take part in political or ideological activities, please do so in your personal capacity outside the company facilities and during non-working hours.

2-10 Cut-off of All Relations with Anti-Social Forces

We will stand firm against anti-social forces that threaten the order and the safety of society and will not have any relationship with them. Period.

Basic Grasp

Insider Trading

Insider trading refers to a practice of buying or selling stocks and the like to gain unfair profits through having access to important, undisclosed information about our group or business partners. Insider trading is a crime and may lead to either fines or criminal charges.

Basic Grasp

Inside Information and Its Recipients

Inside information includes the followings. Those cases need to be handled with care.

- Launch of new brand
- Withdrawal of existing brands
- Corporate malfeasance
- Business alliance with other companies



In addition to the above, information that could affect a company's stock price is considered important information. Non-public information must be handled with extreme caution. Not only the employee himself/herself, but also his/her family members may be subject to investigation. Therefore, you should not share important information relating to our company or business partners—not even with your family or close friends. It goes without saying we must not unnecessarily divulge important information about our company or other companies to our business partners.

Key Point

What If You Want to Buy or Sell Our Company's Stock?

Our group has an employee stock ownership plan. Within the framework of the stockholding association system, you can safely buy and sell your own stocks under established rules. If you wish to buy or sell, please be sure to check with the department in charge of the stockholding association and follow the internal procedures.

3. Information Security

3-1 Basic Approach to Information Security

TSI Group is responsible for appropriately managing and protecting information obtained through its business activities and taking protective measures against threats on computer networks. We protect information assets and information systems from risks such as unauthorized access, tampering, leakage, loss, and other damages.

3-2 Building An Information Security System

Rigorously preparing ourselves for incidents, we will establish a comprehensive information security system, put into place a risk management system that implements, among other things, countermeasures.

3-3 Prohibition of Unauthorized Use of Confidential Information

We will not leak internal or external confidential information obtained in connection with our jobs or transactions. In fact, we will strictly manage such information and will eschew fraudulent or unfair use thereof.

Key Points

Beware of Human Errors

Information obtained through business, including personal information, is an important company asset. Such assets are as valuable as other two key components of business such as money and trust. Once confidential information is leaked to a third party, the trust of business partners and customers in us will immediately be lost, and the ramification of it will be substantial.

Corporate information leaks are caused, most of the time, by human errors. Accordingly, it is important to raise awareness among ourselves and strictly follow company rules so we could better protect and manage our information assets.



3. Information Security

3-4 Personal Information and Privacy Protection

Recognize the importance of protecting personal information, we will be appropriate about acquiring, using, providing, and disposing personal information. In line with the above, we will take necessary and appropriate security measures to prevent leakage, loss, or damage of personal information we handle.

3-5 Intellectual Property: Protection and Prohibition of Unauthorized Use

We will proactively protect the intellectual property rights of TSI Group and will not misuse or infringe on the intellectual property rights of third parties.

Key Points	Four Personal Information Protection Principles
------------	---

1. Identify the purpose for collecting personal information at the time of collection.
2. Personal information can only be used and disclosed for the purpose for which it was collected.
3. Take measures to prevent leakage, loss, and falsification of personal information.
4. Respond appropriately to requests for disclosure, correction, suspension of use, and such of personal information.

If you have any concerns regarding handling of personal information or other information, please contact your superior.

Immediate consultation and reporting is of utmost importance.





Create Value That Brightens People's Hearts

**We create fashion entertainment that
leads to all people involved in
our businesses living healthy, happy, active,
and fulfilling lives.**

4. Human Rights

4-1 Basic Approach to Human Rights

Setting our corporate purpose as “Through the power of fashion entertainment, we create emotional resonance and deliver social value around the world.”, we conduct our businesses in line with our sustainability statement ”Creating a sustainable future through fashion entertainment.” In so doing, we aim to create a society where all stakeholders can play an active role in a state of happiness--both mentally and physically.

4-2 Respect for Human Rights and Prohibition of Discrimination

We prohibit all forms of discrimination and harassment, related to our business activities, against our executives, employees, and business partners regarding, without limitation, race, ethnicity, nationality, social status, family lineage, gender, sexual preference, disability, health status, thoughts/beliefs, religion, and job type and employment status.

4-3 Prohibition of Complicity in Human Rights Violations

We prohibit playing a part in human rights violations whether directly or indirectly. If it becomes clear that we have been complicit in human rights violations, we will take effective, appropriate corrective measures.

Human Rights Issues We Should Consider



Key Points	Respect for Human Rights and Diverse Cultures
Our business is supported not only by our executives, employees, customers, and direct business partners, but also by many other stakeholders, including indirect business partners, shareholders, governments, and other organizations. To keep our stakeholders happy, it is necessary to work with our business partners to ensure that our supply chain is free from forced labor, child labor, and discrimination based on gender, sexual orientation, or disability.	

4. Human Rights

4-4 Prohibition of Forced Labor

We do not tolerate forced labor, in any shape or form, that includes but not limited to physical or mental restraint, undue pressure, or slave labor. We are committed to ensuring that all aspects of our value chain are free of forced labor. If our products, services, or other business activities negatively affect in terms of human rights, we will take appropriate corrective measures against our business partners as well as ourselves, as the case may be, based on TSI Group’s human rights policy.

4-5 Prohibition of Child Labor

We, TSI Group, prohibit child labor; for example, hazardous or harmful work environment that involves children under the age of 15 or that infringes on their right to compulsory or bare minimum education.



4-6 Respect for the Lifestyle and Culture of Local Communities, Indigenous Peoples, and Ethnic Minorities

In conducting our business, we treat with respect local communities in our value chain and the lifestyles and cultures of indigenous peoples and ethnic minorities. We give consideration not only to the issue areas stipulated by the laws of a country or region but also to other areas identified by international standards as issues.

Case in Point	Fashion and Slave Labor
---------------	-------------------------

It is said that the production of raw materials for clothing was based on slavery since ancient times. Even today, child labor and forced labor are still considered problems in the production process of raw materials such as cotton. We must ensure that we and our business partners--regardless of existence of any contract between us--do not infringe on human rights of all people involved in any aspect of our value chain, including rights of our customers.

Case in Point	Respect for the Culture of Indigenous Peoples and Ethnic Minorities
---------------	---

Indigenous peoples and ethnic minorities have had their land and labor exploited and, in some cases, they were forced to abandon their language and traditional way of life and assimilate into modern society. In the history of fashion, there have been social issues such as conversion of land protected by indigenous peoples into fields used for growing cotton and superficial appropriation of their cultural products by people of other races, ethnicities, and cultures. TSI Group avoids using cotton from Xinjiang unless the surrounding human rights issues are resolved, for there is mounting evidence that the Uyghur population and other ethnic minorities in Xingjiang Uyghur Autonomous Region have been the subject of systematic human rights violation, including forced labor, sanctioned by the government of the People’s Republic of China, and there might be similar violations at other production areas that involve subcontractors. Building our value chain, we need to protect the rights of indigenous peoples. By learning about the lifestyle and history of indigenous peoples and ethnic minorities who have coexisted with the global environment, we can learn the wisdom and ingenuity that could solve modern environmental problems.

5. Labor, Safety, and Health

5-1 Basic Approach to Labor, Safety, and Health

Our basic belief is that everyone involved in our business must work under an appropriate environment and conditions as provided so by international standards. No matter what the reason, we will not tolerate forcing anyone connected to our group to work against their will or perform hard labor. Nor will we deprive them of their freedom right to leave their jobs.

5-2 Work Environment

As a way of maintaining health and safety of all members of our group, we will comply with relevant laws, internal rules, and policies.

5-3 Prohibition of Employment Discrimination

We will not tolerate any treatment based on discriminatory reasons during employment. All executives and employees will be respected. We prohibit discrimination based on, inter alia, race, ethnicity, nationality, social status, family lineage, gender, sexual orientation, gender identity, disability, health status, ideology/belief, religion, and type of job/employment type.

5-4 Prohibition of Inhumane Treatment

Committed to providing fair and humane treatment to all executives, employees, customers, business partners, and other people associated with our business, we prohibit inhumane behavior, violence, and sexual harassment. We will promptly take appropriate measures against such discriminatory or inappropriate behavior.

Basic Grasp

Harassment

There exists various types of harassment.

Harassment = pestering and bullying, in a nut shell

- Power harassment: remarks as well as actions are subject to examination
- Sexual harassment: unwanted physical advances that include, among other things, inappropriate contact and behavior
- Pregnancy and maternity discrimination: disadvantageous treatment as in demoting pregnant women or employees returning from maternity leave



Gender is not the issue.

If the recipient feels they have been harassed, the treatment they received may be considered "harassment" even if the alleged offender had no intent to that effect.



5. Labor, Safety, and Health

5-5 Ensuring Appropriate Working Conditions

We will pay appropriate salary to our executives and employees and properly manage working hours in accordance with the law. In the event an employee working long hours, we will ask the person in charge of the department in question to make a report identifying the cause and implement remedial measures to prevent it from happening again.

5-6 Freedom of Association and Respect for Collective Bargaining Rights

We respect employees' right to form or join a labor union, and we promise to provide opportunities for dialogue between labor and management.

5-7 Consideration for Group Members of Different Nationality

When the Group employs executives and/or employees of foreign nationality, we will respect their culture and customs as much as possible and do not discriminate against them on the grounds of their nationality. We will not engage in human trafficking, whether directly or indirectly. We will prepare an environment where members from diverse backgrounds can cooperate, work in compliance with laws, carry out their duties smoothly, and become more advanced in tandem.

5-8 Creation of Inclusive Workplace Environments

We promote the creation of workplace environments where people with physical disabilities and pregnant women can work comfortably.

Key Points	Ramification of Excessive Overtime Work
	<p>Overtime is a serious compliance issue.</p> <p>Common case examples are as below.</p> <ul style="list-style-type: none">■ Workload so huge he/she cannot handle on his/her own■ Working on holidays becomes a common practice■ Overtime work without pay■ Couldn't finish the day at work unless your superior does (Difficulty in leaving work at work) <p>Companies with poor working conditions have higher risks of creating an overwork-prone environment.</p> <p>Some people even take their own lives as a way out from their daily facing of excessive overtime work. This phenomenon, so-called "suicide induced by overwork," became a prominent social issue in Japanese society today.</p>
Case in Point	Consideration for Overseas Workers
	<p>Our value chain, from raw materials to sales, spans many countries and involves a great number of people of various ethnicities. It is necessary to pay not only due consideration to each culture and religion but also wages.</p> <p>In recent years, the labor force has been expanded using the ``Foreign Technical Intern Training Program,`` a system established in 1993 with the aim of transferring skills, techniques, or knowledge cultivated during their stay in Japan to developing regions and contributing to economic development of those places. Exploitation and discrimination of those workers have been at issue. For our part, we need to be considerate of the people of foreign origins who work with us to create our products.</p>



5. Labor, Safety, and Health

5-9 Consideration for Mental Health

We will do our best to support, promote, and protect the health of our executives and employees to the maximum extent possible; we protect them from mental illnesses caused by the working environment and provide thorough support to those who suffering from mental illnesses.

5-10 Alcohol and Drugs

To maintain a safe and healthy working environment, we prohibit the consumption of alcohol during working hours. Illicit drug use is prohibited as well.

5-11 Human Resource Development and Career Advancement with Equal Opportunity

We’re committed to learn and grow, two elements of our values we hold dear. In addition to (i) on-the-job training, we provide a variety of (ii) learning programs that can be used across job types and age boundaries, providing an environment where everyone can learn and grow on his/her own initiative.



Basic Grasp		Career Advancement	
Programs		Description	
E-learning		Using an online platform, we provide an environment where executives and regular employees can learn various skills and knowledge at the pace of their own choosing. This career development program offers courses according to the participants’ particular career stage.	
Self-development Support System		We subsidize the costs of training and acquiring certificates and certifications that will help executives and regular employees improve their skills in the field they want to learn. We support the formulation of plans according to individual career goals.	
Various Seminars and Skills Development		We conduct seminars and skills development to prevent harassment and champion the creation of an environment where all executives and employees can work with peace of mind. We conduct seminars and skills development sessions on a wide range of topics, from core contents tailored to particular types of jobs to general contents, in cooperation with outside experts and executives and employees serving as instructors.	

We promote opportunities for executives and employees to learn and grow through work. Each initiative supports all executives and employees, regardless of their job types or age, to learn autonomously and achieve growth in line with their individual career paths.

5. Labor, Safety, and Health

5-12 Providing a Safe and Sanitary Working Environment

We take appropriate measures to minimize risks in our working environment to the extent possible to create a workplace environment where our group members can work with peace of mind and in good physical and mental health. To that end, we shall take care that the occupational safety and health of executives and employees, improvement of the workplace environment, and implementation of measures to prevent accidents and injuries during work be efficiently realized.

5-13 Incident Management Planning, Education, and Emergency Drills

We will establish an incident management system to minimize the possibility of accidents that may occur in our businesses. We also provide education and perform emergency drills so our executives and employees can act appropriately in the event of a disaster.

5-14 Implementation of Disaster Countermeasures

We will take necessary disaster prevention measures to protect our executives, employees, business partners, and visitors against the risk of disasters. To minimize damage in the event of a disaster, we will take measures such as displaying evacuation routes and keeping everyone concerned well-informed of those routes beforehand.

5-15 Emergency Drills / Evacuation Drills

We regularly conduct evacuation drills and keep records of them.

5-16 Sanitary Facilities and Drinking Water Supply

We will equip ourselves with clean sanitation facilities and a stockpile of potable water and food as needed in the event of an emergency.

Key Points

The Importance of Disaster Readiness

As it is difficult to predict when a disaster will hit us, it is necessary to be prepared in advance. Conducting disaster prevention drills is key to protect our lives and customers by assuming all possible situations including natural disasters; earthquakes, typhoons, tsunamis, and secondary disasters like the fire, and death or injury of our group members.



Key Points

Emergency Contact

As an effective way to quickly confirm the safety of our group members in the event of a disaster, we urge you to download the emergency contact app to your phone. That emergency communication tool plays an important role in helping us understand the situation as to how severe the damage is and formulate a plan to continue our business operations.





Create Safe And Eco-Friendly Products

**Conducting business of delivering safe,
high-quality products and
services to our customers,
we make every effort in reducing
our ecological footprint in our value chain
and
conserving natural resources.**

7. Quality Safety

6-1 Basic Approach to Quality Safety of Products and Services

TSI Group strives to improve customer satisfaction by drawing the strength from the distinctive assets of our diverse brand portfolio and the power of fashion entertainment. In addition, we will establish a management system to provide products and services that our customers can fully rely on in terms of the quality and safety. We take steps to give due consideration to the global environment. Furthermore, we communicate with our customers to accurately convey the product and brand information, backed up by our comprehensive education programs offered to our executives and employees.

6-2 Ensuring the Quality and Safety of Products and Services

The Group commits to following the product safety and quality standards in all processes of product planning, production, distribution, and sales, ensuring full compliance.

6-3 Appropriate Response in the Event of Product / Service Accidents or Defects

In the unlikely event that an issue arises in terms of the safety of our products and services, we will fully assess the situation and analyze the facts, disclose accurate and necessary information in a timely fashion, and respond quickly and appropriately. Further, we will investigate the cause and take all possible measures to prevent any similar incidents.

For related regulations, see
“Regulations on Risk Management”

Basic Grasp

How Do We Ensure Quality Safety?

☑ Quality Standards

To ensure responsible manufacturing and selling of our products, we have established quality standards to make certain that all our products are within standard quality. All raw materials and products of the TSI Group must comply with the quality standards set as below.

☑ Quality Test

We put raw materials used in our products to various quality assessment tests in advance to verify they conform to the required quality standards. The categories of those tests include color fastness, contraction rate, durability, physical properties, performance test, and other testing and inspection.

☑ Quality Label

Quality labels attached to all our products provide proper product information, e.g., composition, washing method, country of origin, in compliance with relevant laws and regulations such as Household Goods Quality Labeling Law and Act against Unjustifiable Premiums and Misleading Representations.

☑ Inspection / Needle Detection Check

All our products are inspected and go through a needle detector check in advance at designated inspection stations. In the event that a defect or a needle is detected, we will identify the cause and decide on prevention measures in consultation with the concerned parties.

☑ Crisis Management

Each department of the Group has implemented a set of crisis management guidelines and established an internal management mechanism to ensure proper action and response in the event of a product-related accident or violation of laws and regulations.

関連規程
6-16 危機管理ガイドライン

7. Global Environment Protection

7-1 Basic Approach to Global Environment Protection

Making the burden we impose on the global environment visible, we work to develop a sustainable business model to achieve carbon neutral and net zero. As members of society, we conduct our businesses with due consideration giving to preserving the global environment in accordance with the laws, ordinances, administrative practices, and policies of the countries or regions in which we do business regarding environmental conservation, agreements concerning international environmental guidelines, goals, responsibilities, and standards. Further, regardless of whether law requires or not, we raise awareness on the subject to alleviate environmental burden, take steps to prevent degradation of the global environment, and take preventive measures pertinent to raw materials and manufacturing processes in our business transactions.

7-2 Sustainable and Efficient Use of Resources

As we use limited natural resources--water, raw materials, forests, and energy, we do our best to realize efficient sustainable manufacturing and supply chain optimization. In light of that effort, we engage in energy-saving activities; we take initiatives in efficient use of energy and lowering the environmental impact of our use of energy. To conserve water and properly manage water use, we monitor the usage and drainage, carry out necessary measures before drainage to prevent water contamination, and minimize the impact on water intake sources and drainage destinations by monitoring the volume of not only our but also our business partners' water sources, water intake, and wastewater.

Basic Grasp

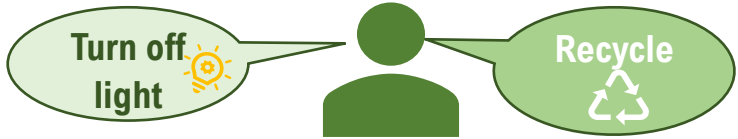
Carbon Neutral

Carbon neutrality is defined as "making or resulting in no net release of carbon dioxide into the atmosphere." Since it is practically all but impossible to completely remove carbon from the atmosphere, we pursue the course of carbon offsetting, that is, to offset carbon emissions made in one area by reducing emissions somewhere else. Our goal is to achieve carbon neutral by 2050. To this end, substantial reduction of the total amount of greenhouse gas (GHG) emissions is required. We urgently need to reduce the usage of electricity and the GHG emissions derived from raw materials, for the former accounts for the largest amount of direct and indirect emissions within our group and the latter accounts for the largest amount in our overall supply chain.

Key Points

Energy Conservation and Waste Material

We carry out our business activities by using the Earth's precious resources, that is, raw materials. Water and energy are not infinite. It is very important to use lights and air conditioning in an energy-saving manner. Clothing, created by using limited resources, are, as we understand, a "resource." Accordingly, we treat it as such; we champion our efforts in collecting used clothing for recycle.



7. Global Environment Protection

7-3 Reduction of Greenhouse Gas (GHG) Emissions

Well aware that the apparel sector is responsible for a large portion of the global emissions of greenhouse gases like carbon dioxide, we measure the volume of our footprint concerning GHG emissions and promote its reduction across our whole value chain.

7-4 Responsible Disposal and Recycling: Identification, Management, and Waste Reduction

We have set voluntary reduction targets and are working to reduce final disposal amount of waste. We will build a management-cum-reduction mechanism to that end and systematically work to ensure our responsible follow-through.

7-5 Managing Chemical Substance

We remove and reduce hazardous substances from the materials we use and our manufacturing processes as we developed a management mechanism that ensures safe handling thereof. We create a list of prohibited substances controlled by laws and regulations and prohibit the use of those substances in the manufacturing process, while we check to confirm that our business partners comply with those laws and regulations by conducting quality safety inspections. Setting up procedures for safe handling of chemicals, we train employees in line with these procedures and familiarize them with the risks of chemical exposure. We make sure to prevent chemical substances we use in our value chain from causing either air or soil pollution. We ensure both safe and legal handling of chemical substances in accordance with the laws of a relevant country or a region, regardless as to whether they come to being by us or our business partners, in all stages of our value chain, which includes without limitation, the receipt and disposal of those substances.

Basic Grasp

The Group's GHG Reduction Targets

CO ₂ 排出量の実績と削減目標			
	Scope 1～3計	Scope 1・2	Scope 3
CO ₂ 排出量実績 2020年2月期	30.5万t	0.9万t	29.5万t
2031年2月期 CO ₂ 排出量 削減目標	▲35% (▲10.8万t)	▲48% (▲0.4万t)	▲35% (▲10.3万t)
SBTにおける CO ₂ 排出量削減 目標設定水準	—	1.5℃目標毎 年4.2%削減	WB2℃目標毎 年2.5%削減

※Scope1・2の削減目標は1.5℃目標に準ずるScope3は2050年カーボンニュートラル目標に準ずる排出量は千t未満を切捨て表示

The total amount of GHG emissions in the fiscal year ended February 2020 was 305 metric tons. Our group's target is to reduce that amount, by the end of FY2031, by 48% in Scope 1 and 2 (GHG directly and indirectly emitted from the company's operations) and by 35% in Scope 3 (other indirect emissions from raw materials).

Case in Point

Microplastics

The fabrics we use to make clothing are made up of chemicals ranging from synthetic fibers to dyes and processing agents. Many of those chemicals are "persistent," meaning they are not readily degradable and remain in the environment. Marine pollution caused by synthetic fibers such as polyester and acrylic, in particular, has become a serious problem. Every time you wash your clothes, synthetic fibers release millions of microfibers into rivers, lakes, and oceans. Microfiber is harmful not only to the fish that eats it, but also to us humans who eat fish.



7. Global Environment Protection

7-6 Management and Reduction of Wastewater, Sludge, and Exhaust Emissions

We minimize emissions and outflows from waste by hitting the target levels stipulated by the laws of the country or the region of production or by preventing pollution and monitoring and controlling wastewater, sludge, exhaust, and other negative byproducts during the manufacturing process.

7-7 Biodiversity Initiatives

We take initiatives in biodiversity preservation, analyzing the direct and indirect impact that our businesses has on ecosystems and working to engage in regenerative practices and secure sustainable global environment.



Case in Point	Understanding Biodiversity and Its Importance
Biodiversity, a term derived from “biological diversity,” encompasses the variety of life forms on Earth. Over the course of 4 billion years of the history of the Earth, living things on our planet have adapted to various environments and evolved, giving rise to an estimated 30 million species of diverse living things. These living beings have supported each other and created three types of diversity; diversity of (1) ecosystem, (2) species, and (3) genes. These three play a crucial role in cooling the Earth, deterring disasters, and preventing infectious diseases.	
Major contributing factors to biodiversity loss	
What does biodiversity loss have to do with fashion?	
The linear way in which the fashion industry operates puts significant pressure on the ecosystem throughout its life cycle—procurement, use, and disposal of raw materials.	
Major contributing factors to biodiversity loss	Negative impact of biodiversity loss
Use of land/sea Modification of forests, wetlands, and grasslands due to farmland/urban development, mining, sea/coastal development, and ocean mining	• Large-scale land modification by cotton cultivation • Land degradation and desertification due to overgrazing of livestock for wool, cashmere, and leather for production
Mining itself Forestry/Fisheries/Biomass	• Use of water in cotton cultivation • Destruction of forests and tropical rainforests through procurement of wood raw materials such as viscose and rayon
Climate change GHG emissions	• GHG emissions associated with transportation and delivery
Pollution Soil/Marine Pollution	• Pesticide pollution from cotton cultivation • Water pollution caused by textile dyeing • Microplastic pollution due to lint removed during washing

8. Supply Chain and Local Community

8-1 Basic Approach to Supply Chain

Our group aims to make not only our executives and employees happy, but also all stakeholders happy. We make every effort to fulfill our social responsibilities by complying with laws, exchanging dialogue with everyone in our supply chain, and working with local communities to create sustainable, circular business opportunities. We will utilize our own technology and know-how to contribute to the preservation of local communities and the global environment and promote activities that will be passed on to the next generation.

8-2 Conflict Minerals Policy

We use only conflict-free sources and do not use raw materials that directly or indirectly benefit armed groups that could lead to a war or conflict. We make sure to have everyone in our entire supply chain be informed of this principle whether one be of our company member.

8-3 Upholding Good Health, Safety, and Hygiene Standards for Local Communities and Residents

In collaboration with our business partners, we are promoting initiatives to reduce and eradicate harm to local communities and residents, which comes about from our production processes, product and service operations such as noise, chemical substances, and/or accidents.

8-4 Sustainable Future for Communities

By collaborating and cooperating with partners in various fields in regional communities in developing our businesses, we will carry out corporate activities to solve regional issues and revitalize and develop such communities.

Case in Point

Our Supply Chain

A supply chain is a series of steps taken in producing products from the procurement of raw materials and parts for a product to production and sales, from product development to delivery to the customer. Compared to other industries, the fashion industry's supply chain is characterized by a global division of labor and is wide-rang and complex.

Case in Point

Contributing to Our Local Community

If our stores and offices are located in a community on sound footing, that would lead to good businesses. Our stores are in communities where there are a variety of people, including children, the elderly, and people with disabilities. To keep each other happy in that community framework, let us engage in voluntary sweep-up around our store areas, participate in disaster volunteer activities, and communicate with local residents with a spirit of mutual support. The important thing is to think about and act on what we can do to maintain the health of local communities and the local environment using our own technology and know-how.





Managing Dialogue with Stakeholders

**We will actively engage in dialogue with
our stakeholders towards
a happy future for each one of them.**

9. Accurate and Timely Disclosure

9-1 Basic Approach to Accurate and Timely Disclosure

To live up to the trust of shareholders, investors, and other stakeholders, our group discloses information such as the company's financial status and business activity status in a timely and appropriate manner. We will also engage in constructive dialogue with shareholders and investors.

9-2 Media Relations

Communications with the media and investors regarding our business activities must be handled carefully as they involve important legal requirements. When contacting the media or responding to inquiries from them, one must always obtain a consent in advance from our public relations, investor relations, or other departments authorized to respond to media inquiries. When you, as individuals, make statements related to our group, you must comply with internal regulations and avoid giving any impression that the views you express represent those of the company.

9-3 Records and Reports

We will develop and operate an efficient internal control system to ensure reliability and accuracy of our financial reporting and that it is conducted fairly and transparently in accordance with the Companies Act, securities transactions-related laws, and other relevant rules.

9-4 Fair Advertising

Our advertisements must comply with relevant laws and regulations. We will be careful to prevent unfair or misleading advertisements and refrain from using contents that could cause excessive mental or moral harm to young children.

Key Points

When Faced with An Inquiry from An Investor or The Press...

Any response given to questions and inquiries from media outlets such as newspapers and television or from investors is considered to be our group's official view. If you receive an inquiry, please contact the PR/IR team promptly or provide the inquirer with the contact information of our PR/IR.



Key Points

Choosing Words So They Don't Hurt Anyone

In promotional activities such as advertisements and campaigns, we sometimes need to use inciteful expressions to attract people's attention. Since advertisements reach many people and provocative expressions in them can sometimes harm the hearts of a certain group of people and offend their culture and dignity in ways we do not expect. Therefore, we must pay close attention to the contents of advertisements and the expressions used in our flyers and POP ads.



Key Points

Need for Providing Accurate Information

Our brands need to earn our customers' unwavering trust to obtain their long-lasting loyalty. Think of a situation in which you make a product purchase from a manufacturer or a brand. You do so, trusting that the product quality is as advertised. Imagine if the product you purchased fails to live up to the promise the ads make.

To earn our customers' enduring trust, it is imperative that that we accurately display information such as product materials, quality, product characteristics, and country of origin. It may be tempting to hide information we think disadvantageous from our standpoint but in order to gain the trust of our customers, we should openly disclose information even if it includes elements unfavorable to us.

We may be tempted to use impressive expressions such as ``the best in the country'' or ``No rain will pass through.'' However, to show our products' objective superiority, we actually need evidence attesting to that effect. When it comes to advertisements and promotions of products and services, presenting unverified is impermissible. These rules are stipulated in the Act against Unjustifiable Premiums and Misleading Representations, and if you violate that rule, you may be subject to administrative or criminal penalties. Therefore, we must be very careful.

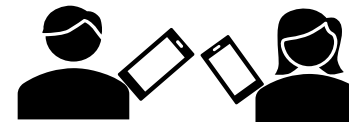


Key Points

How to use Social Media

Social networking services, also known as SNS in Japan, refer to Instagram, X (formerly Twitter), and other similar social media services. These are convenient tools that allow you to send information around the world online. However, if you make a mistake in the content of the information you post or in how you handle your information, you could end up getting the company and everyone involved in it into big trouble, including legal troubles. We have summarized the things you should be aware of when using social media for business as follows.

- Do not share confidential information about your company or business partners, including the personal information of our customers, executives, or employees.
- Do not misuse copyrighted materials, trademarks, or the like owned by someone other than our group, and do not infringe on third parties' portrait rights or publicity rights (the right to use the name of a famous person) without permission.
- If you are posting for advertising purposes, you must clearly indicate that it is an advertisement by adding a hashtag such as "#PR". (This is part of stealth marketing regulations.)
- You must not post anything that is derogatory, insulting, defamatory, offensive, or discriminatory towards specific individuals, groups, ideas, beliefs, or religions.
- Information that cannot be verified to be true or false should not be posted.
- When disseminating information on social media on behalf of a company, you must obtain a permission before you do so from the department or person in charge who has the authority.



10. Responsible Communication with Consumers

10-1 Basic Approach to Responsible Communications with Consumers

We are earnest in our works vis-a-vis all our customers and strive to provide excellent products and services that enrich their lives. We provide the necessary information accurately, clearly, and transparently so that customers can make informed decisions. Our focus is to accurately and promptly understand customers' opinions and requests and utilize them to improve our product development and sales activities.

10-2 Fair Marketing: Protection of Consumer Health and Safety

We recognize our obligation to provide accurate information to our customers regarding our corporate stance, products, and business activities. Our emphasis is on providing accurate and easy-to-understand information regarding product quality and avoiding misinterpretation of facts. Further, we, at all times, manage product safety in all processes of product planning, production, distribution, and sales, and strive to ensure safety and health of customers by observing laws, regulations, and relevant standards.

10-3 Providing Information to Consumers and Resolving Complaints and Disputes

We provide our customers with enough information so they can understand what they need about our products and services. Should a complaint or dispute arise in connection with our customers, you must promptly report such incident to your superiors or contact the Legal and Compliance Department so as to resolve such incidents appropriately and swiftly.

Key Points

Responsible Communication with Consumers

Responsible communication with customers means to ensure that companies are responsible for the products and services they provide and exercise due care not to cause harm to customers. That means that customers are not to be disadvantaged by our advertising and promotional activities as well as their use of our products and services.



Key Points

Providing Accurate Information to Customers

When recommending our products to our customers, we always need scientific evidence, proof, and specific explanations regarding the functionality and/or the product ingredients. Ambiguous expressions or unsubstantiated claims may mislead our customers. To treat our customers with integrity, information must be disclosed fairly. With respect to environmental labels, they should comply with international standards provided below.

- Do not make ambiguous expressions or misleading environmental claims.
- Attach explanatory text to the content of environmental claims.
- You can provide the data and evaluation methods necessary to verify environmental claims.
- Comparative claims regarding products and processes must be made appropriately, e.g., application of Life Cycle Assessment and/or use of numerical values.
- The information used for evaluation and verification needs to be accessible.

