

**Creating a sustainable future with the power of fashion**

*Contents*

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## Industry Challenges

### Sustainability challenges in the apparel industry

In the apparel industry, there are sustainability-related problems, such as environmental destruction, resource waste and human rights violations, with global warming being a particularly serious one. Apparel industry CO2 emissions are extremely high, approximately 8% of all industries, hence the responsibility for controlling global warming is great.

#### ① CO2 emissions

CO2 emissions in the apparel industry are projected to increase by more than 60% between 2015 and 2030 to become 2.08 billion tons, which is the equivalent to the annual CO2 emissions from 230 million family cars, and is a factor propelling global warming, including sea-level rises and climate change.

#### ② Water resources

Some 11 bathtubs of water are used to produce one garment, and a huge volume of water is consumed in the production of cotton, a clothing mainstay, and is a massive factor in the procurement of raw materials for clothing.

It is estimated that 20% of freshwater pollution is caused by chemicals used in the dyeing process, and it is said that 60% of the approximately 13 million tons of microplastics flushed into the ocean occur when washing synthetic clothing.

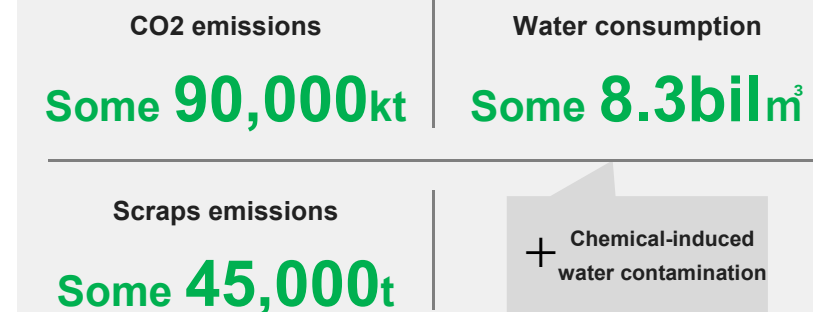
#### ③ Mass production & mass disposal

Some 92 million tons of fiber are discarded annually, with another 57 million tons expected to be added to that by 2030. Japan's 3Rs (reuse, recycling, repair) for clothing is about 26%, which is much lower than the 80% for aluminum cans.

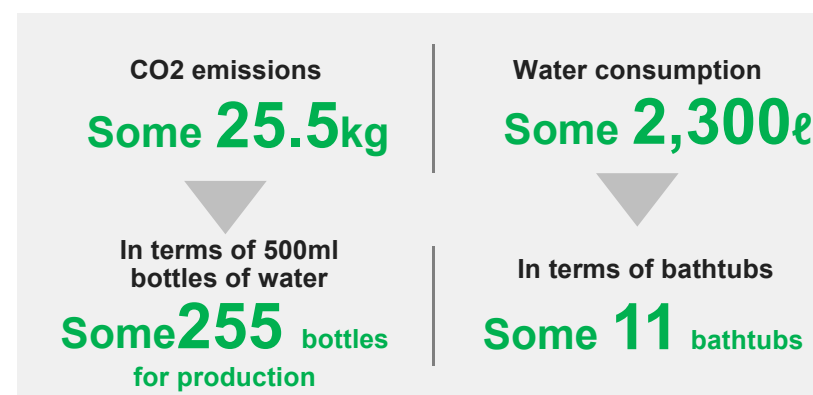
#### ④ Human rights

It is said that forced labor and illegal work conditions are rampant in the value chain – for example, the Uighur forced labor problem related to Xinjiang cotton production.

#### Environmental load from material procurement to manufacturing



#### Conversion per garment



Source: Ministry of the Environment homepage



### *Our Purpose*

**Enjoyable fashion entertainment directed at planet earth, societies and people**

Tsi-Group will create worldwide sympathy and social value with the power of fashion entertainment.

*Sustainability Statement*

## Creating a sustainable future with fashion entertainment

Beautiful planet earth, radiant society, happy life.



As a designer and entrepreneur, I have been attentively making clothes for more than 30 years. We, the sartorial designers, have dedicated ourselves to the idea of creating clothes that are pleasing and admired by as many customers as possible, and in so doing we have obviously created an oversupply situation.

An economy that discounts the idea of thrift has held sway for quite some time, heaping ever greater burdens on the environment, including air pollution, global warming, waste and resource shortages, and now we are beginning to notice the planet's cry for help. So, how should we live now as intelligent beings?

- A future where both the creator and wearer will be happy together -

Being a company backed by many, we must seriously take initiatives to provide sustainable fashion\* as a business model that reduces the burden on the global environment.

We will generate dynamism in society, creating a situation where our customers and all who work with TSI can find happiness both physically and mentally in the joys of daily life while at the same time taking care of planet earth's environment.

I believe that we must all think about what we do individually, and connect those ideas and actions to tomorrow's world.

Because, when all is said and done, our lives move forward in tandem with planet earth.

**Tsuyoshi Shimoji**

President, TSI Holdings

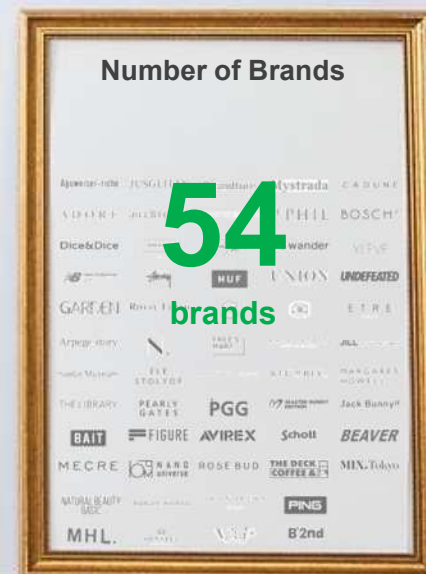
\*Sustainable fashion: A fashion initiative striving for comprehensive sustainability focused on products that include consideration of background issues such as the global environment and working environment.

Corporate Profile

Corporate profile

Including the previous incarnations as Sanei International & Tokyo Style, TSI Holdings has been at the forefront of glittering, joy-giving fashion for more than 70 years.

Name	TSI Holdings
Location	1-2-3 Aoyama Building Kitaoyama Minato-ku, Tokyo
Established	1 June 2011
Capital	15 billion yen
Representative	Tsuyoshi Shimoji, President



As of F28 February 2022

## Identifying materiality

Having formed the SDGs Promotion Office in 2021, we gathered the perspectives of our stakeholders and analyzed them to identify the materialities integrally needed as the foundation for the TSI Group to create long-term and sustainable happiness via business activities.

Step ① :

### Extracting and preparing materiality candidates

Based on in-house/outside info and the ideas of competitors, we have chosen materiality candidates that are highly relevant for the TSI Group to bid for sustainable growth from the viewpoints of the global environment, people and society, all value-providing domains. In selecting these candidates, we refer to the sustainability reporting standards of GRI, the sustainability accounting standards of SASB and the universal sustainable society goals of SDGs.

Step ② :

### Evaluating from the perspectives of the company and stakeholders

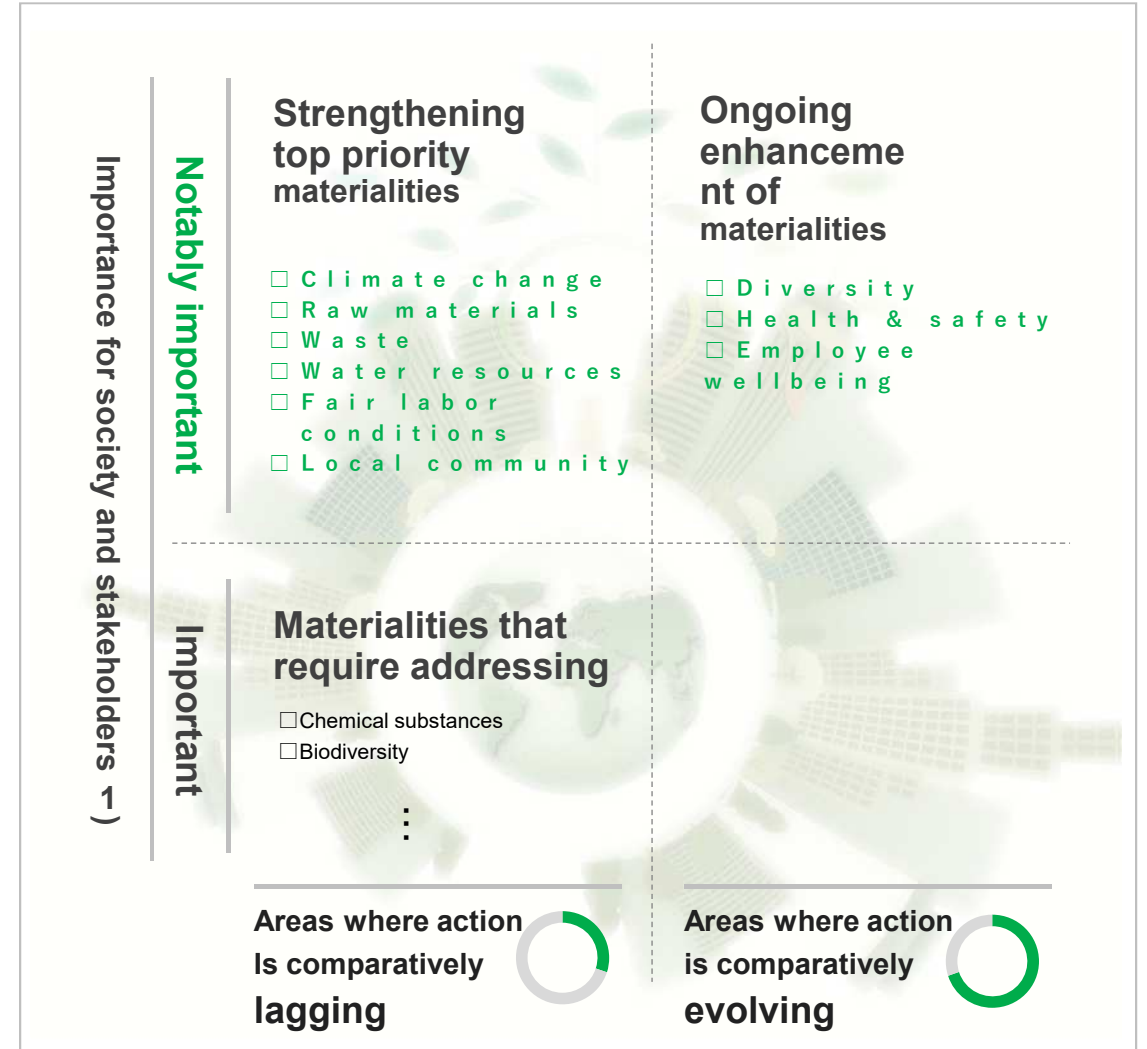
Regarding the candidates extracted and prepared in Step ①, we laid out the importance to society and stakeholders (customers & employees, etc.) on the vertical axis, and our current efforts are laid out on the horizontal axis of the adjacent chart. Here, first of all, materiality candidates notably important to society and stakeholders are extracted out.

The mapping process is based on info gleaned from the media and competitor publications as well as interviews with outside experts & external board members, relevant department managers and members of the SDGs promotion team.

Step ③ :

### Identifying materiality

Based on the evaluation results in Step ②, materialities were identified with the approval of management and the board of directors.



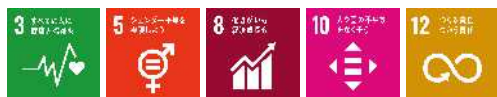
1) Identify competitor benchmarks and stakeholder opinions on the importance of factors with potential for sustainable growth, which have been pinpointed based on international standards, such as GRI guidelines,

Materiality

# TSI materiality

Based on the relevance and sentiment to our business, we have identified nine materialities for three key areas. Moving forward, we will set goals to find materiality solutions.

## People



People are the source of value created in our business and – therefore - our greatest asset. We will strive to offer physical and mental happiness to all whom work with us.

- 5 Diversity
- 6 Health & safety
- 7 Employee wellbeing
- 8 Fair labor conditions

## Global Environment



The fashion industry is burdening the global environment in many ways. To change that, we first need to visualize the global environmental load and then challenge to build a sustainable business model.

- 1 Climate change
- 2 Raw materials
- 3 Waste
- 4 Water resources

## Society



It does not make sense for our business endeavors to be just for us. We aim to do business that makes everyone “happy”, including our customers and local communities and ourselves, while also taking care of local culture.

- 9 Local community

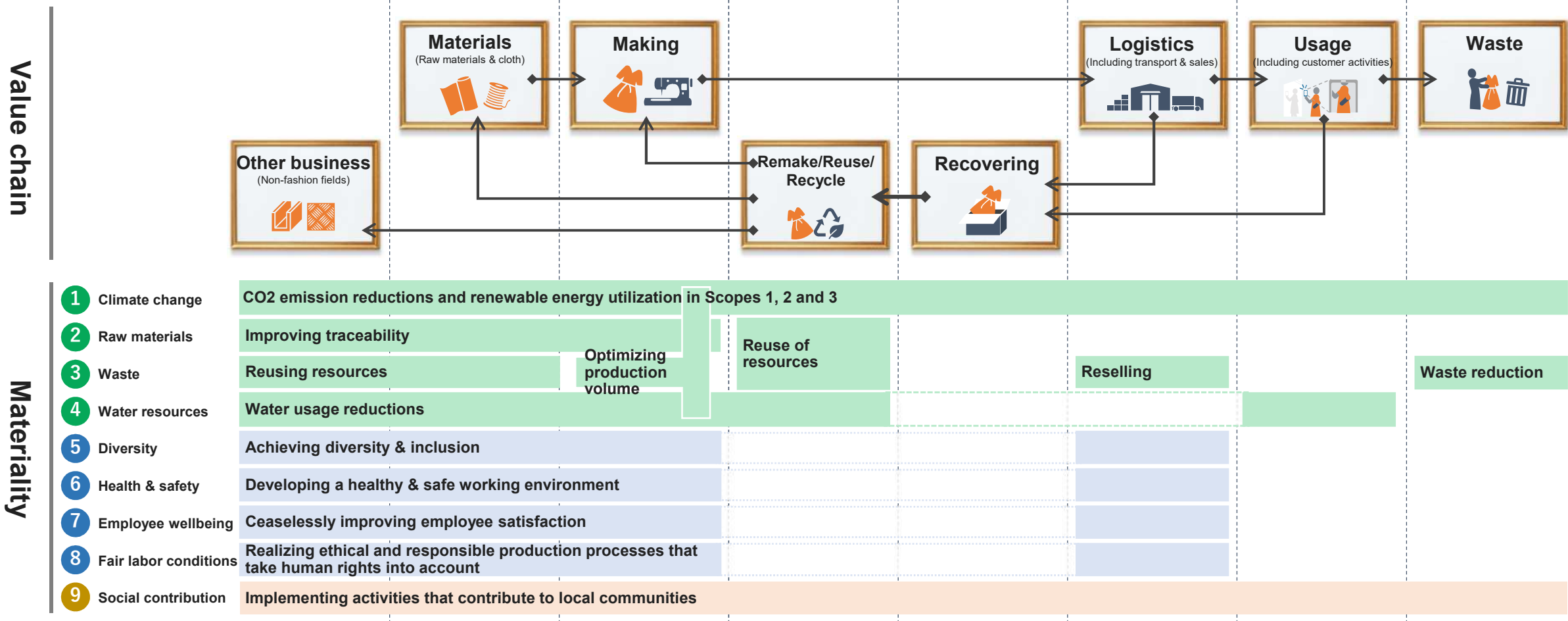




*Our Value Chain & Materiality*

# The relationship between our value chain and materiality

All of our value chain activities are closely connected to the global environment. Thus, through our commitment to materiality, we will construct a sustainable business foundation that offers a “happy” outlook to all stakeholders involved in the value chain.



*Environment*

## Realizing a sustainable global environment through fashion

Creating planet-friendly entertainment



### Achieving carbon neutrality

- Achieving carbon neutrality by 2050
- Visualizing environmental load in manufacturing processes

### Achieving zero fashion loss

- Using technology and other techniques to update business model
- Building a circulation business model



## Our Commitments

### Commitment to global environment

Our fashion approach to achieve a sustainable global environment will be a biaxial one, achieving carbon neutrality and achieving zero fashion loss.

The fashion industry is burdening the global environment in many ways – namely, we recognize the immense responsibility of the fashion industry in relation to the planet's environment, and that the fashion-driven TSI Group has a huge responsibility in materiality related to the global environment.

Based on this recognition, we will visualize the environmental load in our value chain and then take up the challenge of building a sustainable model to reduce that environmental load. In that way, we aim to realize fashion-driven sustainability for the global environment.

#### Challenging for carbon neutrality

In our challenge to become carbon neutral, we will reduce CO2 emissions across the entire value chain in line with the carbon neutral 2050 vision. To that end, we will also visualize the environmental load in our manufacturing processes.

#### Achieving zero fashion loss

To achieve this, we will utilize, among other things, technology to update our business model in ways that are not bound by tradition. Further, we will simultaneously build a circulation business model that reuses things that would normally be discarded.

#### 1 Climate change

**Achieve carbon neutrality.**

#### 2 Raw materials

**Improve traceability of raw materials and take into consideration the environmental load when selecting materials.**

#### 3 Waste

**Build a circulation business model that produces minimal waste.**

#### 4 Water resources

**Reduce water usage.**

## Challenging for carbon neutrality

We will reduce CO2 emissions across our value chain to achieve carbon neutrality by 2050.

To do that, we will take responsibility for CO2 emissions in the manufacturing process and strive to visualize and reduce environmental impact across the supply chain.



### Switching to renewable energy resource electricity

For high-street shops, workplaces, offices and plants that have the right to choose power contracts, we will switch to contracts offering environmental value and/or carbon neutrality. Additionally, such contracts will be considered when initial contracts are being considered for new shops.

### Implementing measures to strengthen zero-emission fashion

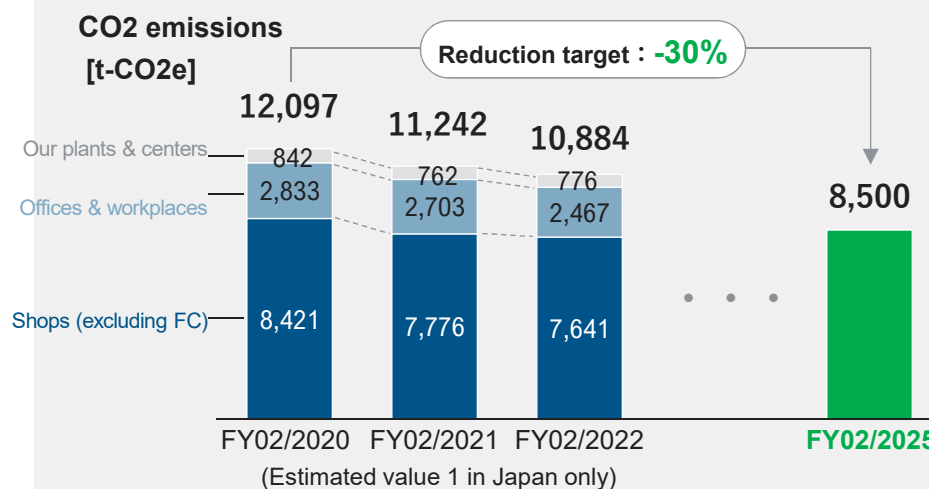
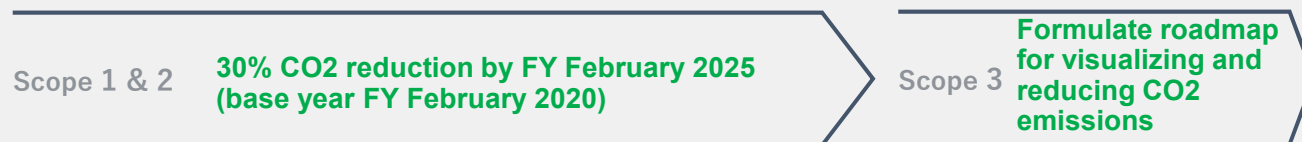
We will contribute to the optimization of production volume, including digitalization of made-to-order production and sample preparation, strengthening of D2C brands and strengthening digital fashion.

### Building an organizational structure to promote visualization of CO2 emissions in Scope 3

We will construct a mechanism for calculating Scope 3 CO2 emissions up to February 2023. Further, for products purchased in category (1), we will visualize them based on the SAC's Higg Index, taking into account the differences in materials.

Long-term goals: **Achieve carbon neutrality & aim for virtually zero GHG emissions by 2050**

### Mid-term goals:



Scope 3 formulation of roadmap for visualizing and reducing CO2 emissions to be achieved by February 2023.

1) CO2 emissions are estimated values calculated using the emission factors of the "Ministry Ordinance on Calculation of Greenhouse Gas Emissions Associated with Business Activities of Specified Emissions" and the floor areas of shops (business establishments and offices subject to calculation using . the basic emission coefficient of each fiscal year of general power transmission supplied by power companies locally).

Carbon Neutral

### Challenging for carbon neutrality

In the apparel making process, we resolutely acknowledge that the environmental load differs depending on the raw material, so we will visualize the raw materials used in-house and strategically switch to ones with low environmental loads (reduced CO2 emissions and water usage).

We will focus on developing new materials to achieve our long-term goal of selecting materials that reduce environmental burden. Moreover, we will not limit this to just ourselves, but also consider partnerships and investments with material manufacturers and startups.

Mid-term goals :

Long-term goals :

Raw materials

Achieve 100% traceability of major raw materials

Compile and publish roadmap for switching to raw materials with a low environmental impact based on status of raw materials used.



Reduce environmental load via selection of raw materials

Water resources

Visualize water usage in manufacturing processes for entire TSI Group

Compile and publish roadmap for reduction measures based on status of water usage.



Reduce water usage in manufacturing processes

CASE Switching to materials that are more environmentally friendly

MARGARET HOWELL

MARGARET HOWELL (UK) initiative to utilize sustainable cotton

The MARGARET HOWELL brand is taking the in tracing raw materials and identifying areas for improvement. We too are participating in the BETTER COTTON™, the world's largest cotton sustainability program, and work with suppliers to increase the use of organic and recycled yarns in our collection.

After achieving 100% traceability of major raw materials, we will set specific goals (like MARGARET HOWELL) and increase the number of brands that are taking measures to reduce the environmental burden.



CASE Developing biodegradable materials



Toska Banok ECO product development

Toska Banok has developed an environmentally friendly, planet-friendly tag fastener. It uses biodegradable plastic that can be decomposed by microorganisms in the soil.

- ① Tag loops ((ITO-LOX) combining natural materials and plant-derived resin  
These tags are formed from organic cotton, linen threads and biodegradable plastic that decomposes in soil.
- ② Green plastic certification (registration No. 1132)  
Verified as safe, collected samples show that microorganisms decompose this product into water and carbon dioxide at a speed equal to or faster than that for trees.
- ③ Can be burned as waste without sorting  
This product emits less CO2 than petroleum-based plastics and can be disposed of without sorting..
- ④ Please be careful when using over prolonged periods  
Unlike ordinary plastic, the connector section weakens due to decomposition, so this product should be used as soon as possible. Also, out of concern for safety, avoid using for long periods of time in situations where a load is constantly applied.



Zero Fashion-Loss

3 Waste

# Achieving zero fashion loss

We will update our business model using technology to construct a circulation business model that produces as little waste as possible.

### Optimizing production volume

We will strive to improve the total consumption. Applying our forte in E-commerce infrastructure databases and new technologies, such as AI and 3D CAD, we will review manufacturing processes and make organizational changes to develop production processes to deliver products to customers in the necessary timing cycles, at necessary volumes and at appropriate prices.

### Reuse of things that might be discarded

We will continue to strengthen our efforts to improve the reuse rate, recycle rate, upcycle and recycle sales rate.

VOICE



Hiroshi Seto,  
Quality Control Section Chief,  
Production Promotion Department,  
TSI SCM Division

### Innovative practices to prevent disposal of defective products

Defective products occupy a large share of waste, so buying good products at the outset is vital in striving to achieve zero waste. On top of that, we have to prevent the production of defective products. To that end, we have introduced a Dedicated Inspection Center System as well as held quality info expos. As for any defective garments that still get produced, besides selling them to employees, we would like to collaborate with outside sustainable businesses to find new outlets for them, such as upcycling.

Long-term goals : **Constructing a circulation business model that does not generate waste**

### Mid-term goals :

Scope 1 & 2

Scope 3

By 2030:

Reduce amount of waste in manufacturing processes (fiber waste, raw fabric)

By 2030:

Minimize waste in manufactured products

Compile roadmap to visualize waste volume in Scope 3 (Achieve during FY02/2023)



Breakdown of waste volume by our factory and center [t] 1)

1) Target is domestic apparel business. Amount of waste owned by fabric manufacturers is an estimated value calculated by multiplying amount of waste in external warehouses by weight (t/m) per unit based on quantity (m) data. About 120 (t) of cutting waste of laminated non-woven fabric due to full production of medical isolation gowns was temporarily generated in our plant in 2020. And, as it was a temporary factor, it is excluded from view.

*Zero Fashion-Loss*

## Achieving zero fashion loss

We are beginning to reuse resources as we move toward construction of a circulation business model. Moving forward, we will continue our challenge for a sustainable circulation business model for the entire TSI Group.

### VOICE



Junji Okamura, Sales,  
Business Management Section,  
TSI SI Division

### I want to contribute to SDGs while having fun with customers

Since 2019, we have been holding clothing collection events at our brand stores, which is great for raising customer awareness about SDGs and is a great opportunity to hear bygone tales about the clothes brought in for collection. This year, on top of collecting clothes, we plan to resume tree planting via the “Chinju-no-mori-no-project”. Thus, we want to have fun with customers through events that let each of them not only recycle clothes into fiber but also turn that effort into the planting of a tree.

### CASE Remaking & selling discarded products

#### OVERDYE PROJECT

#### MHL,

In the OVERDYE PROJECT, we are regenerating clothes that are still usable (only have weaving scratches or uneven dyeing, etc., from manufacturing processes) to give them new life with new value.



### CASE Collecting clothes

#### Five brands participate in the clothing collection project BRINGTM

Participate in the clothing collection project BRINGTM put together by JEPLAN, which connects unwanted clothing and textile products to recycling. By having customers participate in tree planting donations to the “Guardian Forest Project” via coupons that are given to them when clothes are collected, the project is simultaneously helping the shift to zero fashion loss and offsetting carbon while involving customers.

E T R É A D O R E BOSCH' PINKY&DIANNE JILLSTUART



### CASE Reducing plastic usage

#### Reuse of hangers

The TSI Group uses many hangers in plants, inspection sites and shops, so we are implementing initiatives to reuse them rather than throw them away. In this way, we will focus not only on manufactured products but also on auxiliary materials, as we aim for zero loss during manufacturing processes and shipping.

*Zero Fashion-Loss*

## Achieving zero fashion loss

What is more, we are moving ahead with various efforts to resolve global environmental materiality.

### Initiatives already implemented or underway

To make a quick, small start, we are taking specific measures from the range that can be implemented within the SCM Division.

Example: Conversion to environment-friendly auxiliary materials (packaging bags, hanging tags, hanger covers, shopping bags and other such items)

### Initiatives and plans for the future

Moving forward, we will consider more company-wide actions linked to business strategies and SDGs strategies, not only in the SCM Division, but also hand-in-hand with other business divisions.

Example: Collaborate with Logistics Division and shops to switch to cardboard that can be used repeatedly

Example: Collaborate with Planning Division and MD to develop products based on environment-friendly materials

Example; Collaborate with shops and Manufacturing Division to collect clothing and old inventory for remanufacturing of B products

## INTERVIEW

Yoshihiro Yamada  
SDGs project member of Logistics Section,  
Production Promotion Department,  
TSI SCM Division



### Working on the SDGs project ,balancing between macro strategic perspective and the micro on-site perspective.

#### Q. What kind of efforts are being made in the SDGs project?



In conjunction with the establishment of the SDGs Promotion Office of the Group, the segment that can move independently inside the SCM Division is about to start moving quickly, and young employees from each section of the department are heavily involved in the launch of this project. The basic approach of this project is to take advantage of the features of the SCM Division, which likes to traverse all divisions in business without being fettered by turf-minded brands. With that in mind, we are not tied to brands, so project elements look like they can be put together quickly in SCM, hence we have started to switch to environmentally friendly auxiliary materials mostly used in the Logistics Center.

#### Q. Could you tell us what new insights you have gained from your input to this project?



Since starting work on it, I have realized how SDGs need to be viewed from both micro and macro angles. SDGs are concepts related to the foundation of business. Hence, when considering the orientation of measures, the essence of TSI and our business strategy need to be considered. Conversely, for instance, the idea for switching in-use auxiliary materials came about because project members went to the logistics center every day to watch actual work with their own eyes. In other words, an on-site perspective is indispensable for extracting issues and incorporating them into specific actions. Thus, I want to continue focusing on the balance between macro strategic perspective and the micro on-site perspective.

#### Q. Could you tell us about your vision for the future?



While it is very meaningful to undertake the current efforts because they can be completed quickly, I also appreciate that there are limits to what can be done just in the SCM Division. Moving forward, I would like to see us bolster cooperation with other business divisions to create a big movement. Notably, a policy and system for promoting SDGs throughout the company has been established, so the potential for the spread of SDGs is increasing. And, I hope our activities will lead to changes in the behavior and awareness of many TSI employees. Then, by adeptly blending the on-site perspective of each team with the decision-making skills of the SDGs Promotion Office and the ideas of the business departments, TSI will be able to provide new value to customers.



*People***Creating values that brighten up the spirit**

Creating values that leads to health and happiness

**Protect the rights of fellow workers who create value with us**

- Respect for human rights throughout the supply chain

**Diverse and flexible work life**

- Richly diverse activity
- Flexible work styles and systems that can adapt to change

**A fashion-driven fresh smile**

- Contribute to solving social issues through the purchase of products and services



## Our Commitments

### Our commitment to people

To create values that brighten up the spirit, we aim to orientate our approach to keep in mind employees, business partners and customers.

The underlying intention of our business is the desire to create values that brighten up the spirit of people and share the joy of living together because everyone is the source of happiness. We understand that we must create fashion entertainment that leads to the health and happiness of all who are involved in our business.

Based on this recognition, the TSI Group will enable everyone involved in our business to play an active role and enrich their lives, both physically and mentally.

#### Employees

We will create a working environment that is diverse and flexible for all. Specifically, we will design a system that welcomes richly diverse activities and a system that allows flexible working styles in line with these changing times.

#### Business partners

We will do our best to protect the rights of fellow workers who create value with us. We will respect the human rights of everyone in the entire supply chain and protect the rights of all workers involved in our business.

#### Customers

We will create a fashion-driven fresh smile. We will plan and develop products and services that can contribute to solving customers' social issues, and make them barrier-free in fashion.

┌

#### 5 Diversity

**We will create an environment where all richly diverse people can play active roles.**

#### 6 Health & safety

**We will protect the physical and mental health of our employees, the source creators of value.**

#### 7 Employee wellbeing

**We will create value that leads to financial satisfaction, mental satisfaction, self-actualization and growth of employees.**

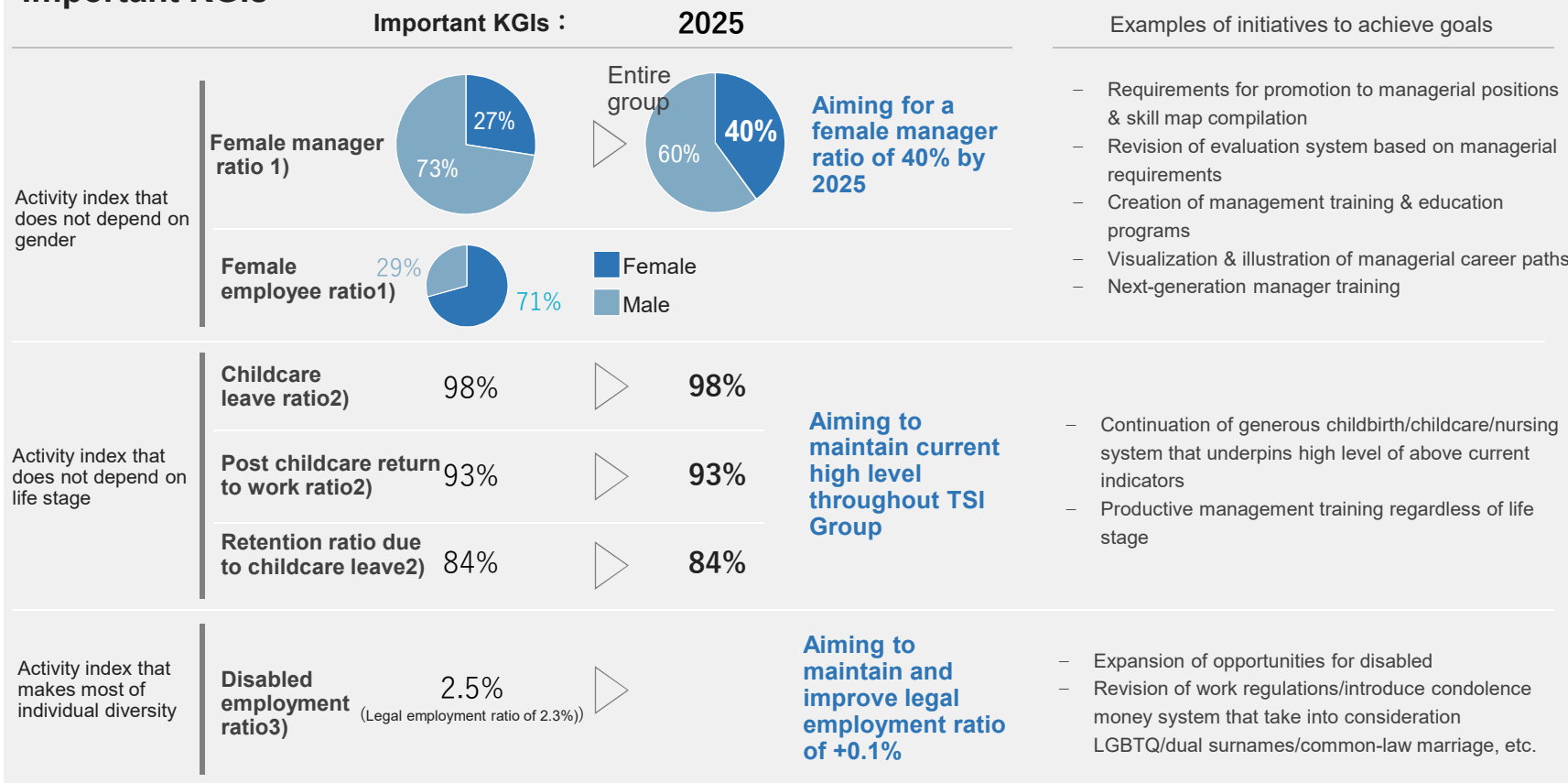
#### 8 Fair labor conditions

**We will respect the human rights of all people in the supply chain who contribute to creating value.**

## Diverse and flexible work life

The TSI Group has and will continue to actively promote initiatives to make a reality of the slogan: “Everyone is like everyone, we should all have diversity and flexibility in our work life,” to build an environment where anyone can thrive diversely.

### Important KGIs :



### Examples of initiatives to achieve goals

- Requirements for promotion to managerial positions & skill map compilation
  - Revision of evaluation system based on managerial requirements
  - Creation of management training & education programs
  - Visualization & illustration of managerial career paths
  - Next-generation manager training
- 
- Continuation of generous childbirth/childcare/nursing system that underpins high level of above current indicators
  - Productive management training regardless of life stage
- 
- Expansion of opportunities for disabled
  - Revision of work regulations/introduce condolence money system that take into consideration LGBTQ/dual surnames/common-law marriage, etc.

### VOICE



Mariko Tsujimoto,  
Personnel Section Expert,  
Personnel Department,  
TSI Corporate Division



### Achieving diversity of workstyles to provide all employees with secure and flexible options

We provide detailed support. Since 2021, we have been running a special subsidiary to promote employment of the disabled throughout the Group. We are also building strong ties with local authorities and schools to enable us to offer detailed support to everyone so that they can thrive safely and securely in their jobs with us.

Also, out of consideration for the high ratio of women in the TSI Group, from 2007, we have made the targeted period for reduced working hours for childcare up to graduation from elementary school. We carefully inform employees about childbirth and childcare laws and relevant company regulations, and, as a result, many take childcare leave, and the number of those who return to work is also high, as is the number of those who take work leave..

1) Ratios at TSI Holdings, TSI, Ueno Shokai. And Wander, Laline JAPAN, Urth Caffe JAPAN, HYBES, TSI Social Works, S-Groove and PLAX (as of 1/2/2022)  
 2) Ratios at TSI Holdings, TSI, Ueno Shokai. And Wander, Laline JAPAN, Urth Caffe JAPAN, HYBES, TSI Social Works, S-Groove and PLAX, but exclude those who retired due to restructuring or leave of absence without returning to workplace. Aggregation period is one year from January to December 2021.  
 3) Ratios at seven specially certified companies (TSI Holdings, TSI, Alpage, Lalina JAPAN, TSI Sewing, S-Groove and TSI Social Works) (as of 15/11/2021)

## Protecting the physical and mental health of employees

In addition to establishing a system based on laws and regulations, such as holding occupational safety & health committee meetings and conducting stress checks, we are flexibly implementing what we can do to protect the lives of employees due to the recent corona pandemic. Further, as part of our workstyle reform, we pushed for telework in all offices in Japan, and, as a result, we achieved a reduction in working hours. Therefore, we will continue to strive for even better balance between work and private life.

Important KGIs :		As of February 2022	2025	Examples of initiatives to achieve goals
Indicators for creating healthy and safe workplaces	Labor-related fatalities <sup>1)</sup>	0	0	<b>Aiming to continue at zero across entire group</b> - Health & safety committee PR work
	Number of labor-related injuries <sup>1)</sup>	15	0	
	Number of labor-related illnesses <sup>1)</sup>	0	0	
Indicators for improving individual mental and physical health	Health check ratio <sup>1)</sup>	90%	100%	<b>Aiming to implement for all employees</b> - Stress checks within improvement measures - Initiatives to improve employee health literacy
Indicators for achieving work-life balance for individuals	Average overtime <sup>1)</sup>	4.2 hours	Aiming to curb overtime	- Initiatives to improve work style flexibility - Development of flextime system & reduction of working hours - Lifting of ban on second jobs

VOICE



Hanami Ito,  
General Affairs Section,  
TSI Corporate Division



Always thinking of employees

From the end of June 2021, the new coronavirus antigen test kit “Icheck” is being distributed to stores managed directly by the TSI Group. The kit is used when there is a suspicion of infection among staff while at work. It was especially useful when there were market shortages. Additionally, for employees who have no choice but to look after themselves at home, I think in hindsight we responded beyond the demands of legal regulations, with food-securing efforts such as providing emergency food supplies and supporting online grocery shopping, while also offering special leave to employees who react adversely to vaccination.

1) Figures & ratios at TSI Holdings, TSI, Ueno Shokai. And Wander, Laline JAPAN, Urth Caffe JAPAN, HYBES, TSI Social Works, S-Groove and PLAX. Note that these figures do not include executives, part-time workers and agency staff, nor do they include legal holiday work. Aggregation period is one year from January to December 2021.

Diversity & Inclusion

# Status of initiatives to achieve diversity and inclusion

To maximize the individuality of our fellow workers, we will promote initiatives to ensure physical and mental health as well as achieve diversity and inclusion.

## A numerical overview of diversity, health & safety

<p>Childcare leave ratio</p> <p><b>98.1%</b></p>	<p>Return from childcare leave ratio</p> <p><b>93.2%</b></p>
<p>Entrenched childcare leave</p> <p><b>84.2%</b></p>	<p>Average monthly overtime per person</p> <p><b>4.2 hours</b></p>
<p>Reduced working hours (up to age 3 by law)</p> <p>Up to graduation from elementary school</p>	<p>Total number of days for nursing care leave (up to 93 days by law)</p> <p><b>365 days maximum</b></p>

1)2)3)Ratios at TSI Holdings, TSI, Ueno Shokai. And Wander, Laline JAPAN, Urth Caffe JAPAN, HYBES, TSI Social Works, S-Groove and PLAX (as of 1/2/2022)

1)Aggregation period is one year from January to December 2021.  
 2) Object people are those who return to work after January 2020 and enroll for a year.  
 3) Aggregation period is one year from March to February 2022.

## CASE Creating new value kicking off from inclusion

### Disabled involved in farming at Urth Caffe JAPAN



In the TSI Group, disabled employees do various jobs in shops, garment plants, centers and other such places. One such signature job involves growing vegetables on a farm. They grow their favorite vegetables from scratch, doing everything from harvesting, packaging and shipping. We are considering using their produce on the customer menu at Urth Caffe JAPAN. In this way, we aim to create an environment in which the disabled can play active roles in society and create new value. Moreover, we hope that these activities will motivate the disabled to get involved.



## CASE Work-life support that brings diversity and flexibility

### System design creating flexibility

To accommodate the unique individuality within the TSI Group, which brings together companies with different organizational climates and cultures, we will flexibly provide diversity in duties, occupations and careers (freshers and mid-career switchers), such as providing a flextime system, reducing working hours, allowing second jobs and arranging various training systems, while implementing our personnel system appropriately.

Job title	Level-based training		Common training	Elective training		
		Sales department				
Management	TOP	Officer & executive officer seminars	HD sponsored departmental seminars	Business workshop		
	Middle	Department manager training				
	Lower	Basic management training			Shop manager training	
General employee	Mid-career employees	Leadership training			Sub-training	External seminar
	Young employees	Training for young employees			Sales produce training	
	Rookie	Joint training for new employees			Follow-up training	

## Comments from fellow workers who share in our work and activities

### INTERVIEW

Asami Ono,  
Director Section Manager,  
TSI Rose Bud Division



### Achieving balanced system, communication and willpower

#### Q. Could you tell us about your career so far?

“ After a part-time job during college, I joined ROSE BUD in 2004. I worked for a while at the Shibuya store and was then transferred to the new Ginza branch in 2007 to become a store manager. While working as store staff at Shibuya, I also worked as the press officer, so my aim was to become a press officer at head office, but the managerial experience I gained at Ginza changed my career ideas, and in 2011 I became an area manager. In 2016, the idea of becoming general manager was floated to me, but I was uncertain because of work-life balance issues such as having a family, but my boss showed understanding of my needs and said that I could build my needs into my work, which was the kind of helpful push I needed.

#### Q. How was it when you took maternity and childcare leave?

“ I gave birth to my first child in 2017 and the second in 2020, taking maternity and childcare leave in both cases. For my first birth, I was worried about the impact on my career, but the company reassured me that my position was safe, which motivated me to do my best upon return. Although taking such leave is written into law, it is reassuring when the setup is one that makes it easy to take leave. Also, as I am allowed to work shorter hours until my children graduate from elementary school, I can flexibly plan for a long-term career.

#### Q. Could you tell us about your future plans?

“ Many things only became clear after returning to work, so I felt it was important to communicate how I intended to use the leave/shorter hours system to both company and family. I also think it is essential to avoid being passive and instead express to the company how I can contribute amid a shorter working week. My next step is to develop the workforce, as brand growth has to go hand-in-hand with manpower growth if the company is to be resilient. Hence, I want to nurture a fresh generation of staff for the future while also personally taking steps to move in a new direction myself.

### INTERVIEW

Naoya Nakatsuka,  
Special Employment Promotion Department,  
TSI Social Works



### Valuing individuality in the workplace to encourage everyone to shine, we positively support lasting employment for the disabled

#### Q. Could you tell us about the role of TSI Social Works?

“ As a special subsidiary of our company, we are in charge of hiring the disabled at group companies. There are 43 disabled employees engaged in various roles at our logistics center, B product management center, EC-dedicated center and farm. My role is to share information with the managers at business sites and troubleshoot for individuals and tasks, so that everyone can focus on work in a relaxed manner. I take particular care about work, health and life issues, as these can have an adverse impact on the ability to work – so, besides managing, I support the disabled by taking care over those three areas.

#### Q. Could you tell us how you create a relaxed working environment?

“ We strive to create an environment where people can work enthusiastically to the best of their abilities. We subdivide work to find out what people can do, might be able to do and what is perhaps too difficult. Moreover, we promote steady development via job rotation to offer various work experience to improve aptitude and motivation. And, although communication can be difficult during the teaching process, we see mutual trust grow through communication, leading to confidence and job satisfaction.

#### Q. Could you tell us about your future plans?

“ The next issue for me is to think about where work can be done – in other words, the diversification of working styles. With the prolonged corona pandemic in mind, we need to develop a system that offers (among other things) telework to provide lasting employment. Many of our disabled employees adore fashion, so – although a pipe dream – it would be great to see TSI developing some garments specifically for the disabled, garments that would expand the image of creativity based on the things we have experienced in our work.

Employee Satisfaction

# Creating value that leads to employee self-growth

We are surveying employee satisfaction (eNPS) across the entire TSI Group to create an environment in which all employees can work in diverse and flexible manners according to their own desired vision.

We are striving to improve the working environment in each business based on the 2021 survey (527 respondents1))

We plan to continue doing this once a year.

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

Employee satisfaction monitoring index

### Conduct regular employee satisfaction surveys (eNPS) and fixed-point observations

Oversee constant improvement in eNPS  
Survey outline/items are scheduled to be announced

Implementation of initiatives based on index results

### Main survey items

#### Management message

Vision, leadership, social contribution, brand

#### Communication

Communication opportunities and places, feedback, open culture

#### Organizational management system

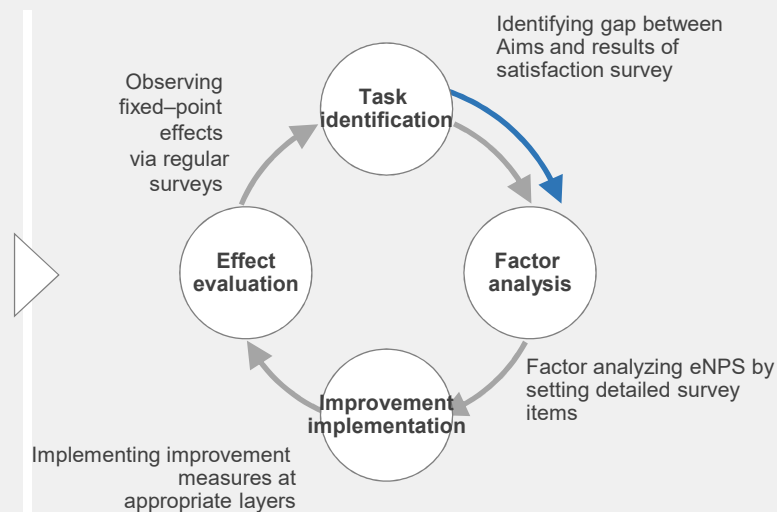
Rules, systems, evaluation, handling, treatment, environment

#### Mutual respect

Company-own relationship, company-team relationship, team-own relationship

#### Growth & development

Opportunities for growth, decision-making, creativity



1) The target of this survey is TSI Holdings, and the assumption is that all full-time employees of the TSI Group will be targeted in the future.

Respect for Human Rights

# Respecting human rights of all people in supply chain

To achieve fair labor conditions, the TSI Group has revised the code of conduct for business partners and specified the scope of coverage, and is informing suppliers of those changes.

We will continue to work to protect the human rights of our partners and plant workers, who create value together with us.

VOICE



Sanae Harami,  
QC Section,  
Production Promotion Department,  
TSI SCM Division

### Respecting human rights



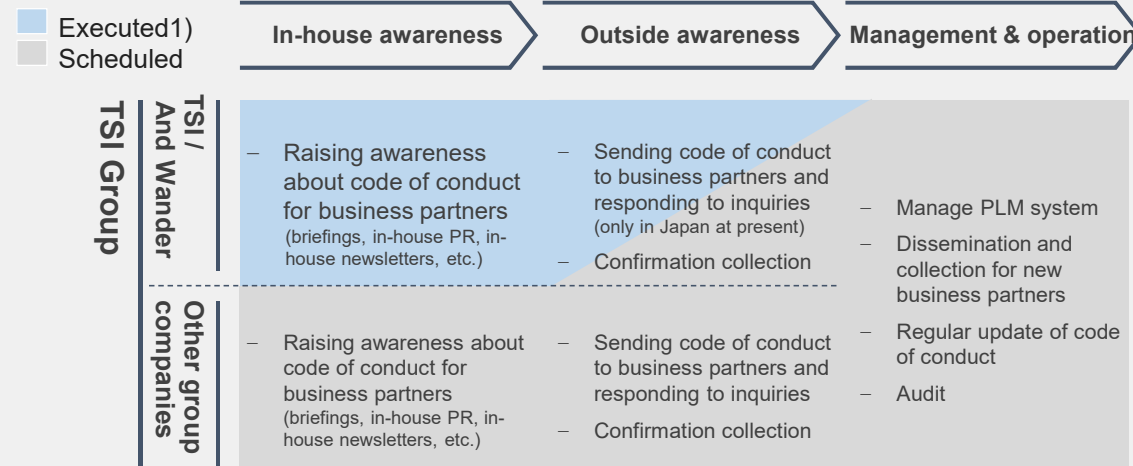
Mechanism are needed to eliminate forced labor from the supply chain. Since 2018, we have received confirmation of CSR initiatives from some 200 major suppliers, and we have newly compiled the TSI code of conduct for business partners. We have expanded this to all suppliers, and started signing them up from January 2021. First off, with the understanding of our business partners, we will do our best to operate it as an initiative that covers the entire TSI Group.

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

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

### Business partner code of conduct

- |  |  |   |   |
|--|--|---|---|
| <p><b>Main tenets</b></p> <ul style="list-style-type: none"> <li>• Freedom of choice of employment</li> <li>• Freedom of association and respect for the right to collective bargaining</li> </ul> | <ul style="list-style-type: none"> <li>• Safe &amp; hygienic working conditions</li> <li>• Prohibition of child labor</li> <li>• Guarantee of living wages</li> <li>• Compliance with legal working hours</li> </ul> | <ul style="list-style-type: none"> <li>• Prohibition of discrimination</li> <li>• Application of regular employment</li> <li>• Prohibition of harsh &amp; inhumane treatment</li> <li>• Environmental protection</li> </ul> | <ul style="list-style-type: none"> <li>• Handling of dangerous goods</li> <li>• About ethics, bribery &amp; corruption</li> <li>• Subcontracting &amp; working from home</li> </ul> |
|--|--|---|---|



1) 2022年3月31日時点



Smiles!

## A fashion-driven fresh smile!

Beginning with the products and services we create, we will bring fresh smiles to peoples' faces while sticking close to the various scenes our customers are involved in.

### CASE Stepping toward the next generation with smiles for kids



#### 「DORAEMON × Jack Bunny!! Golf Competition



Jack Bunny!! held a customer participation event “DORAEMON x Jack Bunny!! Golf Competition 2021”. There was lots of fun to be had, with Doraemon’s secret tools appearing at holes, attraction holes where Doraemon’s rules apply and other fun things. And, as to golf, well it has a strong adult image, but both kids and grownups could enjoy this event, which put smiles on the faces of the next generation.

### CASE The fun of fashion in the working scene



#### Producing nursery school uniforms at Nano Universe

Nano Universe has produced a nursery school staff uniform for Memorytree Nursery School (operated by nexu) based on the concept of “fashionable uniform that looks right even after work”. This product is designed to be trendy but practical (incorporating input from on-site nursery teachers) and functional to guarantee ease of use in nursery work. We will continue to plan and develop products and services that convey the joy of fashion across various walks of life.



### CASE Collaboration on the theme of sustainability

#### Staging Together with Earth

This was staged at Daimaru and Matsuzakaya stores nationwide (9 department stores & 92 shops) as a collaboration campaign undertaken by TSI and World, a first in terms of linking sales sites. With the theme of Together with Earth, Besides marketing this season’s fashions in sustainable materials, both companies held a clothing collection campaign, to show how companies can cross boundaries in a sustainable initiative that covers new clothes, upcycle ones, and recycling.



WORLD × TSI Inc.  
Together with Earth  
地球と一緒にいきていく

#### Sales of upcycle products to revive surplus inventory

The company human woman remakes in-stock knitwear, upcycling to create new designs that express color schemes in different ways and add charm to the natural splendor of ramie fibers.

human woman



*Social*

## Creating value to share lasting happiness

Realizing sustainable communities while coexisting with nature



**Customers and communities  
all sharing sustainable  
happiness with us**

- Contributing to sustainable communities via a wide variety of activities



*Local Community***Commitment to communities**

To become the happiest fashion house in the world, we will not only move ahead with our sartorial acumen, but also develop contents that add color to people's lifestyles and create new businesses that solve social issues.

Looking broadly at society, we see many communities already under siege from serious problems, such as environmental destruction and depopulation.

Having turned our attention to such local communities, we are striving to solve their problems and bring about sustainable development by creating new lifestyles and manufacturing from their local areas by fusing our expertise cultivated through the development of a wide variety of brands with local resources.

Until now, we have been developing the apparel business as well as contents that illuminate people's lifestyles in areas such as cosmetics, food & drinks and habitat design. From here on, using our brands to produce products and services, we will shape new ties with local communities and contribute to regional revitalization & related repopulation. Moreover, we will strive to protect nature and culture and generate employment as we step up to the task of realizing sustainable local communities that coexist with nature.

**9 Local communities**

**Utilizing our technologies and know-how, we will contribute to the conservation of local communities and the global environment as well as promote activities that tie into the next generation.**

*Local Community***Our mission to solve problems in local communities**

By developing business in collaboration with various partners in various fields in given regions, we will carry out corporate activities to solve problems and then help revitalize and develop those regions.

We will utilize our technology and know-how to think about what we can do to maintain local communities and local environments. And, as a member of society, we will fulfill our mission to responsibly solve social issues.

**VOICE**

Wataru Nishiuchi,  
CEO, TSI Sewing

**Being able to contribute via our business**

We developed and as of last year started selling chainsaw protective trousers that meet EU's strictest quality standard ENISO 11393-2: 2019. Also, following the agreement with Kamikawa, we will undertake activities to help this thriving forestry town. Listening to what the town needs, we want to put our workplace technologies to good use to help the town.

**CASE Creating new community-based lifestyles and manufacturing****Comprehensive cooperation agreement with Kamikawa in Hokkaido to develop a community that creates new value**

In recent years, the town of Kamikawa in Hokkaido has been actively engaged in various regional revitalization projects, such as tourism promotion and job creation in collaboration with the public and private sectors. Agreeing with the sentiment of these efforts, we concluded a comprehensive cooperation agreement with Kamikawa and are looking to make a sustainable commitment to the town in various ways.

**CASE Linking local feelings to the next generation****Spinning ideas to come up with a remake project concept**

One collaboration with Kamikawa is the remake project, which involves remaking clothes worn by parents and grandparents into new clothes to be worn by their children and grandchildren – in other words, linking up multiple generations.

Yet, as a fashion company – not just a remake business – we will continue to come up with ideas to connect sentiments to contribute to the local community and society.



CSR

## To fulfill our social responsibilities

We will contribute to the construction of a sustainable future society.



4

CSR

## CSR basic policy

The TSI group bases its management philosophy on the statement: “We create values that brighten up the spirit of people through fashion and share the joy of living with society.” in order to commit with all our stakeholders to business activities that will build a sustainable future society.



### CASE

**Contributing to the realization of a society free of poverty and discrimination**

**JILL** by JILLSTUART

#### “Happiness for All” Project from JILL by JILLSTUART × Plan International

Plan International is an international NGO working in more than 70 countries to promote children’s rights and create a society free of poverty and discrimination. In support of the “Because I am a Girl” campaign within the “Happiness for All” project developed by this NGO, JILL by JILLSTUART donates to the campaign via sales of target products.

“We want to play our part in eliminating poverty and discrimination in the world”

Based on our sustainability statement and humanitarian support initiatives & contributions to local communities through our CSR, we will donate to and support this cause.



### CASE

**Swift provision of supplies to places and people in need**

#### Clothing support for shelters in rain-damaged Atami via Japan Heart Social Network

The TSI Group backs Japan Heart Social Network, run by Japan Heart (NPO). Responding to rain damage in Atami, Shizuoka prefecture, in July 2021, we provided T-shirts, tank tops and other clothing to shelters in Atami as disaster support.

“Swift provision of supplies to places and people in need”

We will continue to cooperate with various outside organizations to contribute in ways that are close to the essence of a fashion group like TSI.



CSR

## Our efforts in regard to humanitarian aid to Ukraine

As a charitable efforts for humanitarian assistance based on peacekeeping, we donated 10 million yen through the Japanese Red Cross Society's "Ukrainian Humanitarian Crisis Relief Fund."

This donation will be used for humanitarian activities in Ukraine and the European region.

Moreover, we plan to donate all or part of the profits earned from our business activities through the Japanese Red Cross Society and participating projects in order to help their life in Ukraine or the one at the shelter.

### CASE

#### Producing a limited edition of the classic DINEX mug

"and wander" produced a limited edition of the classic DINEX mug and started order sales on April 8th.



### CASE

THE LIBRARY

#### THE LIBRARY × EW.Pharmacy / edenworks

In collaboration with "EW.Pharmacy" of edenworks's dried flower shop, "THE LIBRARY" will sell limited bouquet at all stores on April 15th.



### CASE

human woman ADORE PINKY&amp;DIANNE JILLSTUART LE PHIL

#### T-shirt project to aid Ukraine

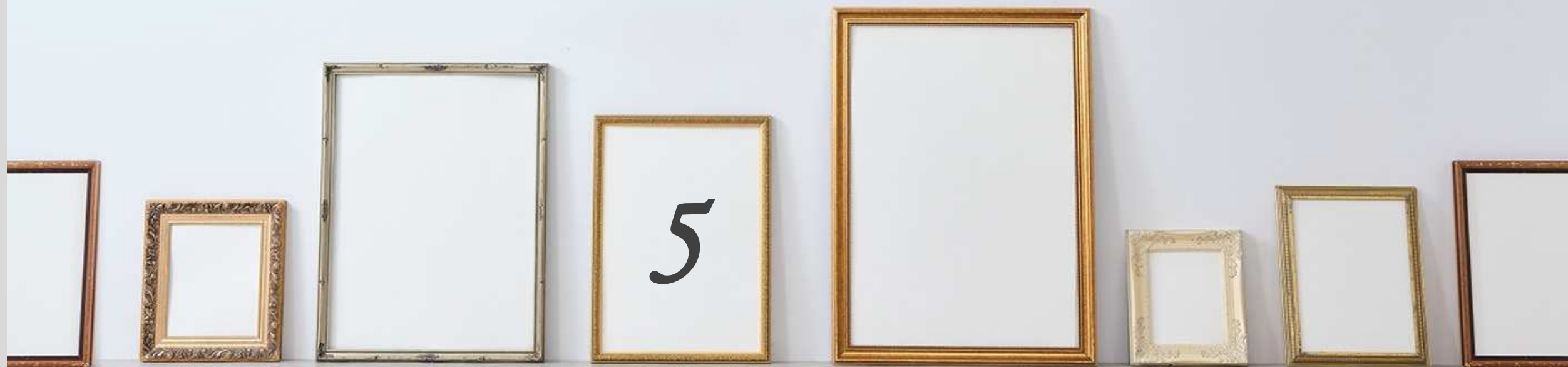
5 Brands jointly produced original T-shirts and started order sales on March 30th.



*Corporate Governance*

## Management system

Building a swift and transparent management system





Corporate Governance

## Correct management

“We create values that brighten up the spirit of people through fashion and share the joy of living with society” is the management philosophy we strive to live by.

To tailor a business system apt to a global fashion group, we will be sound and transparent, establish a prompt decision-making system and galvanize in-house control, including thorough compliance and risk management.

Through these efforts, we will strive to continuously improve corporate value – which is our basic management policy – with the aim of building good relationships with stakeholders and further enhancing corporate governance.

### Corporate governance system

Overall group business is audited from an expert perspective by outside executives, and – if necessary –outside auditors will collaborate with our in-house audit office to audit our business.

While we believe that the current governance system is the optimal system for ensuring appropriate business, we will keep looking at ways to improve it to stay abreast of future scenarios.

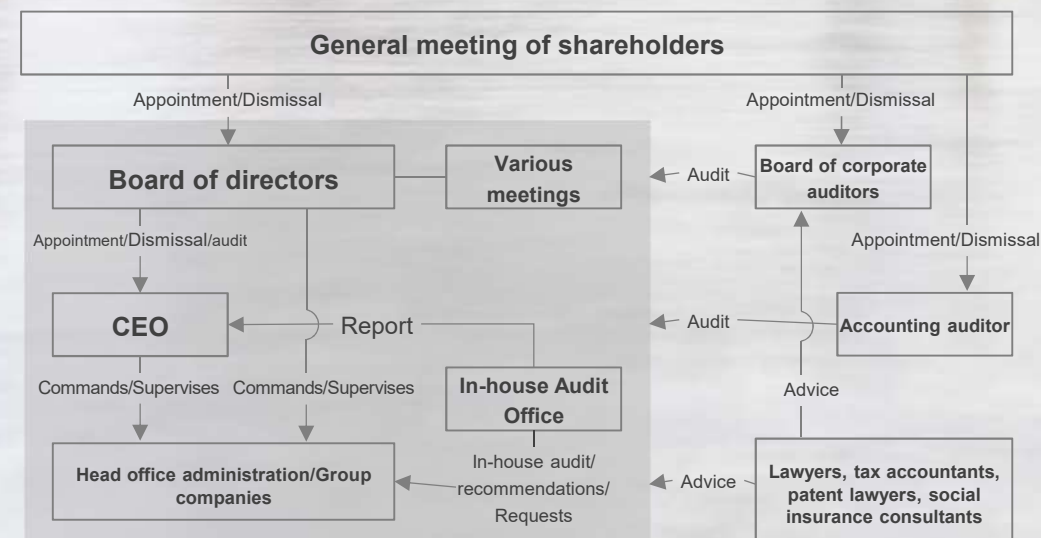
### Strengthening the SDGs promotion system

The SDGs Promotion Office has been set up to work on this issue, and the office’s members will take the lead in formulating draft response policies and disseminating them to relevant departments.

The system is set up in a way that lets the board of directors decide important issues after discussion with the sustainability committee, which is composed of members cored around in-house directors.



(2021年12月20日時点)



*Toward the Future of Fashion*

## **Toward tomorrow's world**

Bridging the way to sustainability for the future of fashion



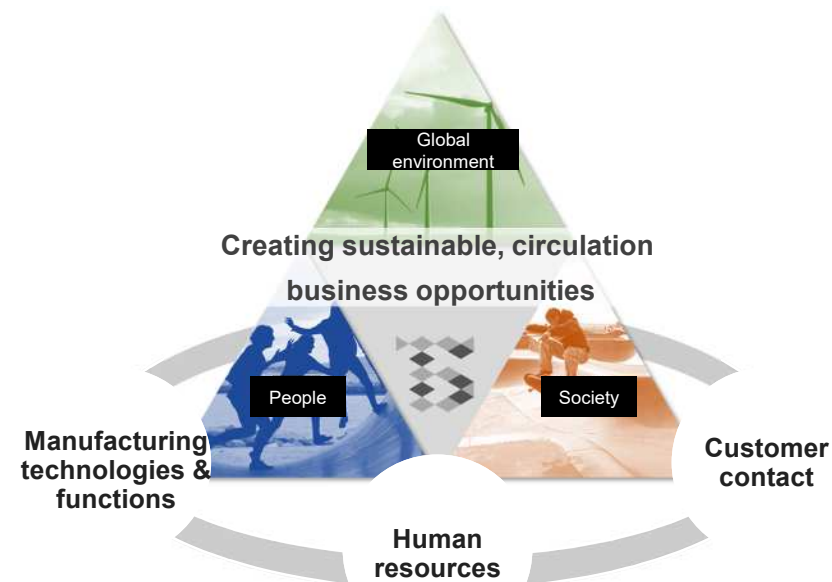
*Toward the Future of Fashion*

## The future of fashion and stakeholder happiness

Sustainable, circulation business is the future shape of fashion. And that is where yet unseen happiness awaits.

We are depicting the shape of happiness awaiting all our stakeholders - from customers and business partners through to all of our shareholders – beyond the task of solving social issues.

To that end, we will be the driving force behind the creation of sustainable, circulation business opportunities while making effective use of existing assets.



### Happiness delivered by fashion because it is sustainable

#### Customers

##### Enjoying happiness via fashion & entertainment

- Enjoy a fashionable life in step with the global environment
- Enjoy inclusive designs
- Customers themselves contribute to the development of local communities & cultures

#### Partners

##### Enjoying happiness via the creation of joint business opportunities

- New revenue opportunities
- Solve social issues via innovative business

#### Investors & shareholders

##### Enjoying happiness via profits created through business opportunities

- Financial benefits
- Contribute to society via investment in TSI Group

*Members***Sustainability Storybook production members**

From left to right in the front row

Mariko Tsujimoto  
Kohei Yamada  
Maya Kinoshita  
Toshiko Katayoshi

From left to right in the back row

Hisashi Kobayashi  
Yoshihiro Yamada  
Katsunori Yamaguchi  
Satoshi Arai  
Shunsuke Hasegawa

*Editor's Note***Editor's note**

Most of the raw materials for the products we supply to our customers are put together from threads and cloths, having undergone many processes in our plants before being stitched together. We also purchase products from other companies, as seen in our Select Shop line of business. Yet, the reality of the apparel industry is that there are many issues that make it difficult to visualize everything.

What is more, it is said that CO2 in manufacturing accounts for 70% of the total, which cannot be overlooked because the apparel industry causes the second largest environmental load after the oil industry.

We established the SDGs Promotion Office in September last year and began work by getting our heads around the actual situation. Then, in February, we set up a project team, summarized group materiality across departments, and published our findings as a sustainability book cored around Scopes 1 & 2.

We have come through M&A deals repeatedly, but have not extended this to subsidiaries because the systems used are different, yet we will gradually increase the number of target companies to promote visualization. First off, our inclination is to make disclosures in line with the GRI Standards.

Moreover, we will face sustainability issues with our various business partners, strive to visualize Scope 3, develop products with low environmental impacts using innovative technologies and build a circulation system that does not let anything go to waste.

On the editorial front, we will continue to give information gravitas by specifically introducing the activities of brands and employees. We hope that it will help you to understand what we are aiming for in the future.

In conclusion, we would like to take this opportunity to express our sincere gratitude to all those concerned for their unstinting cooperation in preparing this report.

**Kohei Yamada**

Manager of SDGs Promotion Office,  
Sustainability Value Department,  
TSI Holdings

SUSTAINABILITY  
*Story Book*  
TSI HOLDINGS GROUP

2022/4/13

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Descriptions about future within this document are based on the information that the company obtains on the date of this report and certain assumptions deemed to be reasonable. Actual earnings may differ materially from various future factors.

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