Summary of Consolidated Financial Results

for the First Quarter of Fiscal Year Ended February 28, 2023

[Japanese GAAP] (Consolidated)

July 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	
Contact:	Director, Corporate Dept. Mitsuru Naito TEL: +81-3-6748-0001	

Scheduled date of financial report:	July 15, 2022
Scheduled date to begin dividend payment:	—
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 first quarter of the Fiscal Year Ended February 28, 2023(March 1, 2022 to May 31, 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	%
First quarter of FY ended February 28,2023	38,122	11.4	1,603	(29.5)	2,212	(14.2)	2,063	(15.1)
First quarter of FY ended February 28,2022	34,215	57.8	2,273	—	2,578	—	2,431	—

(Notes) Comprehensive income: First quarter of Fiscal year ended February 28, 2023 ¥2,605 million(9.8%)
First quarter of Fiscal year ended February 29, 2022 ¥2,887 million—%

	Net income per share	**Diluted net income per share**
	Yen	Yen
First quarter of FY ended February 28,2023	23.04	—
First quarter of FY ended February 28,2022	26.94	—

(Note) The "Accounting Standard for Revenue Recognition" (Accounting Standards Board of Japan (ASBJ) Statement No. 29 issued on March 31, 2020) and other accounting standards have been applied from the beginning of the first quarter of the current consolidated fiscal year. The figures for the first quarter of the fiscal year ending February 28, 2023 are obtained after the application of the above accounting standards.

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio
	Million yen	Million yen	%
First quarter of FY ended February 28,2023	140,483	99,225	70.3
FY ended February 28,2022	140,440	97,736	69.2

(Reference) Shareholders' equity: First quarter of FY ended February 28,2023 ¥98,692 million
FY ended February 2022 ¥97,212 million

(Note) The "Accounting Standard for Revenue Recognition" (Accounting Standards Board of Japan (ASBJ) Statement No. 29 issued on March 31, 2020) and other accounting standards have been applied from the beginning of the first quarter of the current consolidated fiscal year. The figures for the first quarter of the fiscal year ending February 28, 2023 are obtained after the application of the above accounting standards.

2. Dividends

	Annual dividend				
	End of 1Q	End of 2Q	End of 3Q	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
FY ended February 2022	—	0.00	—	5.00	5.00
FY ended February 2023	—				
FY ended February 2023 (forecast)		0.00	—	7.00	7.00

(Note) Revisions during this quarter of dividends forecast for fiscal year: None

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

(Note) Revisions during this quarter of previously disclosed consolidated business results projection for FY 2023: None

＊Notes:

(1) Changes in significant subsidiaries during the period: None
Changes in specified subsidiaries resulting in a change in the scope of consolidation

(2) Application of particular accounts procedures to the preparation of quarterly consolidated financial statements: None

(3) Changes in accounting policies, accounting estimates, and restatements
a. Changes in accounting policies due to revisions of accounting standards: Yes
b. Changes in accounting policies other than above (a): None
c. Changes of accounting estimates: Yes
d. Restatements: None
(Note) For details, please refer to "2. Quarterly Consolidated Financial Statements and Major Notes, and (3) Notes to Quarterly Consolidated Financial Statements (changes in accounting policies)" on page 8 and "changes of accounting estimates" on page 9 of attached materials.

(4) Number of shares issued (common stock)

a. Number of shares issued at the end of period (treasury stock included)	Q1 of FY ended February 2023	95,783,293 shares	FY ended February 2022	95,783,293 shares
b. Number of treasury stock at the end of period	Q1 of FY ended February 2023	7,500,233 shares	FY ended February 2022	5,390,033 shares
c. Average number of shares over the period	Q1 of FY ended February 2023	89,574,530 shares	Q1 of FY ended February 2022	90,242,807 shares

*This business results report is not subject to auditing by certified public accountants or audit firms.

***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. Qualitative Information on results for this quarter of FY ended February 2023

(1) Overview of Business Results

During Q1 of the consolidated cumulative period (March 1, 2022 to May 31, 2022), while personal consumption in the apparel industry was expected to grow as a result of the progress of vaccination against COVID-19 and a gradual recovery in demand for going out, consumer confidence has not fully recovered, and the situation remains harsh.

In such a business environment, based on the new medium-term management plan called the "TSI Innovation Program 2025 (TIP25)" announced in April 2022, the Group will continue to respond to changes in the social environment and customer lifestyles associated with the progress of digital transformation (DX) and facilitate fundamental reforms to create original value to be offered. To create a form of fashion entertainment, we focus on investment in growth business areas, primarily e-commerce (EC) expansion, and shift from the phase that involves withdrawal from unprofitable stores to the phase that involves opening new large-scale stores and reopening stores in prime locations to improve our profit structure by developing attractive stores.

Furthermore, we implemented an absorption-type merger (with the subsidiary TSI Inc. as the surviving company and the subsidiary Ueno Shokai Co., Ltd. as the absorbed company) in March 2022 in the second step of our efforts to integrate the group companies into one company. Through the absorption-type merger, we have reduced the overlap of functions of the two companies and streamlined the organizational structure to lower the break-even point, strengthen the governance of the Group as a whole, and to steadily strengthen profitability while leveraging the individuality of the brands we have built to date.

In addition, the company has resolved and scheduled to relocate its head office in September 2022 to improve the efficiency of the entire business, including group companies.

The Group has continued to make thorough group-wide efforts to secure the in-store sales and strengthen sales through EC, as well as to control excess inventory and the cost of goods sold by strictly evaluating product purchases and reducing them to appropriate levels. However, sales remain harsh.

Consequently, the net sales were 38.122 billion yen (up 11.4% in the same quarter last year), the operating income was 1.603 billion yen (down 29.5% in the same quarter last year), and the ordinary income reached 2.212 billion yen (down 14.2% in the same quarter last year).

Furthermore, the quarterly profit attributable to owners of the Group's parent was 2.063 billion yen (down 15.1% in the same quarter last).

Net sales by reportable segment were as follows.

Apparel-Related Businesses

With regard to each of the subsidiaries that comprise our apparel-related business, we focus on strengthening profitability by investing in growth business areas, reforming real stores, and shifting to EC sales channels based on the TIP25.

As for the existing businesses, the golf brands "PEARLY GATES" and "new balance golf," the street brand "HUF," and the women's brands "NATURAL BEAUTY BASIC" and "human woman" have aimed to increase profitability by developing products that make the most of their special characteristics.

As for the EC business, by shifting to a strategy and operational structure that places the top priority on EC and digital, the Group promoted measures to strengthen the in-store and online coordination, and worked to increase the EC sales. Consequently, the net sales in apparel-related businesses increased by 10.9% in the same quarter last to 36,780 million yen.

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 declined 21.5% compared with the previous fiscal year, to 1,498million yen owing mainly to the continued impact of COVID-19.

(2) Overview of Financial Position

(Million yen)

	At the end of FY ended February 2022 (As of February 28, 2022)	At the end of 1Q FY ended February 2023 (As of May 31, 2022)	Increase/decrease
Total assets	140,440	140,483	43
Liabilities	42,704	41,257	(1,446)
Net assets	97,736	99,225	1,489
Shareholders' equity ratio	69.2%	70.3%	1.1%
Net assets per share	¥1,075.44	¥1,117.91	¥42.47

The total assets increased by 43 million yen due to increases in notes and accounts receivable–trade (up 2,618 million yen from the end of the previous fiscal year) and inventories (up 1,259 million yen from the end of the previous fiscal year), despite decreases in cash and deposits (down 1,599 million yen from the end of the previous fiscal year) and "other" under current assets (down 2,070 million yen from the end of the previous fiscal year).

Liabilities decreased by 1,446 million yen, mainly due to a decrease in the long-term borrowings (including current portion of long-term borrowings) (down 1,693 million yen from the end of the previous fiscal year).

The net assets increased by 1,489 million yen due to an increase in retained earnings (up 1,543 million yen from the end of the previous fiscal year) and valuation difference on available-for-sale securities (up 352 million yen from the end of the previous fiscal year), despite an increase in the treasury stock (up 600 million yen from the end of the previous fiscal year), a deduction item in net assets.

As a result, net asset per share increased by ¥42.47.

(3) Explanation of Consolidated Business Forecast and Other Forward-looking Statements

No adjustments were made concerning the business results projection for the year ending 28 February,2023 as reported in the "Forecast of Consolidated Business Results for the Fiscal Year Ending February 28, 2023" released on 13 April 2022.

2. Quarterly Consolidated Financial Statements and Major Notes

(1) Quarterly Consolidated Balance Sheets

(Million yen)

	Previous consolidated fiscal year (As of February 28, 2022)	1st Quarter consolidated accounting period of current fiscal year (As of May 31, 2022)
Assets		
Current assets		
Cash and deposits	39,258	37,658
Notes and accounts receivable–trade	10,378	12,997
Securities	969	1,158
Merchandise and finished goods	17,597	19,008
Work in process	494	332
Raw materials and supplies	634	645
Other	6,263	4,192
Allowance for doubtful accounts	△48	△58
Total current assets	75,547	75,935
Non-current assets		
Property, plant and equipment	6,544	6,476
Intangible asset		
Goodwill	2,044	2,073
Other	7,220	7,305
Total intangible assets	9,265	9,378
Investments and other assets		
Investment securities	28,397	27,994
Investment property	4,735	4,728
Other	16,053	16,073
Allowance for doubtful accounts	(102)	(102)
Total investments and other assets	49,083	48,693
Total non-current assets	64,893	64,548
Total assets	140,440	140,483
Liabilities		
Current liabilities		
Notes and accounts payable–trade	10,595	10,785
Short-term borrowings	114	108
Current portion of long-term borrowings	6,212	5,537
Income taxes payable	251	537
Provision for bonuses	1,327	1,743
Provision for point card certificates	453	-
Provision for shareholder benefit program	139	91
Provision for sales returns	310	-
Provision for relocation	87	87
Asset retirement obligations	650	526
Other	8,230	8,379
Total current liabilities	28,375	27,798
Non-current liabilities		
Long-term borrowings	9,803	8,784
Provision for retirement benefits for directors	37	37
Retirement benefit liability	979	989
Asset retirement obligations	2,010	2,219
Other	1,498	1,428
Total non-current liabilities	14,329	13,459
Total liabilities	42,704	41,257

(Million yen)

	Previous consolidated fiscal year (As of February 28, 2022)	1st Quarter consolidated accounting period of current fiscal year (As of May 31, 2022)
Net assets		
Shareholders' equity		
Share capital	15,000	15,000
Capital surplus	29,255	29,255
Retained earnings	53,236	54,780
Treasury stock	(3,668)	(4,269)
Total shareholders' equity	93,822	94,765
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	3,058	3,410
Foreign currency translation adjustment	457	604
Remeasurements of defined benefit plans	(126)	(88)
Total accumulated other comprehensive income	3,389	3,926
Non-controlling interests	523	533
Total net assets	97,736	99,225
Total liabilities and net assets	140,440	140,483

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

Quarterly consolidated statements of income

Consolidated cumulative first quarter

(Million yen)

	Consolidated cumulative first quarter of previous fiscal year (March 1,2021 to May 31, 2021)	Consolidated cumulative first quarter of current fiscal year (March 1,2022 to May 31, 2022)
Net sales	34,215	38,122
Cost of sales	15,069	15,774
Gross profit	19,145	22,348
Selling, general and administrative expenses	16,872	20,744
Operating income	2,273	1,603
Non-operating income		
Interest income	0	4
Dividend income	128	120
Real estate income	47	91
Foreign exchange income	151	270
Gain on sale of investment securities	-	17
Other	130	173
Total non-operating income	457	678
Non-operating expenses		
Interest expenses	31	19
Loss on valuation of investment securities	4	-
Rental expenses on real estate	63	21
Other	51	28
Total non-operating expenses	151	69
Ordinary income	2,578	2,212
Extraordinary income		
Gain on sales of non-current assets	4	3
Gain on sale of investment securities	338	101
Other	171	65
Total extraordinary income	514	170
Extraordinary losses		
Loss on retirement of non-current assets	6	0
Gain on sale of investment securities	-	135
Impairment loss	2	20
Loss due to temporary closing	574	-
Other	14	7
Total extraordinary losses	597	164
Income before income taxes	2,495	2,219
Income taxes—current	273	603
Income taxes—deferred	(203)	(420)
Total income taxes	69	183
Net income	2,426	2,035
Net loss attributable to non-controlling interest	(4)	(28)
Net income attributable to owners of parent	2,431	2,063

Quarterly Consolidated statements of comprehensive income

Consolidated cumulative first quarter

(Million yen)

	Consolidated cumulative first quarter of previous fiscal year (March 1,2021 to May 31, 2021)	Consolidated cumulative first quarter of current fiscal year (March 1,2022 to May 31, 2022)
Net income	2,426	2,035
Other comprehensive income		
Valuation difference on available-for-sale securities	(22)	352
Foreign currency translation adjustment	451	206
Remeasurements of defined benefit plans	21	37
Share of other comprehensive income of affiliates accounted for using equity method	10	(27)
Total other comprehensive income	460	569
Comprehensive income	2,887	2,605
Total comprehensive income attributable to:		
Owners of parent	2,860	2,600
Non-controlling interests	26	4

(3) Notes to Quarterly Consolidated Financial Statements

Going Concern Assumption

Not applicable

Notes on Significant Changes in Shareholders' Equity

Not applicable

Change in an Accounting policy

Application of the Accounting Standard for Revenue Recognition

The Company and its subsidiaries have adopted the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29 issued on March 31, 2020, hereinafter referred to as the "Accounting Standard for Revenue Recognition") from the beginning of the first quarter of the current consolidated fiscal year, and recognized revenue at the amount expected to be received in exchange for the promised goods or services when the control of the goods or services is transferred to the customer.

The principal changes resulting from the application of the Accounting Standard for Revenue Recognition are as follows.

Revenue recognition related to own points

Under the point system operated by certain consolidated subsidiaries, the company previously recorded the amount of expenses expected to arise from the future use of points as a provision for point card certificates and recorded the amount of the provision as selling, general, and administrative expenses. However, it has changed this method to identify the points granted as a performance obligation and deduct the amount of the provision from net sales. As a result, the provision for point card certificates, which was presented as a current liability in the consolidated balance sheet of the previous fiscal year, is now included in "other" under current liabilities as a contract liability from the first quarter of the current consolidated fiscal year.

Revenue recognition related to principal transactions

In the past, the company recognized revenue in the net amount of consideration received from customers less the amount equivalent to commissions paid to department stores, among others in buying sales transactions with department stores and other business partners. However, it has now changed the method to recognize revenue in the gross amount.

Revenue recognition related to sales with right of return

In sales with the right of return related to certain consolidated subsidiaries, the company previously recognized the expected loss from future sales returns as a provision for sales returns and recorded the provision for such loss as the cost of sales. This method was, however, changed to not recognize revenue and cost of sales at the time of sale in accordance with the provisions regarding variable consideration for goods and products expected to be returned. As a result, the provision for sales returns, which was presented as a current liability in the consolidated balance sheets of the previous fiscal year, is now included in "other" under "current liabilities" as a refund liability for the consideration for goods and products from the first quarter of the current consolidated fiscal year, and assets recognized as the right to collect goods and products from customers upon settlement of refund liabilities are included in "other" under "current assets" as returned assets.

In accordance with the transitional treatment stipulated in the proviso of Paragraph 84 of the Accounting Standard for Revenue Recognition, the cumulative effect of the retrospective application of the new accounting policy prior to the beginning of the first quarter of the current consolidated fiscal year is added to or deducted from retained earnings at the beginning of the first quarter of the current consolidated fiscal year, and the new accounting policy is applied from the balance at the beginning of period. However, the new accounting policy was not applied retrospectively to contracts for which almost all revenue amounts were recognized based on the previous treatment prior to the beginning of the first quarter of the current consolidated fiscal year, in accordance with the method prescribed in Paragraph 86 of the Accounting Standard for Revenue Recognition.

As a consequence, net sales increased by 1,917 million yen; cost of sales decreased by 110 million yen; selling, general, and administrative expenses increased by 2,066 million yen; and operating income, ordinary income, and income before income taxes each decreased by 37 million yen during the first quarter of the current consolidated fiscal year. The balance of the retained earnings at the beginning of the period decreased by 288 million yen.

In accordance with the transitional treatment prescribed in Paragraph 89-2 of the Accounting Standard for Revenue Recognition, no reclassification was made for the previous consolidated fiscal year using the new presentation method. Furthermore, in accordance with the transitional treatment stipulated in Paragraph 28-15 of the "Accounting Standard for Quarterly Financial Reporting" (ASBJ Statement No. 12, March 31, 2020), information on disaggregating revenue from contracts with customers for the first quarter of the previous consolidated fiscal year is not presented.

Application of Accounting Standard for Fair Value Measurement

The Company has decided to apply the "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, July 4, 2019) ("Accounting Standard for Fair Value Measurement") and other accounting standards from the beginning of the first quarter of the current consolidated fiscal year. The new accounting policy stipulated by the Accounting Standard for Fair Value Measurement is to be applied prospectively in accordance with the transitional treatment stipulated in Paragraph 19 of the Accounting Standard for Fair Value Measurement and Paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019). For bonds and other debentures, which were previously regarded as financial instruments whose fair value was extremely difficult to determine, the acquisition cost was used as the fair value in quarterly consolidated balance sheet amount. As a result of applying the standard, even if observable inputs were not available, the fair value calculated using unobservable inputs based on the best available information was used in the quarterly consolidated balance sheet amount.

The effect of this change on consolidated financial statements for the first quarter is immaterial.

Change of accounting estimate

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 second quarter of previous 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 ¥414 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 as of the end of the previous fiscal year under review were ¥255 million for 545,000 shares. And that as of the end of this fiscal year under review were ¥235 million for 503,000 shares.

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

As of February 28, 2022: ¥311 million and as of May 31, 2022: ¥311 million,

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 ¥279 million for 496,000 shares as of the end of the previous fiscal year and ¥279 million for 496,000 shares as of the end of this fiscal year under review.

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.)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.

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, TSI Holdings 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.
The Board of Directors, at its meeting held on January 14, 2022, partially changed the companies to be merged in an absorption-type merger with an expected completion date of March 1, 2022.

Absorption-type merger between consolidated subsidiaries on March 1, 2022

Transactions under common control, etc.

Group reorganization (absorption-type merger of consolidated subsidiaries as of March 1, 2022).

(1) Overview of Transactions

i. Names and Businesses of the Combining Companies

Name of the Combining Company	TSI Inc.
Business	Apparel business
Name of the Combined Company	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 Inc. as the surviving company, and Ueno Shokai Co., Ltd. as the company to be merged

iv. Name of the Company after Business Combination

TSI Inc.

v. Other Matters Related to the Transaction

After promoting the sharing of the same internal information systems, human resources, and others, the company to be merged was subject to an absorption-type merger.

(2) Overview of the Accounting Treatment Applied

Pursuant to the "Accounting Standard for Business Combinations" (ASBJ Statement No. 21 issued on January 16, 2019) and the "Implementation 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 a transaction under common control.

The company has partially changed the companies to be merged because Jack Clothing Co., Ltd., Arpege Co., Ltd., Star Joinus Co., Ltd., and And Wander Co., Ltd., which were scheduled to be merged with TSI Inc. on March 1, 2022, were not merged because of the delay in infrastructure development and commonization.

Segments of the Company and Related Information

1. Consolidated cumulative first quarter of previous fiscal year (March 1,2021 to May 31, 2021)

(1) Net sales, income or losses, assets and other items by reportable segments (Unit: Million yen)

	Reportable segment	Other (Note 1)	Total	Adjustments (Note 2)	Consolidated financial statements amount (Note 3)
	Apparel-related businesses				
Net sales					
Sales to third parties	33,129	1,072	34,201	13	34,215
Inter-segment sales or transfers	26	161	187	(187)	—
Total	33,155	1,233	34,389	(174)	34,215
Segment income (loss)	2,523	(22)	2,500	(227)	2,273

Notes:

1. Other, which doesn't belong to respective reportable segments, includes synthetic resin-related, store design and management and so on.
2. Segment income (loss) adjustment of (227) million yen is transaction offsets among consolidated companies.
3. Segment income (loss) is adjusted to operating income listed in the consolidated financial statements.

(2) Goodwill or impairment loss in non-current assets by reportable segments

Important impairment loss in non-current assets

None

A significant change in the amount of goodwill

None

A significant gain from negative goodwill

None

1. Consolidated cumulative first quarter of current fiscal year (March 1,2022 to May 31, 2022)

(1)Net sales, income or losses, assets and other items by reportable segments (Unit: Million yen)

	Reportable segment	Other (Note 1)	Total	Adjustments (Note 2)	Consolidated financial statements amount (Note 3)
	Apparel-related businesses				
Net sales					
Sales to third parties	36,754	1,356	38,110	11	38,122
Inter-segment sales or transfers	26	142	168	(168)	—
Total	36,780	1,498	38,278	(156)	38,122
Segment income (loss)	1,915	60	1,976	(372)	1,603

Notes:

1. Other, which doesn't belong to respective reportable segments, includes synthetic resin-related, store design and management and so on.
2. Segment income (loss) adjustment of (372) million yen is transaction offsets among consolidated companies.
3. Segment income (loss) is adjusted to operating income listed in the consolidated financial statements.

(2) Matters concerning changes in reportable segments, etc.

As described in "changes in accounting policies," the Company has applied the Accounting Standard for Revenue Recognition and other accounting standards from the beginning of the first quarter of the current consolidated fiscal year, and has changed its accounting method for revenue recognition, and therefore, the method of calculation of profit or loss by business segment in the same manner.

As a result of this change, compared with the previous method, the net sales and segment wise income in the "apparel-related businesses" increased by 1,917 million yen and decreased by 37 million yen, respectively, in the first quarter of the current consolidated fiscal year. The impact on "other" is insignificant.

(3) Goodwill or impairment loss in non-current assets by reportable segments

Important impairment loss in non-current assets

None

A significant change in the amount of goodwill

None

A significant gain from negative goodwill

None