

Summary of Consolidated Financial Results
for the Second Quarter of Fiscal Year Ended February 28, 2023
[Japanese GAAP] (Consolidated)

October 12, 2022

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Scheduled date of financial report: October 12, 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 Second quarter of the Fiscal Year Ended February 28, 2023(March 1, 2022 to August 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	%
Second quarter of FY ended February 28,2023	72,087	11.3	588	(48.1)	1,892	(5.5)	2,249	(19.0)
Second quarter of FY ended February 28,2022	64,751	15.1	1,134	—	2,002	—	1,890	—

(Notes) Comprehensive income: Second quarter of Fiscal year ended February 28, 2023 ¥3,578 million 110.7%
Second quarter of Fiscal year ended February 29, 2022 ¥1,698 million—%

	Net income per share	Diluted net income per share
	Yen	Yen
Second quarter of FY ended February 28,2023	25.41	—
Second quarter of FY ended February 28,2022	20.94	—

(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 second 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	%
Second quarter of FY ended February 28,2023	138,095	99,138	71.5
FY ended February 28,2022	140,440	97,736	69.2

(Reference) Shareholders' equity: Second quarter of FY ended February 28,2023 ¥98,710 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 Second 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	—	0.00			
FY ended February 2023 (forecast)			—	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
Full fiscal year	154,000	9.7	1,800	(59.5)	3,300	(43.4)	2,400	134.7	27.63

(Note) Revisions during this quarter of previously disclosed consolidated business results projection for FY 2023: Yes

* 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: None

d. Restatements: None

(Note) For details, please refer to "2. Quarterly Consolidated Financial Statements and Major Notes, and (4) Notes to Quarterly Consolidated Financial Statements (changes in accounting policies)" on page 10 of attached materials.

(4) Number of shares issued (common stock)

a. Number of shares issued at the end of period (treasury stock included)	Q2 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	Q2 of FY ended February 2023	8,934,523 shares	FY ended February 2022	5,390,033 shares
c. Average number of shares over the period	Q2 of FY ended February 2023	88,545,700 shares	Q2 of FY ended February 2022	90,266,135 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.

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

(1) Overview of Business Results

During Q2 of consolidated cumulative period (March 1, 2022–August 31, 2022), in the apparel industry, while the COVID-19 has showed signs of subsiding and the easing of behavioral restrictions is expected to lead to a gradual recovery in demand for outings and growth in personal consumption, the outlook remains uncertain due to the impact of the global surge in resource prices in the Russian and Ukrainian situation.

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, through the relocation of the head office on September 20, 2022 and the associated consolidation of offices for each business, we aim to improve the efficiency of the entire business, including group companies.

The Group has been working to secure over-the-counter sales and strengthen sales through e-commerce, as well as to curb excess inventory and cost of goods sold by strictly monitoring product purchases and reducing them to appropriate levels. However, the situation remained harsh, as the company was unable to drastically curb SG&A expenses.

Consequently, the net sales were 72,087 million yen (up 11.3% in the same quarter last year), the operating income was 588 million yen (down 48.5% in the same quarter last year), and the ordinary income reached 1,892 million yen (down 5.5% in the same quarter last year).

Furthermore, the quarterly profit attributable to owners of the Group's parent was 2,249 million yen (up 19.0% 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" and "PING," the street brand "HUF," and the women's brands "human woman" and "CADUNÉ" have aimed to increase profitability by developing products that make the most of their special characteristics. Consequently, the net sales in apparel-related businesses increased by 12.9% in the same quarter last to 69,510 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 Caffè JAPAN Co., Ltd., which operates in Japan a popular organic café in the U.S., California. Net sales in this segment increased 19.1% compared with the

previous fiscal year, to 2,905million 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 Q2 FY ended February 2023 (As of August 31, 2022)	Increase/decrease
Total assets	140,440	138,095	(2,344)
Liabilities	42,704	38,957	(3,747)
Net assets	97,736	99,138	1,402
Shareholders' equity ratio	69.2%	71.5%	2.3%
Net assets per share	¥1,075.44	¥1,136.58	¥61.14

Assets decreased by ¥2,344 million, mainly due to a decrease in cash and deposits (down ¥2,188 million from the end of the previous fiscal year), a decrease in "other" in current assets (down ¥1,585 million from the end of the previous fiscal year), and a decrease in "other" in investments and other assets (down ¥832 million from the end of the previous fiscal year), despite an increase in inventories (up ¥3,054 million from the end of the previous fiscal year), etc.

Liabilities decreased by 3,747 million yen, mainly due to a decrease in the long-term borrowings (including current portion of long-term borrowings) (down 3,439 million yen from the end of the previous fiscal year).

Net assets increased by ¥1,402 million due to increases in retained earnings (up ¥1,728 million from the end of the previous fiscal year) and foreign currency translation adjustments (up ¥805 million from the end of the previous fiscal year), despite an increase in treasury stock (up ¥1,090 million from the end of the previous fiscal year), which is a deduction item in net assets.

As a result, net asset per share increased by ¥61.14.

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

We adjusted the business results projection for the year ending February 28, 2023, which was released on April 13, 2022. For details, please refer to the "Difference between 1st Half Forecast and Actual Results/Notice Concerning Revisions to Full-Year Financial Results Forecasts "that was released today (October 12, 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)	Quarter consolidated accounting period of current fiscal year (As of August 31, 2022)
Assets		
Current assets		
Cash and deposits	39,258	37,069
Notes and accounts receivable–trade	10,378	11,200
Securities	969	-
Merchandise and finished goods	17,597	20,378
Work in process	494	761
Raw materials and supplies	634	641
Other	6,263	4,678
Allowance for doubtful accounts	(48)	(68)
Total current assets	75,547	74,661
Non-current assets		
Property, plant and equipment	6,544	6,296
Intangible asset		
Goodwill	2,044	2,194
Other	7,220	7,418
Total intangible assets	9,265	9,612
Investments and other assets		
Investment securities	28,397	27,684
Investment property	4,735	4,722
Other	16,053	15,220
Allowance for doubtful accounts	(102)	(102)
Total investments and other assets	49,083	47,524
Total non-current assets	64,893	63,434
Total assets	140,440	138,095
Liabilities		
Current liabilities		
Notes and accounts payable–trade	10,595	11,029
Short-term borrowings	114	121
Current portion of long-term borrowings	6,212	5,262
Income taxes payable	251	571
Provision for bonuses	1,327	1,005
Provision for point card certificates	453	-
Provision for shareholder benefit program	139	133
Provision for sales returns	310	-
Provision for relocation	87	87
Asset retirement obligations	650	671
Other	8,230	7,600
Total current liabilities	28,375	26,481
Non-current liabilities		
Long-term borrowings	9,803	7,313
Provision for retirement benefits for directors	37	37
Retirement benefit liability	979	1,003
Asset retirement obligations	2,010	1,994
Other	1,498	2,124
Total non-current liabilities	14,329	12,475
Total liabilities	42,704	38,957

(Million yen)

	Previous consolidated fiscal year (As of February 28, 2022)	Quarter consolidated accounting period of current fiscal year (As of August 31, 2022)
Net assets		
Shareholders' equity		
Share capital	15,000	15,000
Capital surplus	29,255	28,824
Retained earnings	53,236	54,965
Treasury stock	(3,668)	(4,759)
Total shareholders' equity	93,822	94,030
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	3,058	3,501
Foreign currency translation adjustment	457	1,262
Remeasurements of defined benefit plans	(126)	(83)
Total accumulated other comprehensive income	3,389	4,680
Non-controlling interests	523	428
Total net assets	97,736	99,138
Total liabilities and net assets	140,440	138,095

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

Quarterly consolidated statements of income

Consolidated cumulative Second quarter

(Million yen)

	Consolidated cumulative Second quarter of previous fiscal year (March 1,2021 to August 31, 2021)	Consolidated cumulative Second quarter of current fiscal year (March 1,2022 to August 31, 2022)
Net sales	64,751	72,087
Cost of sales	29,456	31,352
Gross profit	35,294	40,735
Selling, general and administrative expenses	34,160	40,146
Operating income	1,134	588
Non-operating income		
Interest income	19	13
Dividend income	410	356
Real estate income	131	178
Foreign exchange income	133	519
Other	433	363
Total non-operating income	1,127	1,431
Non-operating expenses		
Interest expenses	68	37
Loss on valuation of investment securities	0	-
Rental expenses on real estate	96	22
Other	93	67
Total non-operating expenses	258	127
Ordinary income	2,002	1,892
Extraordinary income		
Gain on sales of non-current assets	384	4
Gain on sale of investment securities	809	778
Subsidies for employment adjustment	12	-
Other	237	91
Total extraordinary income	1,443	873
Extraordinary losses		
Loss on retirement of non-current assets	19	6
Impairment loss	25	104
Gain on sale of investment securities	-	134
Loss due to temporary closing	1,000	-
Other	22	3
Total extraordinary losses	1,067	248
Income before income taxes	2,378	2,517
Income taxes—current	262	672
Income taxes—deferred	247	(360)
Total income taxes	510	311
Net income	1,867	2,206
Net loss attributable to non-controlling interest	(22)	(43)
Net income attributable to owners of parent	1,890	2,249

Quarterly Consolidated statements of comprehensive income
Consolidated cumulative Second quarter

	(Million yen)	
	Consolidated cumulative Second quarter of previous fiscal year (March 1,2021 to August 31, 2021)	Consolidated cumulative Second quarter of current fiscal year (March 1,2022 to August 31, 2022)
Net income	1,867	2,206
Other comprehensive income		
Valuation difference on available-for-sale securities	(620)	442
Foreign currency translation adjustment	422	913
Remeasurements of defined benefit plans	17	43
Share of other comprehensive income of affiliates accounted for using equity method	11	(27)
Total other comprehensive income	(169)	1,371
Comprehensive income	1,698	3,578
Total comprehensive income attributable to:		
Owners of parent	1,689	3,540
Non-controlling interests	9	37

(3) Quarterly Consolidated Statement of Cash Flows

(Million yen)

	Consolidated cumulative Second quarter of previous fiscal year (March 1,2021 to August 31, 2021)	Consolidated cumulative Second quarter of current fiscal year (March 1,2022 to August 31, 2022)
Cash flows from operating activities		
Income before income taxes	2,378	2,517
Depreciation	1,571	2,054
Amortization of goodwill	389	217
Increase (decrease) in allowance for doubtful accounts	27	16
Increase (decrease) in retirement benefit liability	9	37
Increase (decrease) in provision for retirement benefits for directors	(4)	-
Increase (decrease) in provision for bonuses	(170)	(321)
Increase (decrease) in provision for sales returns	(49)	(310)
Increase (decrease) in provision for point card certificates	31	(455)
Increase (decrease) in provision for shareholder benefit program	4	(6)
Interest and dividend income	(429)	(369)
Interest expenses	68	37
Loss (gain) on sales of non-current assets	(384)	(4)
Loss on retirement of non-current assets	19	6
Impairment loss	25	104
Loss due to temporary closing	1,000	-
Loss (gain) on sales of investment securities	(809)	(778)
Subsidies for employment adjustment	(12)	-
Decrease (increase) in accounts receivables–trade	1,089	(652)
Decrease (increase) in inventories	(957)	(2,717)
Increase (decrease) in accounts payables–trade	(1,299)	339
Increase (decrease) in accrued consumption taxes	(1,157)	(1,226)
Other	(710)	1,209
Subtotal	631	(298)
Interest and dividends received	429	369
Interest paid	(68)	(37)
Income taxes paid	(2,268)	(345)
Income taxes refund	85	1,200
Payment for loss due to temporary closing	(937)	-
Payment for voluntary retirement-related expenses	(947)	-
Net cash provided by (used in) operating activities	(3,075)	888

(Million yen)

	Consolidated cumulative Second quarter of previous fiscal year (March 1,2021 to August 31, 2021)	Consolidated cumulative Second quarter of current fiscal year (March 1,2022 to August 31, 2022)
Cash flows from investing activities		
Net decrease (increase) in time deposits	(611)	16
Proceeds from sales of securities	-	995
Purchase of property, plant and equipment	(620)	(1,097)
Proceeds from sales of property, plant and equipment	5	22
Purchase of investment securities	(5,257)	(2,359)
Proceeds from sales of investment securities	3,479	4,455
Purchase of intangible assets	(378)	(661)
Proceeds from sales of intangible assets	380	-
Payments of leasehold and guarantee deposits	(117)	(163)
Proceeds from collection of leasehold and guarantee deposits	623	282
Acquisition of long-term prepaid expenses	(38)	(37)
Payments for sales of shares of subsidiaries resulting in change in scope of consolidation	(91)	-
Proceeds of shares of subsidiaries resulting in change in scope of consolidation	25	-
Proceeds of shares of business transfer	20	-
Other	(75)	290
Net cash provided by (used in) investing activities	(2,658)	1,743
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	41	(7)
Repayments of long-term borrowings	(4,518)	(3,439)
Purchase of treasury shares	(0)	(1,131)
Proceeds from sales of treasury shares	43	41
Dividends paid	-	(457)
Payments for sales of shares of subsidiaries without change in scope of consolidation	-	(569)
Other	(9)	(6)
Net cash provided by (used in) financing activities	(4,443)	(5,570)
Effect of exchange rate change on cash and cash equivalents	134	572
Net increase (decrease) in cash and cash equivalents	(10,042)	(2,366)
Cash and cash equivalents at beginning of period	49,761	38,503
Increase in cash and cash equivalents due to new consolidation	-	113
Cash and cash equivalents at end of period	39,718	36,250

(4) 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 3,854 million yen; cost of sales decreased by 272 million yen; selling, general, and administrative expenses increased by 3,727 million yen; and operating income, ordinary income, and income before income taxes each decreased by 145 million yen during the Second 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 Second 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 Second quarter is immaterial.

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 ¥214 million for 458,000 shares.

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

As of February 28, 2022: ¥311 million and as of August 31, 2022: ¥282 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 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 second quarter of previous fiscal year (March 1, 2021 to August 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	62,557	2,134	64,691	59	64,751
Inter-segment sales or transfers	50	293	344	(344)	—
Total	62,607	2,428	65,036	(285)	64,751
Segment income (loss)	1,022	(10)	1,011	122	1,134

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 (122) 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 second quarter of current fiscal year (March 1, 2022 to August 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	69,449	2,590	72,040	47	72,087
Inter-segment sales or transfers	60	314	375	(375)	—
Total	69,510	2,905	72,415	(327)	72,087
Segment income (loss)	1,417	65	1,483	(894)	588

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 (894) million yen is due to company-wide expenses of 1,971 million yen not attributable to any business segment and elimination of internal transactions among consolidated companies of 1,241 million yen.
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 3,854 million yen and decreased by 145 million yen, respectively, in the second 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

(Significant impairment losses on non-current assets)

In the "apparel-related business" segment, the book values of stores that have decided to close, stores with continuously negative operating income or loss, and stores related to brands that have decided to close were reduced to their recoverable amounts, and the amount of reduction was recorded as impairment loss under extraordinary losses.

The amount of such impairment loss was 104 million yen for the six-month period from March 1, 2022 to August 31, 2022.

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

A significant change in the amount of goodwill

None

A significant gain from negative goodwill

None