Business Results for the Fiscal Year Ended February 28, 2022

[Japanese GAAP] (Consolidated)

April 13, 2022

Company name:	TSI HOLDINGS CO., LTD.	Stock listing: Tokyo Stock Exchange
Code number:	3608	URL: https://www.tsi-holdings.com/en/
Representative:	Representative Director and President, Tsuyoshi Shimoji	
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Scheduled date of financial report:		May 27, 2022
Scheduled date to begin dividend payment:		May 27, 2022
Preparation of supplementary financial document:		Yes
Briefing session to explain the financial statements:		Yes (For institutional investors and analysts)

(Rounded down to the nearest million yen)

1. Consolidated Business Results for the Fiscal Year Ended February 28, 2022 (March 1, 2021 to February 28, 2022)

(1) Consolidated results of operations (% change from the previous fiscal year)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
FY ended February 2022	140,382	4.7	4,440	—	5,834	—	1,022	(73.5)
FY ended February 2021	134,078	(21.2)	(11,843)	—	(10,359)	—	3,861	77.0

(Notes) Comprehensive income: Fiscal year ended February 28, 2022 ¥181 million (96.1%)
Fiscal year ended February 28, 2021 ¥4,636 million —%

	Net income per share	**Diluted net income per share**	**Return on equity**	**Ratio of ordinary income to total assets**	**Ratio of operating income to net sales**
	Yen	Yen	%	%	%
FY ended February 2022	11.32	—	1.1	4.0	3.2
FY ended February 2021	42.64	—	4.0	(6.6)	(8.8)

(Reference) Equity in earnings of affiliates: Fiscal year ended February 28, 2022 ¥27 million
Fiscal year ended February 28, 2021 ¥61 million

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of February 28, 2022	140,440	97,736	69.2	1,075 44
As of February 29, 2021	154,951	97,430	62.6	1,074 81

(Reference) Shareholders' equity: As of February 28, 2022, ¥97,212 million
As of February 28, 2021, ¥96,977 million

(3) Consolidated results of cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at the end of period
	Million yen	Million yen	Million yen	Million yen
FY ended February 2022	1,380	(3,981)	(8,960)	38,503
FY ended February 2021	(5,300)	36,010	(11,170)	49,761

2. Dividends

	Annual dividend					Total dividend	Dividend payout ratio (Consolidated)	Rate of total dividend to net assets (Consolidated)
	End of 1Q	End of 2Q	End of 3Q	Year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
FY ended February 2021	—	0.00	—	0.00	0.00	—	—	—
FY ended February 2022	—	0.00	—	5.00	5.00	457	44.2	0.5
FY ended February 2023 (forecast)	—	0.00	—	7.00	7.00		42.2	

3. Forecast of Consolidated Business Results for the Fiscal Year Ending February 28, 2023 (March 1, 2022 to February 28, 2023)

(% change from the corresponding period of the previous fiscal year)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Second quarter (Cumulative)	76,470	18.1	(985)	―	(520)	―	(240)	―	(2.66)
Full fiscal year	157,350	12.1	1,500	(66.2)	2,400	(58.9)	1,500	46.7	16.59

＊Notes:

(1) Changes in significant subsidiaries during the period: Yes

Changes in specified subsidiaries resulting in a change in the scope of consolidation

Deselection 2 companies (SANEI-INTERNATIONAL CO., LTD. and TSI GROOVE AND SPORTS CO., LTD.)

(2) Changes in accounting policies, accounting estimates, and restatements

a. Changes in accounting policies due to revisions of accounting standards: None

b. Changes in accounting policies other than above (a): None

c. Changes of accounting estimates: Yes

d. Restatements: None

(3) Number of shares issued (common stock)

a. Number of shares issued at the end of period (treasury stock included)	FY ended February 2022	95,783,293 shares	FY ended February 2021	95,783,293 shares
b. Number of treasury stock at the end of period	FY ended February 2022	5,390,033 shares	FY ended February 2021	5,556,309 shares
c. Average number of shares over the period	FY ended February 2022	90,306,433 shares	FY ended February 2021	90,560,235 shares

* Summary of financial statements is not subject to audit by a certified public accountant or an audit corporation.

***Explanation regarding the appropriate use of business forecasts and other special instructions**

The forward-looking statements, including business forecasts, contained in this document are based on information currently available to the Company and on certain assumptions deemed reasonable by the Company, and are not intended as a promise by the Company that they will be achieved. Actual results may differ materially due to a variety of factors. Please refer to "(3) Explanation of Consolidated Business Forecast and Other Forward-looking Statements " on page 3 for the assumptions underlying the forecasts and cautionary statements regarding the use of the forecasts.

Contents of Attached Materials

1. Overview of Business Results

(1) Overview of Business Results for the Fiscal Year Ended February 28, 2022

In fiscal 2021, the twelve-month period from March 1, 2021 to February 28, 2022, the apparel industry was expected to see a recovery in consumer spending due to the progress of vaccination against the COVID-19 and the end of the declaration of a state of emergency that had been issued by the government in stages.
Nevertheless, the number of infections did not significantly decrease because of the rapid spread of a new mutant strain of the COVID-19 and the trend toward voluntary restraint on outings and shortened business hours at some commercial facilities continued, resulting in a severe situation that still had an impact on sales.

Under such a business environment, our group is using the TSI Innovation Program 2024 (TIP24) as a springboard to focus attention on withdrawing from unprofitable businesses and shops, reducing labor costs, and reducing SG&A expenses across the entire company. Following this, we will shift to a phase that involves boosting efforts in the rapidly growing area of EC business, and breaking into IT system business and other new business, etc. We will also actively invest for the future to maximize profitability in the group.
Following this, we moved into a phase of strengthening our fast-growing EC business and IT systems and entering new businesses and aggressively invested for the future to maximize profitability in the Group. Moreover, the absorption-type merger was conducted in March 2021 as the first step toward the integration of the Group's companies into one company (after the subsidiary SANEI bd CO., LTD. merged with eight other apparel subsidiaries, the trade name was changed to "TSI Inc."). Through this change, we have aimed to further improve the speed of decision-making and operational efficiency.
Although the number of new infections of the COVID-19 in Japan has been decreasing since the end of the declaration of a state of emergency issued on September 30, 2021, the trend of refraining from going out has not completely ended, and consumer confidence has not completely returned. Although the over-the-counter sales of our group companies showed a recovery trend, the harsh business climate continued due to a decrease in customer traffic. In response, we have been taking measures such as strengthening sales through EC, curbing excess inventory, and controlling costs by strictly monitoring product purchases and holding them to an appropriate level.
Accounting for each of these factors, net sales came to ¥140,382 million in fiscal 2021, up 4.7% compared with the previous fiscal year. From a profit perspective, TSI Holdings incurred an operating income of ¥4,440 million and an ordinary profit of ¥5,834 million. This was a negative turnaround from the operating income of ¥11,843 million and ordinary income of ¥10,359 million posted in fiscal 2021.
The Company's net income attributable to owners of parent totaled ¥1,022 million, down 73.5% compared with the previous fiscal year.
Net sales by reportable segment were as follows.

Apparel-Related Businesses

Based on the above TIP24, TSI Group subsidiaries composing our apparel-related businesses have made efforts by withdrawing unprofitable businesses and store and by reducing SG&A such as labor costs across the entire company. Based on the medium-term management strategy, TSI Group subsidiaries continued to improve profits by reforming existing brands and streamlining operations. Amid the need to manage high market value brands that are unique and are price competitive, the Group worked diligently to strengthen its profitability by rolling out products that take full advantage of special features in its existing businesses including PING, St ANDREWS and HUF of street apparel brands, and wander with a focus on outdoor fashion, CADUNE of a ladies brand. Despite these endeavors, we have suffered from COVID-19 including shorten its business hours because of continuation of the state of emergency.

In the e-commerce business, we tried to increase sales by strengthening in-store and online coordination including the consolidation of in-store inventory to e-commerce stock, online customer service and OMO.
Through these initiatives, net sales of the apparel-related businesses reached ¥135,812 million (up 4.4% year on year).

Other Businesses

Companies within TSI Holdings' other businesses include S-Groove Co., Ltd., which in addition to fulfilling a sales function for Group operating companies engages in paid employment placement and worker dispatching activities, Toska-Bano'k Co., Ltd., active in the manufacture and sale of synthetic resin related products, Plax Co., Ltd., which engages in store design and supervision as well as restaurant operations, Laline JAPAN Co., Ltd., which procures and sells a variety of products including cosmetics, perfumes, and soaps, and Urth Caffe JAPAN Co., Ltd., which operates in Japan a popular organic café in the U.S., California. Net sales in this segment decreased by 38.6% compared with the previous fiscal year, to ¥5,256million owing mainly to subsidiary integration.

(2) Overview of Financial Position

(Million yen)

	At the end of FY2021 (As of February 28, 2021)	At the end of FY2022 (As of February 28, 2022)	Increase/decrease
Total assets	154,951	140,440	(14,510)
Liabilities	57,521	42,704	(14,816)
Net assets	97,430	97,736	306
Shareholders' equity ratio	62.6%	69.2%	6.6%
Net assets per share	¥1,074.81	¥1,075.44	¥0.63

Total assets decreased by ¥14,510 million due to a decrease in cash and deposits (down ¥10,612 million from the end of the previous period), a decrease in property, plant, and equipment (down ¥1,605 million), a decrease in intangible assets (down ¥3,405 million) and a decrease in "other" under investments and other assets (down ¥768 million), despite an increase in "other" under current assets (up ¥2,668 million), among others.

Liabilities decreased by ¥14,816 million dues to decreases in notes and accounts payable-trade (down ¥1,012 million from the end of the previous period), accounts payable-other (down ¥1,719 million), income taxes payable (down ¥1,944 million), and long-term borrowings (including current portion of long-term borrowings) (down ¥8,982 million).

Net assets increased by ¥306 million from the end of the previous fiscal year, despite a decrease in Valuation difference on available-for-sale securities (down ¥1,753 million). This was mainly due to an increase in retained earnings

(up ¥1,022 million) and an increase in foreign currency translation adjustment (up ¥927 million).

As a result, net asset per share increased by ¥0.63.

(3) Overview of Cash Flows

(Million yen)

	At the end of FY2021 (As of February 28, 2021)	At the end of FY2022 (As of February 28, 2022)	Increase/decrease
Cash flows from operating activities	(5,300)	1,380	6,680
Cash flows from investing activities	36,010	(3,981)	(39,991)
Cash flows from financing activities	(11,170)	(8,960)	2,209
Cash and cash equivalents at end of period	49,761	38,503	(11,257)

1) Cash flows from operating activities:

Net cash provided by operating activities for the current consolidated fiscal year amounted to ¥1,380 million, compared to net cash used in operating activities of ¥-5,300 million in the previous fiscal year. This was mainly due to the postings of ¥2,712 million in income before income taxes, the postings of ¥3,650 million in depreciation, which is non-cash expenses and impairment loss of ¥4,225 million, despite an increase in inventories of ¥907 million, a decrease in purchase debt of ¥994 million, a decrease in accounts payable-other of ¥1,741 million, the postings of ¥1,698 million in gain on sales of investment securities, which were adjustment items for investment activities and the postings of ¥3,201 million in income taxes paid.

2) Cash flows from investing activities:

Net cash used in investing activities for the current consolidated fiscal year stood at ¥3,981 million (compared to net cash provided by investing activities of ¥36,010 million in the previous fiscal year), mainly due to the purchase of property, plant, and equipment (store interior assets, etc.) of ¥1,123 million, purchase of investment securities of ¥8,512 million and payment of leasehold and guarantee deposits of ¥1,195 million, despite the sales of investment securities of ¥6,137 million and collection of leasehold and guarantee deposits of ¥1,214 million.

3) Cash flows from financing activities:

Net cash used in financing activities for the current consolidated fiscal year was ¥8,960 million (¥11,170 million in the previous fiscal year), mainly due to a net decrease in short-term borrowings of ¥52 million and repayment of long-term borrowings of ¥8,969 million. Consequently, cash and cash equivalents at the end of the current consolidated fiscal year decreased by ¥11,257 million from the end of the previous fiscal year to ¥38,503 million.

(Reference) Changes in cash flow-related indicators

(For Reference) Trends in Cash-Flow Indicators

	FY2020 (As of February 29, 2020)	FY2021 (As of February 28, 2021)	FY2022 (As of February 28, 2022)
Shareholders' equity ratio (%)	59.2	62.6	69.2
Shareholders' equity ratio based on current market price (%)	24.2	15.3	21.5
Years of debt redemption (Years)	7.1	—	11.7
Interest coverage ratio (Times)	21.7	—	12.6

Notes:

1. Shareholders' equity ratio based on current market price (%) = total market value of common stock ÷ total assets
2. Years of debt redemption = interest-bearing debt ÷ cash flows from operating activities
3. Interest coverage ratio = cash flows from operating activities ÷ interest payments
4. Interest-bearing debt includes all balance-sheet debt for which interest payments are being made.
5. Interest payment are based on the amount of interest paid on the consolidated statement of cash flows.
6. All indicators are calculated based on consolidated financial figures.
7. As the cash frows from operating activities for the fiscal year ended February 28, 2021 was negative, the years of debt redemption and interest coverage ratio are not calculated.

(4) Outlook

Although the economic impact of the spread of the COVID-19 is continuing and remains to be seen, it is expected that the infection will be brought under control to some extent in the second half of the fiscal year ending February 28, 2023 (fiscal 2022) through vaccination and the spread of oral antiviral drugs for people with a mild condition.

Although we expect a certain level of recovery in sales for fiscal 2022, we anticipate a considerable delay in the recovery of the economic situation due to growing social unrest following the invasion of the Republic of Ukraine by Russian Federation forces and the recent sharp rise in commodity prices. Meanwhile, we expect net income attributable to owners of parent for fiscal 2022 to be ¥ 1,500 million, based on aggressive investments in growth areas such as EC and athleisure, where demand is continuously on the increase.

2. Basic Stance on the Selection of Accounting Standards

The TSI Holdings Group has adopted the Japanese Generally Accepted Accounting Principles (Japanese GAAP) to facilitate comparisons of consolidated financial statements of different fiscal terms and companies.

Meanwhile, the Group's policy is to properly address the application of International Financial Reporting Standards (IFRS) after taking into consideration various circumstances in Japan and overseas.

2. Consolidated Financial Statements and Major Notes

(1) Consolidated Balance Sheets

(Million yen)

	FY2021 (As of February 28, 2021)	FY2022 (As of February 28, 2022)
Assets		
Current assets		
Cash and deposits	49,871	39,258
Notes and accounts receivable–trade	10,888	10,378
Securities	—	969
Merchandise and finished goods	17,034	17,597
Work in process	544	494
Raw materials and supplies	821	634
Other	3,594	6,263
Allowance for doubtful accounts	(39)	(48)
Total current assets	82,714	75,547
Non-current assets		
Property, plant and equipment		
Buildings and structures	17,730	16,126
Accumulated depreciation	(12,122)	(11,639)
Buildings and structures, net	5,607	4,487
Machinery, equipment and vehicles	1,146	1,079
Accumulated depreciation	(950)	(907)
Machinery, equipment and vehicles, net	195	172
Land	903	958
Leased assets	558	532
Accumulated depreciation	(531)	(517)
Leased assets, net	27	15
Other	7,565	6,876
Accumulated depreciation	(6,149)	(5,965)
Other, net	1,415	911
Total property, plant and equipment	8,149	6,544
Intangible assets		
Goodwill	5,266	2,044
Trademark right	3,646	3,379
Other	3,757	3,841
Total intangible assets	12,670	9,265
Investments and other assets		
Investment securities	28,872	28,397
Long-term loans receivable	76	94
Leasehold and guarantee deposits	11,222	10,742
Deferred tax assets	1,021	634
Investment property, net	4,980	4,735
Other	5,350	4,581
Allowance for doubtful accounts	(106)	(102)
Total investments and other assets	51,416	49,083
Total non-current assets	72,237	64,893
Total assets	154,951	140,440

(Million yen)

	FY2021 (As of February 28, 2021)	FY2022 (As of February 28, 2022)
Liabilities		
Current liabilities		
Notes and accounts payable–trade	11,607	10,595
Short-term borrowings	152	114
Current portion of long-term borrowings	8,915	6,212
Lease obligations	13	11
Accounts payable–other	4,645	2,925
Income taxes payable	2,196	251
Provision for bonuses	1,336	1,327
Provision for point card certificates	426	453
Provision for shareholder benefit program	126	139
Provision for sales returns	289	310
Reserve for transfer	—	87
Asset retirement obligations	12	650
Other	6,246	5,293
Total current liabilities	35,969	28,375
Non-current liabilities		
Long-term borrowings	16,082	9,803
Lease obligations	36	36
Deferred tax liabilities	1,029	1,065
Provision for retirement benefits for directors	42	37
Retirement benefit liability	1,040	979
Asset retirement obligations	2,344	2,010
Other	975	396
Total non-current liabilities	21,551	14,329
Total liabilities	57,521	42,704
Net assets		
Shareholders' equity		
Share capital	15,000	15,000
Capital surplus	29,255	29,255
Retained earnings	52,213	53,236
Treasury stock	(3,747)	(3,668)
Total shareholders' equity	92,720	93,822
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	4,812	3,058
Foreign currency translation adjustment	(469)	457
Remeasurements of defined benefit plans	(86)	(126)
Total accumulated other comprehensive income	4,256	3,389
Non-controlling interests	452	523
Total net assets	97,430	97,736
Total liabilities and net assets	154,951	140,440

(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

Consolidated statements of income

(Million yen)

	FY2021 (March 1, 2020 to February 28, 2021)	FY2022 (March 1, 2021 to February 28, 2022)
Net sales	134,078	140,382
Cost of sales	70,232	63,555
Gross profit	63,846	76,826
Selling, general and administrative expenses	75,689	72,386
Operating income (loss)	(11,843)	4,440
Non-operating income		
Interest income	34	30
Dividend income	1,065	761
Real estate income	1,297	300
Foreign exchange gain	-	302
Other	603	512
Total non-operating income	3,000	1,908
Non-operating expenses		
Interest expenses	216	109
Foreign exchange losses	26	-
Rental expenses on real estate	876	134
Loss on valuation of investment securities	32	20
Other	364	250
Total non-operating expenses	1,516	514
Ordinary income (loss)	(10,359)	5,834
Extraordinary income		
Gain on sales of non-current assets	24,024	391
Gain on sale of investment securities	364	1,714
Subsidies for employment adjustment	438	33
Other	31	403
Total extraordinary income	24,859	2,543
Extraordinary losses		
Loss on retirement of non-current assets	80	92
Impairment loss	3,068	4,225
Loss on sales of investment securities	559	16
Loss on liquidation of subsidiaries and associates	1,192	4
Loss due to temporary closing	2,414	1,193
Voluntary retirement-related expenses	1,160	—
Provision for transfer costs	—	87
Other	169	45
Total extraordinary losses	8,644	5,664
Income before income taxes	5,855	2,712
Income taxes—current	2,337	528
Income taxes—deferred	(233)	1,186
Total income taxes	2,103	1,715
Net income	3,751	996
Net loss attributable to non-controlling interest	(109)	(25)
Net income attributable to owners of parent	3,861	1,022

Consolidated statements of comprehensive income

(Million yen)

	FY2021 (March 1, 2020 to February 28, 2021)	FY2022 (March 1, 2021 to February 28, 2022)
Net income	3,751	996
Other comprehensive income		
Valuation difference on available-for-sale securities	1,182	(1,753)
Foreign currency translation adjustment	(269)	963
Remeasurements of defined benefit plans	(8)	(40)
Share of other comprehensive income of affiliates accounted for using equity method	(20)	15
Total other comprehensive income	884	(815)
Comprehensive income	4,636	181
Total comprehensive income attributable to:		
Owners of parent	4,759	155
Non-controlling interests	(123)	25

(3) Consolidated Statements of Changes in Net Assets

FY2021 (March 1, 2020 to February 28, 2021)

(Million yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of period	15,000	36,463	49,987	△9,856	91,594
Changes during period					
Dividends of surplus			△1,635		△1,635
Net income attributable to owners of parent			3,861		3,861
Purchase of treasury shares				△1,177	△1,177
Disposal of treasury shares				77	77
Cancellation of treasury shares		△7,208		7,208	-
Net changes in items other than shareholders' equity					
Total changes during period	—	△7,208	2,226	6,108	1,126
Balance at the end of period	15,000	29,255	52,213	△3,747	92,720

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasure-ments of defined benefit plans	Total accumulated other compre-hensive income		
Balance at the beginning of period	3,630	(192)	(78)	3,358	498	95,451
Changes during period						
Dividends of surplus						(1,635)
Net income (loss) attributable to owners of parent						3,861
Purchase of treasury shares						(1,177)
Disposal of treasury shares						77
Cancellation of treasury shares						—
Net changes in items other than shareholders' equity	1,182	(276)	(7)	897	(45)	852
Total changes during period	1,182	(276)	(7)	897	(45)	1,978
Balance at the end of period	4,812	(469)	(86)	4,256	452	97,430

FY2022 (March 1, 2021 to February 28, 2022)

(Million yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of period	15,000	29,255	52,213	(3,747)	92,720
Changes during period					—
Dividends of surplus			1,022		1,022
Net income attributable to owners of parent				(0)	(0)
Purchase of treasury shares				79	79
Disposal of treasury shares					—
Cancellation of treasury shares					
Net changes in items other than shareholders' equity					
Total changes during period	—	—	1,022	79	1,101
Balance at the end of period	15,000	29,255	53,236	(3,668)	93,822

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasure-ments of defined benefit plans	Total accumulated other compre-hensive income		
Balance at the beginning of period	4,812	(469)	(86)	4,256	452	97,430
Changes during period						
Dividends of surplus						―
Net income attributable to owners of parent						1,022
Purchase of treasury shares						(0)
Disposal of treasury shares						79
Cancellation of treasury shares						―
Net changes in items other than shareholders' equity	(1,753)	927	(40)	(866)	70	(795)
Total changes during period	(1,753)	927	(40)	(866)	70	306
Balance at the end of period	3,058	457	(126)	3,389	523	97,736

(4) Consolidated Statement of Cash Flows

(Million yen)

	FY2021 (March 1, 2020 to February 28, 2021)	FY2022 (March 1, 2021 to February 28, 2022)
Cash flows from operating activities		
Income before income taxes	5,855	2,712
Depreciation	4,080	3,650
Amortization of goodwill	762	788
Increase (decrease) in allowance for doubtful accounts	(38)	3
Increase (decrease) in retirement benefit liability	(3)	(90)
Increase (decrease) in provision for retirement benefits for directors	(55)	(4)
Increase (decrease) in provision for bonuses	28	21
Increase (decrease) in provision for sales returns	120	18
Increase (decrease) in provision for point card certificates	(46)	31
Increase (decrease) in provision for shareholder benefit program	55	13
	—	87
Interest and dividend income	(1,099)	(792)
Interest expenses	216	109
Loss (gain) on sales of non-current assets	(24,015)	(375)
Loss on retirement of non-current assets	80	92
Impairment loss	3,068	4,225
Loss due to temporary closing	2,414	1,193
Voluntary retirement-related expenses	1,160	—
Loss (gain) on sales of investment securities	195	(1,698)
Loss (gain) on valuation of investment securities	32	20
Loss on liquidation of subsidiaries and associates	1,192	4
Subsidies for employment adjustment	(438)	(33)
Decrease (increase) in accounts receivables–trade	1,287	459
Decrease (increase) in inventories	3,723	(907)
Increase (decrease) in accounts payables–trade	(2,749)	(994)
Increase (decrease) in accrued consumption taxes	859	(303)
Increase (decrease) in accounts payable–other	(145)	1,190
Increase (decrease) in long-term accounts payable–other	(31)	—
Other	(710)	(3,547)
Subtotal	(4,198)	5,873
Interest and dividends received	1,099	792
Interest paid	(216)	(109)
Income taxes paid	(549)	(3,201)
Income taxes refund	749	90
Payment for loss due to temporary closing	(2,185)	(1,118)
Payment for voluntary retirement-related expenses	—	(947)
Net cash provided by (used in) operating activities	(5,300)	1,380

(Million yen)

	FY2021 (March 1, 2020 to February 28, 2021)	FY2022 (March 1, 2021 to February 28, 2022)
Cash flows from investing activities		
Net decrease (increase) in time deposits	600	(689)
Purchase of property, plant and equipment	(2,927)	(1,123)
Proceeds from sales of property, plant and equipment	4,300	56
Purchase of investment securities	(8,397)	(8,512)
Proceeds from sales of investment securities	7,672	6,137
Purchase of intangible assets	(710)	(967)
Payments of leasehold and guarantee deposits	—	380
Proceeds from collection of leasehold and guarantee deposits	(933)	(1,195)
Proceeds from collection of leasehold and guarantee deposits	1,440	1,214
Purchase of investment property	(13)	—
Proceeds from sales of investment property	34,031	89
Short-term loan advances	(27)	(43)
Collection of short-term loans receivable	407	26
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(656)	—
Payments for sales of shares of subsidiaries resulting in change in scope of consolidation	(6)	(91)
Proceeds of shares of subsidiaries resulting in change in scope of consolidation	—	25
Proceeds of shares of business transfer	—	20
Payments for asset retirement obligations	(578)	(354)
Other	1,807	1,047
Net cash provided by (used in) investing activities	36,010	(3,981)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	55	(52)
Proceeds from long-term borrowings	478	—
Repayments of long-term borrowings	(8,934)	(8,969)
Repayments of lease obligations	(31)	(17)
Purchase of treasury shares	(1,180)	(0)
Proceeds from sales of treasury shares	77	79
Dividends paid	(1,635)	—
Net cash provided by (used in) financing activities	(11,170)	(8,960)
Effect of exchange rate change on cash and cash equivalents	(11)	304
Net increase (decrease) in cash and cash equivalents	19,528	(11,257)
Cash and cash equivalents at beginning of period	30,232	49,761
Cash and cash equivalents at end of period	49,761	38,503

(5) Notes to the Consolidated Financial Statements

Going Concern Assumption

Not applicable

Major Notes to Consolidated Financial Statements

1. Scope of consolidation

i. Number of consolidated group companies: 28

Major subsidiaries:

TSI Inc.

HUF Holdings, LLC

Ueno Shokai Co., Ltd.

Consolidated subsidiaries other than the above: 25

Change in the scope of consolidation

In the current consolidated fiscal year, SANEI bd CO., LTD., a consolidated subsidiary of the Company, completed an absorption-type merger of SANEI-INTERNATIONAL Co., Ltd., TSI GROOVE AND SPORTS CO., LTD., nano universe CO., LTD., anglobal Ltd., Rose Bud Co., Ltd., Isolar Co., Ltd., TSI EC STRATEGY CO., LTD., and TSI PRODUCTION NETWORK CO., LTD., all of which were consolidated subsidiaries of the Company (and changed its trade name to TSI Inc.). Hence, these eight companies were excluded from the scope of consolidation.

The Company excluded SPIC INTERNATIONAL Co., Ltd. from the scope of consolidation due to the transfer of all shares held by the Company.

anglobal, a consolidated subsidiary of the Company, was excluded from the scope of consolidation due to the transfer of all shares of d'un a dix co. ltd. held by anglobal.

TSI SOCIAL WORKS, which was newly established by TSI PRODUCTION NETWORK CO., LTD., a consolidated subsidiary of the Company, through an incorporation-type company split, is included in the scope of consolidation.

Laline Hawaii Corporation was excluded from the scope of consolidation because of the completion of liquidation.

ii. Major non-consolidated subsidiaries

Major non-consolidated subsidiaries:

Tokyo Fashion (Kaito) Co., Ltd.

Reason for exclusion from the scope of consolidation

Non-consolidated subsidiaries are excluded from the scope of consolidation because they are small companies and their combined total assets, net sales, net income or loss (amount corresponding to the Company's equity interest), retained earnings (amount corresponding to the Company's equity interest), etc., do not have a material impact on the consolidated financial statements.

2. Equity method

i. Number of subsidiaries and affiliates accounted for by the equity method: 1

Main company name:

RICHARD HENDRIX LLC

（Change in the scope of the application of the equity method）

In the current consolidated fiscal year, MADE TO DESTROY LLC. was excluded from the scope of application of the equity method due to the transfer of all shares of the company held by Jack Clothing Co., Ltd., the Company's consolidated subsidiary.

ii. Non-consolidated subsidiaries not accounted for by the equity method

Company name:

Tokyo Fashion (Kaito) Co., Ltd.

Reason for exclusion from the scope of equity method

Non-equity method companies excluded from the scope of application of the equity method because their impact on the Company's net income/loss (amount corresponding to the Company's equity interest) and retained earnings (amount corresponding to the Company's equity interest) is not material and their overall importance is not significant.

3. Accounting period of consolidated subsidiaries

Among the Company's consolidated subsidiaries, Tokyo Style Hong Kong Co., Ltd., Shanghai Dongnoue Tokiso Trading Co., Ltd., TSI ASIA LIMITED, TSI US Holdings Co., Ltd., AVIREX SHANGHAI TRADING CO., LTD., and Efuego Corp. close their accounts on December 31.

The financial statements of each company as of December 31 are used in the preparation of consolidated financial statements. Significant transactions that occurred between December 31 and the consolidated closing date are adjusted as necessary for consolidation purposes.

Among consolidated subsidiaries, HUF Holdings, LLC and HUF Worldwide, LLC, with the annual business term set at 52 weeks, closed their accounts on the Saturday closest to December 31.

The financial statements of each company as of January 2, 2022 are used in the preparation of consolidated financial statements. Significant transactions that occurred between January 2, 2022 and the consolidated closing date are adjusted as necessary for consolidation purposes.

Among consolidated subsidiaries, SANEI INTERNATIONAL USA LLC closes its accounts on June 30.

The quarterly financial statement of the company as of December 31 are used in the preparation of consolidated financial statements. Significant transactions that occurred between December 31 and the consolidated closing date are adjusted as necessary for consolidation purposes.

4. Accounting policies

(1) Valuation criteria and methods for significant assets

i. Securities

Other securities

Marketable securities:

Marketable securities are carried at fair value based on quoted market prices as of the end of the fiscal year. Any changes in unrealized gain or loss are directly included in net assets and the costs of securities sold are generally calculated by the moving average method.

Non-marketable securities:

Non-marketable securities are carried at cost determined by the moving average method.

ii. Derivative financial instruments

Derivative financial instruments are stated at fair value.

iii. Inventories

a. Merchandise and finished goods, work in process and raw materials

They are primarily stated at cost method determined by the weighted average method (values on the balance sheet are subject to the book value reduction method based on decreased profitability.)

b. Supplies

They are primarily stated at the last purchase cost method (values on the balance sheet are subject to the book value reduction method based on decreased profitability.)

(2) Depreciation method for significant depreciable assets

i. Property, plant and equipment (excluding leased assets) and investment property

The declining-balance method is mainly used. However, the straight-line method is used for buildings (excluding attached facilities) acquired on or after April 1, 1998, and for building fixtures and structures acquired on or after April 1, 2016.

The main useful lives are as follows.

Buildings and structures	3 to 50 years
Others	2 to 20 years

ii. Intangible assets (excluding leased assets)

The straight-line method is adopted.

The main useful lives are as follows.

Software	5 to 10 years
Trademark rights	10 years

iii. Leased assets

Leased assets related to finance lease transactions other than those where the ownership of the lease assets is deemed to be transferred to the lessee

Amortized by the straight-line method, assuming the lease period as the useful life and no residual value.

(3) Basis for accounting for significant provisions

i. Allowance for doubtful accounts

To prepare for losses due to the credit loss of monetary claims, the domestic consolidated subsidiaries consider the actual loan loss rate for general claims and the collectability of specific claims such as doubtful debts individually and record the estimated uncollectible amount. Overseas consolidated subsidiaries have provided an allowance for doubtful accounts at the estimated uncollectible amount mainly for specific receivables.

ii. Provision for bonuses

To provide for the payment of bonuses to employees, the Company and its certain subsidiaries record the estimated amount of bonus payments corresponding to the consolidated fiscal year under review.

iii. Provision for point card certificates

Based on a system that confers points to customers in line with their purchase history, certain consolidated subsidiaries posted amounts that can be expected to be used in the future in line with past trends as of the end of the fiscal year under review to provide for expenses arising from the use of points.

iv. Provision for shareholder benefits

Based on its shareholder benefit program, the Company posted an amount that it expects to be used in the future in line with past trends as of the end of the fiscal year under review to provide for expenses arising from the use of shareholder benefit coupons.

v. Provision for sales returns

Certain consolidated subsidiaries posted amounts for estimated losses attributable to sales returns in line with such factors as historical rates of return to provide for losses from sales returns projected as of the end of the fiscal year under review.

vi. Provision for retirement benefits for directors

Certain consolidated subsidiaries posted amounts stipulated under internal regulation as of the end of the fiscal year under review to provide for the payment of retirement benefits to directors.

vii. Provision for relocation costs

Some consolidated subsidiaries posted estimates to be incurred to provide for the payment of cancellation penalties in connection with office relocations.

(4) Accounting method for retirement benefits

i. Method of attributing the estimated amount of retirement benefits to the period

In calculating the retirement benefit obligations, the estimated amount of retirement benefits attributed to the end of the fiscal year under review is based on the benefit calculation formula.

ii. Amortization of actuarial differences and past service costs

Past service costs are amortized on a straight-line method over a fixed number of years (5 years) within the average remaining service period of employees at the time they are incurred.

Actuarial differences are amortized on a straight-line method over a fixed number of years (5 years) within the average remaining service period of employees at the time they are incurred. The Company amortizes them in the following year of occurrence.

iii. Adoption of the simplified method for small-scale companies

Certain consolidated subsidiaries have adopted the simplified method of calculating retirement benefit liabilities as well as retirement benefit expenses by using the amount required to be paid at the end of the fiscal year for voluntary retirement benefits as the retirement benefit obligation.

(5) Basis for translating significant foreign currency-denominated assets and liabilities into Japanese currency

Monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the spot rates of exchange on the consolidated closing date and the translation differences are treated as profit or loss.

Assets and liabilities as well as revenues and expenses of foreign consolidated subsidiaries are translated into Japanese yen at the spot rate of exchange on the consolidated closing date, with translation differences included in foreign currency translation adjustments and non-controlling interests in net assets.

(6) Significant hedge accounting methods

i. Hedge accounting method

Deferred hedge accounting is adopted.

However, the allocation method is applied to currency swaps that meet the requirements for the allocation method and the exceptional method is applied to interest rate swaps where the requirements for the exceptional method are met.

ii. Hedging instruments and hedged items

a. Hedging instruments	Foreign exchange forward contracts
Hedged items	Foreign currency denominated trade payables and forecasted foreign currency transactions
b. Hedging instruments	Interest rate swaps
Hedged items	Interest on borrowings
c. Hedging instruments	Currency swap
Hedged items	Foreign currency denominated borrowings

iii. Hedging policy

The Company hedges the foreign exchange fluctuation risk and interest rate fluctuations in accordance with the "Derivatives Management Regulations," which are internal regulations.

iv. Assessment of hedge effectiveness

When entering into foreign exchange forward contracts, the Company allocates forward exchange contracts of the same amount and date denominated in the same currency in accordance with a risk management policy.

Because the correlation with subsequent fluctuations in foreign exchange markets is completely maintained, any evaluation of effectiveness at the time of account settlement is not conducted.

In addition, any evaluation of effectiveness at the time of account settlement is not conducted for currency swaps using the allocation method and interest rate swaps that meet the requirements for special treatment.

(7) Method and period of amortization of goodwill

Goodwill is amortized in equal amounts over a reasonable period of up to 20 years, based on individual estimates of the period over which the investment effect will be realized.

(8) Scope of cash and cash equivalents in the consolidated statements of cash flows

Cash and cash equivalents consist of cash on hand, deposits that can be withdrawn from time to time, and short-term investments that are easily converted to cash and that mature within three months of the date of acquisition and are subject to insignificant risk of change in value.

(9) Other important matters for the preparation of consolidated financial statements

i. Accounting method for consumption tax, etc.

Consumption tax, etc. are accounted for by the tax exclusion method.

ii. Application of the consolidated taxation system

The Company and certain domestic subsidiaries apply consolidated tax payment system.

iii. Application of tax effect accounting for the transition from the consolidated taxation system to the group tax sharing system

For the transition to the group tax sharing system established under the "Act for Partial Amendment of the Income Tax Act, etc. (Law No. 8, 2020) and for items that were reviewed in the non-consolidated taxation system in conjunction with the transition to the group tax sharing system, subject to the treatment of paragraph 3 of the "Application of tax effect accounting for the transition from the consolidated taxation system to group tax sharing system" (Practical Issues Task Force No. 39, March 31, 2020), the Company and certain domestic consolidated subsidiaries do not apply the provisions of paragraph 44 of the "Guidance on Accounting Standards for Tax Effect Accounting" (ASBJ Guidance No. 28, February 16, 2018) and calculate the amount of deferred tax assets and deferred tax liabilities in accordance with the provisions of pre-revision tax laws.

Change in reporting method

Application of "Accounting Standard for Disclosure of Accounting Estimates"

The "Accounting Standard for Disclosure of Accounting Estimates" (ASBJ Statement No. 31, March 31, 2020) is applied to the consolidated financial statements of the current financial year and notes on significant accounting estimates are included in the consolidated financial statements.

However, in accordance with the transitional treatment stipulated in the proviso of Paragraph 11 of the accounting standard, the contents related to the previous consolidated fiscal year are not described in these notes.

Change of accounting estimate

Provision for bonuses

In the end of this fiscal year, there is no prospect of convergence in preventing the spread of new coronavirus infections.

We have changed the estimate for the allowance for bonuses recorded in the previous consolidated fiscal year.

As a result of this change, operating income, ordinary income, and income before income taxes have increased. It has increased by 587 million yen.

Valuation Criteria for Inventories

The Company has adopted a valuation criteria for inventories based on a certain devaluation rate determined in accordance with the period since production or purchase. The Company's balance sheet amount is based on the

devalued book value. While we were affected by the expansion of covid-19, we've changed the sales policy and holded down purchase and sales cost and along with that, we tried to improve the portion of the proper sales.
Consequently, the existing write-down rate deviates from that which would have been applied if the latest sales results had been reflected. We therefore decided to reflect the latest sales results in the write-down rate that evaluates the book value effective from this fiscal year. The change in the estimation method was made to reflect decline in inventory-related profitability more appropriately in the Company's financial position and operating results.
As a result of this change, the cost of sales decreased by ¥1,876 million in this fiscal year. Consequently, operating income, ordinary income, and income before income taxes increased by the same amount, respectively.

Additional Information

Trust-Type Employee Stock Ownership Plan (ESOP)

TSI Holdings resolved at a Board of Directors' meeting held on April 13, 2020 to reintroduce a trust-type employee stock ownership plan (ESOP) as an incentive plan and part of its efforts to provide benefits for its employees.

i. Overview of the Plan

The Company has established a trust (the Shareholding Association Trust). The beneficiaries of the Shareholding Association Trust are members of the TSI Employee Shareholding Association (the Shareholding Association) who have met certain requirements.

The Shareholding Association Trust acquired in advance a number of TSI Holdings shares projected to be acquired by the Shareholding Association over a five-year period from April 2020 utilizing funds procured through debt finance. Thereafter, acquisition of the Company's shares by the Shareholding Association will be undertaken by the Shareholding Association Trust. Meanwhile, TSI Holdings will guarantee the debt finance undertaken by the Shareholding Association Trust.

ii. Shares of the Company Remaining in the Trust

The shares of the Company remaining in the Trust are posted as shares of treasury stock in the net assets section at their carrying amount in the Trust. The carrying amount and number of shares of treasury stock were ¥325 million for 696,000 shares as of the end of the previous fiscal year and ¥255 million for 545,000 shares as of the end of this fiscal year.

iii. Carrying Value of Debt Finance Posted Using the Gross Price Method

¥359 million as of the previous fiscal year and ¥311 million as of the end of this fiscal year.

Board Benefit Trust (BBT)

In accordance with a proposal put forward at the Company's 5th General Meeting of Shareholders held on May 25, 2016, TSI Holdings introduced a performance-linked stock compensation (Board Benefit Trust (BBT)) plan for its directors and delegated executive officers as well as Group company directors (eligible officers).

i. Outline of the Transaction

Under the plan, the Company's shares are acquired through a trust using money contributed by the Company as funds. Eligible officers receive the Company's shares equivalent to the points granted in accordance with the level of performance achievement, etc., and money equivalent to the amount of the Company's shares converted at market value as of the date of retirement (the Company's shares, etc.), pursuant to the officer stock delivery regulations. Meanwhile, the timing of receipt of the benefits of the Company's shares, etc. by eligible officers shall, in principle, be upon their retirement from office.

ii. Shares of the Company Remaining in the Trust

The shares of the Company remaining in the Trust are posted as shares of treasury stock in the net assets section at their carrying amount in the Trust. The carrying amount and number of shares of treasury stock were ¥288 million for 512,000 shares as of the end of the previous fiscal year and ¥279 million for 496,000 shares as of the end of the fiscal year under review.

Group reorganization (absorption-type merger organized by the Company and 14 consolidated subsidiaries)

At a meeting of its board of directors held on December 16, 2020, we resolved to undertake a reorganization with the aim of integrating each of its apparel operating companies into a single company over the following three stages, with a scheduled completion date of March 1, 2023.

As a side note, at a meeting of its board of directors held on January 14, 2022, as we resolved to change the companies to be merged on March 1,2022, we will disclose a schedule of the reorganization as soon as we resolve it.

1. Stage 1: Absorption-type merger between consolidated subsidiaries on March 1, 2021

The Transaction under common control

(1) Overview of the Transaction

i. Names and Businesses of the Combining Companies

Name of the Combining Company: SANEI bd CO., LTD.

Business: Apparel business

Names of the Combined Companies: SANEI-INTERNATIONAL CO., LTD.
TSI GROOVE AND SPORTS CO., LTD.
nano universe CO., LTD.
anglobal Ltd.
Rose Bud Co., Ltd.
Isolar Co., Ltd.
TSI EC STRATEGY CO., LTD.
TSI PRODUCTION NETWORK CO., LTD.

Business: Apparel business

ii. Date of Business Combination

March 1, 2021 and March 12,2021

iii. Legal Form of Business Combination

Absorption-type merger with SANEI bd CO., LTD., as the surviving company, and SANEIINTERNATIONAL CO., LTD., TSI GROOVE AND SPORTS CO., LTD., nano universe CO., LTD., anglobal Ltd., Rose Bud Co., Ltd., Isolar Co., Ltd., TSI PRODUCTION NETWORK CO., LTD., and TSI EC STRATEGY CO., LTD., as the companies to be merged.

iv. Name of the Company after Business Combination

SANEI bd CO., LTD. (new corporate name: TSI Co., Ltd.)

v. Other Matters Related to the Transaction

Nine consolidated subsidiaries underpinned by the same internal information systems, human resources,and other systems were the subject of the absorption-type merger.

(2) Overview of the Accounting Treatment Applied

Pursuant to the "Accounting Standard for Business Combinations" (Accounting Standards Board of Japan (ASBJ) Statement No. 21 issued on January 16, 2019 and the "Guidance on Accounting Standard for Business Combination and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10 issued on January 16, 2019), the absorption-type merger was treated as an under common control transaction.

2. Stage 2: Absorption-type merger between consolidated subsidiaries on March 1, 2022

At a meeting of its board of directors held on January 14, 2022, TSI Holdings' Board of Directors resolved to undertake an absorption-type merger with TSI Inc., as the surviving company, and consolidated subsidiaries

Ueno Shokai Co., Ltd., as the companies to be merged on the scheduled date of March 1, 2022(scheduled). Regarding Jack Clothing Co., Ltd., Arpege Co., Ltd., Star Joinus Co., Ltd., and And Wonder Co., Ltd, though they were described to be merged, we will disclose a schedule as soon as we resolve it because of the delay of the standardization of infrastructure.

Segments of the Company and Related Information

Segment information

1. Overview of reportable segments

(1) Method of determining segments

The reportable segments of the TSI Holdings Group are components for which separate financial information is available and whose operating results are regularly reviewed by the Board of Directors to make decision about resource allocation and to assess their performance.

As a holding company, TSI Holdings is responsible for the management of each operating company focusing mainly on the apparel business as well as the strategic functions of the Group as a whole. Each operating company in turn formulates comprehensive strategies for the apparel brands handled while engaging in business activities.

On this basis, the TSI Holdings Group is comprised of Apparel-Related businesses, a reportable segment, and Other Businesses.

(2) Products and services belonging to each reportable segment

In its Apparel-Related Businesses, the Group mainly engages in the planning, manufacture, and sale of apparel as well as brand licensing, production, and logistics operations. In its Other Businesses, the Group engages in such activities as the provision of sales agency, temporary staffing, synthetic resin-related, store design and management, restaurant services.

2. Calculation method of net sales, income or losses, assets and other items by reportable segments

The accounting method for the reportable segments is generally the same as the items stated in the "Major notes to consolidated financial statements."

The segment income or loss is based on operating income or loss.

The intersegment sales and amount of transfer are based on the prevailing market price.

3. Net sales, income or losses, assets and other items by reportable segments

FY2021 (March 1, 2020 to February 28, 2021)

(Million yen)

	Reportable segment	Other	Total	Adjustments Note 1,2,4,5	Consolidated financial statements amount (Note 3)
	Apparel-related businesses				
Net sales					
Sales to third parties	129,862	4,138	134,001	77	134,078
Inter-segment sales or transfers	257	4,429	4,686	(4,686)	–
Total	130,120	8,567	138,687	(4,609)	134,078
Segment income (loss)	(11,800)	(192)	(11,993)	150	(11,843)
Segment assets	76,700	7,067	83,767	71,183	154,951
Other items					
Depreciation and amortization expense	2,715	186	2,902	1,178	4,080
Increase in property, plant and equipment and intangible assets	2,699	452	3,151	523	3,675

Notes:

1. The segment income adjustment of ¥150 million is transaction offsets among consolidated companies.
2. The segment assets adjustment of ¥78,183 million includes the Company-wide assets that are not belong to respective reportable segments of ¥76,471 million and elimination of internal transactions between consolidated companies of ¥(5,287) million.
3. Segment income(loss) is adjusted to operating income listed in the consolidated financial statements.
4. The adjustment of depreciation and amortization of ¥1,178 million is mainly due to the amortization cost of the Company-wide assets.
5. Adjustment of ¥523 million in increase in property, plant and equipment and intangible assets is mostly related to the Company-wide assets.

FY2022 (March 1, 2021 to February 28, 2022)

(Millions of yen)

	Reportable segment	Other	Total	Adjustments Note 1, 2, 4, 5	Consolidated financial statements amount (Note 3)
	Apparel-related businesses				
Net sales					
Sales to third parties	135,702	4,590	140,293	88	140,382
Inter-segment sales or transfers	109	666	775	(775)	—
Total	135,812	5,256	141,069	(687)	140,382
Segment profit	4,627	46	4,674	(234)	4,440
Segment assets	73,818	7,082	80,901	59,539	140,440
Other items					
Depreciation and amortization expense	1,880	203	2,084	1,565	3,650
Increase in property, plant and equipment and intangible assets	1,424	216	1,641	1,134	2,776

Notes:

1. The segment loss adjustment of ¥(234) million is transaction offsets among consolidated companies.
2. The segment assets adjustment of ¥59,539 million includes the Company-wide assets that are not belong to respective reportable segments of ¥64,737 million and elimination of internal transactions between consolidated companies of ¥(5,197) million.
3. Segment loss is adjusted to operating loss listed in the consolidated financial statements.
4. The adjustment of depreciation and amortization of ¥1,565 million is mainly due to the amortization cost of the Company-wide assets.
5. Adjustment of ¥1,134 million in increase in property, plant and equipment and intangible assets is mostly related to the Company-wide assets.

Per Share Information

(Yen)

	FY2021 (March 1, 2020 to February 28, 2021)	FY2022 (March 1, 2021 to February 28, 2022)
Net assets per share	1,074.81	1,075.44
Net income per share	42.64	11.32

Notes:

1. Data on diluted earnings per share is not presented since there were no potential shares with a dilutive effect.
2. With the Company's shares held by the trust-type employee stock ownership plan (ESOP) treated as treasury stock, the number of such shares is deducted from the number of shares issued as of the end of the fiscal year in the calculation of net assets per share. The number of shares of treasury stock held by the Trust at the end of the previous fiscal year was 696 thousand shares, and the number of shares of treasury stock held by the Trust at the end of the current fiscal year was 545 thousand shares.
3. With the Company's shares held by the trust-type employee stock ownership plan (ESOP) treated as treasury stock, the number of such shares is deducted from the average number of shares for the period in the calculation of net income per share. Meanwhile, the average number of shares held by the Trust during the previous fiscal year was 696,000 shares and 545,000 shares during the fiscal year under review.
4. With the Company's shares held by the Board Benefit Trust (BBT) treated as treasury stock, the number of such

shares is deducted from the number of shares issued as of the end of the fiscal year in the calculation of net assets per share. Meanwhile, the number of treasury stock held by the Trust as of the end of the previous fiscal year was 512,000 shares and 496,000 shares as of the end of the fiscal year under review.

5. With the Company's shares held by the Board Benefit Trust (BBT) treated as treasury stock, the number of such shares is deducted from the average number of shares for the period in the calculation of net income per share. Meanwhile, the average number of shares held by the Trust during the previous fiscal year was 514,000 shares and 503,000 shares during the fiscal year under review.
6. The basis for calculating net income per share is as follows.

	FY2019 (March 1, 2019 to February 29, 2020)	FY2020 (March 1, 2020 to February 28, 2020)
Net income attributable to owners of parent (Million yen)	3,861	1,022
Amount not attributable to shareholders on common stock (Million yen)	―	―
Net income attributable to owners of parent on common stock (Million yen)	3,861	1,022
Average number of shares of common stock during the period (Shares)	90,560	90,306

Important Subsequent Events

Absorption-type merger between consolidated subsidiaries

At a meeting of the Board of Directors held on January 14, 2022, the Company resolved to conduct an absorption-type merger, with TSI Inc. as the surviving company and Ueno Shokai Co., Ltd., a consolidated subsidiary of the Company, as the absorbed company, and conducted the merger on March 1, 2022.

(1) Overview of the Transaction

i. Names and Businesses of the Combining Companies

Name of the Combining Company: TSI Co., Ltd.
Business: Apparel business
Names of the Combined Companies: Ueno Shokai Co., Ltd.
Business: Apparel business

ii. Date of Business Combination

March 1, 2022

iii. Legal Form of Business Combination

Absorption-type merger with TSI Co., Ltd. as the surviving company Ueno Shokai Co., Ltd. as the companies to be merged.

iv. Name of the Company after Business Combination

TSI Co., Ltd.

v. Other Matters Related to the Transaction

The merged company that proceeded with the commonization of internal systems such as information systems and human resources was subject to an absorption-type merger.

(2) Overview of the Accounting Treatment Applied

Pursuant to the "Accounting Standard for Business Combinations" (Accounting Standards Board of Japan (ASBJ) Statement No. 21 issued on January 16, 2019 and the "Guidance on Accounting Standard for Business Combination and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10 issued on January 16, 2019), the absorption-type merger was treated as an under common control transaction.