Summary of Consolidated Financial Results

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

[Japanese GAAP] (Consolidated)

January 13, 2023

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, General Manager of Corporate Dept. Mitsuru Naito TEL: +81-3-5785-6400	

Scheduled date of financial report:	January 16, 2023
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 Third quarter of the Fiscal Year Ended February 28, 2023(March 1, 2022 to November 30, 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	%
Third quarter of FY ended February 28,2023	115,406	11.1	3,726	(28.1)	5,061	(18.9)	4,621	(15.4)
Third quarter of FY ended February 28,2022	103,915	6.9	5,180	—	6,239	—	5,465	—

(Notes) Comprehensive income: Third quarter of Fiscal year ended February 28, 2023 ¥6,518 million 26.5%
Third quarter of Fiscal year ended February 29, 2022 ¥5,153 million—%

	Net income per share	**Diluted net income per share**
	Yen	Yen
Third quarter of FY ended February 28,2023	52.69	—
Third quarter of FY ended February 28,2022	60.54	—

(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 Third 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	%
Third quarter of FY ended February 28,2023	145,961	101,724	69.4
FY ended February 28,2022	140,440	97,736	69.2

(Reference) Shareholders' equity: Third quarter of FY ended February 28,2023 ¥101,278 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 Third 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: 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: 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 8 of attached materials.

(4) Number of shares issued (common stock)

a. Number of shares issued at the end of period (treasury stock included)	Q3 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	Q3 of FY ended February 2023	10,409,948 shares	FY ended February 2022	5,390,033 shares
c. Average number of shares over the period	Q3 of FY ended February 2023	87,716,937 shares	Q3 of FY ended February 2022	90,287,389 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 Q3 of the consolidated cumulative period (March 1, 2022–November 30, 2022), in the apparel industry, consumer spending was expected to grow as demand for going out gradually recovered due to the easing of behavioral restrictions in the COVID-19 pandemic. However, the outlook remains uncertain due to the effects of the sharp rise in global resource prices and the rapid depreciation of the yen, caused by the situation in Russia and Ukraine, as well as a renewed increase in the number of the COVID-19 infections.

Under such a business environment, based on the new medium-term management plan "TSI Innovation Program 2025 (TIP25)" announced in April 2022, our group has been striving to promote fundamental reforms to respond to changes in the social environment and customer lifestyles associated with the progress of digital transformation (DX) and to create our own original value offerings. 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.

Our group is working to secure the in-store sales of our group companies and strengthen sales through EC, and is also making thorough efforts to curb excess inventory and control costs by strictly monitoring product purchases and holding them to appropriate standards. Despite that, the situation remains harsh, partly due to the reaction to the emergency SG&A cost containment measures implemented in the same quarter of the previous year in response to the spread of the COVID-19 infection.

Consequently, the net sales were 115,406 million yen (up 11.1% in the same quarter last year), the operating income was 3,726 million yen (down 28.1% in the same quarter last year), and the ordinary income reached 5,061 million yen (down 18.9% in the same quarter last year).

Furthermore, the quarterly profit attributable to owners of the Group's parent was 4,621 million yen (down 15.4% 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.

The Group worked diligently to strengthen its profitability by rolling out products that take full advantage of special features in its existing businesses including street brand “HUF,” women's brand “LE PHIL,” “AVIREX” with a focus on military fashion, and “and wander” with a focus on outdoor fashion. Consequently, the net sales in apparel-related businesses increased by 11.3% in the same quarter last to 111,560 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 California, the U.S. Net sales were 4,380 million yen (up 14.3% in the same quarter last year).

(2) Overview of Financial Position

(Million yen)

	At the end of FY ended February 2022 (As of February 28, 2022)	At the end of Q3 FY ended February 2023 (As of November 30, 2022)	Increase/decrease
Total assets	140,440	145,961	5,520
Liabilities	42,704	44,236	1,532
Net assets	97,736	101,724	3,988
Shareholders' equity ratio	69.2%	69.4%	0.2%
Net assets per share	¥1,075.44	¥1,186.30	¥110.86

Assets increased by ¥5,520 million due to increases in notes and accounts receivable (up ¥5,558 million from the end of the previous period) and inventories (up ¥9,555 million from the end of the previous period), despite decreases in cash and deposits (down ¥7,119 million from the end of the previous period) and in "Other" current assets (down ¥1,761 million from the end of the previous period).

Liabilities increased by ¥1,532 million due to an increase in notes and accounts payable (up ¥4,767 million from the end of the previous period) and an increase in "Other" long-term liabilities (up ¥781 million from the end of the previous period), despite a decrease in long-term loans payable (including current portion of long-term loans payable) (down ¥4,549 million from the end of the previous period).

Net assets increased by ¥3,988 million due to increases in retained earnings (up ¥4,374 million from the end of the previous fiscal year) and foreign currency translation adjustments (up ¥925 million from the end of the previous fiscal year), despite an increase in treasury stock (up ¥1,719 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 ¥110.86.

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

There is no change in the business results projection for the fiscal year ending February 28, 2023 from the "Notice of Difference between Business Results Projections and Actual Results for the Second Quarter (Cumulative) and Revision (Upward Revision) of Consolidated Earnings Forecast for the Full Year" released on 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 November 30, 2022)
Assets		
Current assets		
Cash and deposits	39,258	32,139
Notes and accounts receivable–trade	10,378	15,936
Securities	969	-
Merchandise and finished goods	17,597	27,162
Work in process	494	515
Raw materials and supplies	634	603
Other	6,263	4,501
Allowance for doubtful accounts	(48)	(53)
Total current assets	75,547	80,805
Non-current assets		
Property, plant and equipment	6,544	7,123
Intangible asset		
Goodwill	2,044	2,205
Other	7,220	7,462
Total intangible assets	9,265	9,668
Investments and other assets		
Investment securities	28,397	28,122
Investment property	4,735	4,713
Other	16,053	15,630
Allowance for doubtful accounts	(102)	(102)
Total investments and other assets	49,083	48,364
Total non-current assets	64,893	65,155
Total assets	140,440	145,961
Liabilities		
Current liabilities		
Notes and accounts payable–trade	10,595	15,362
Short-term borrowings	114	17
Current portion of long-term borrowings	6,212	4,987
Income taxes payable	251	823
Provision for bonuses	1,327	1,719
Provision for point card certificates	453	-
Provision for shareholder benefit program	139	83
Provision for sales returns	310	-
Provision for relocation	87	-
Asset retirement obligations	650	356
Other	8,230	8,709
Total current liabilities	28,375	32,059
Non-current liabilities		
Long-term borrowings	9,803	6,478
Provision for retirement benefits for directors	37	37
Retirement benefit liability	979	1,004
Asset retirement obligations	2,010	2,376
Other	1,498	2,279
Total non-current liabilities	14,329	12,177
Total liabilities	42,704	44,236

(Million yen)

	Previous consolidated fiscal year (As of February 28, 2022)	Quarter consolidated accounting period of current fiscal year (As of November 30, 2022)
Net assets		
Shareholders' equity		
Share capital	15,000	15,000
Capital surplus	29,255	28,824
Retained earnings	53,236	57,610
Treasury stock	(3,668)	(5,388)
Total shareholders' equity	93,822	96,046
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	3,058	3,929
Foreign currency translation adjustment	457	1,383
Remeasurements of defined benefit plans	(126)	(80)
Total accumulated other comprehensive income	3,389	5,231
Non-controlling interests	523	445
Total net assets	97,736	101,724
Total liabilities and net assets	140,440	145,961

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

Quarterly consolidated statements of income

Consolidated cumulative Third quarter

(Million yen)

	Consolidated cumulative Third quarter of previous fiscal year (March 1,2021 to November 30, 2021)	Consolidated cumulative Third quarter of current fiscal year (March 1,2022 to November 30, 2022)
Net sales	103,915	115,406
Cost of sales	45,924	50,040
Gross profit	57,991	65,366
Selling, general and administrative expenses	52,810	61,639
Operating income	5,180	3,726
Non-operating income		
Interest income	24	19
Dividend income	553	460
Real estate income	216	267
Foreign exchange income	233	493
Other	452	283
Total non-operating income	1,481	1,524
Non-operating expenses		
Interest expenses	86	55
Loss on valuation of investment securities	14	-
Rental expenses on real estate	114	41
Other	206	93
Total non-operating expenses	421	189
Ordinary income	6,239	5,061
Extraordinary income		
Gain on sales of non-current assets	391	4
Gain on sale of investment securities	809	839
Subsidies for employment adjustment	33	-
Other	329	129
Total extraordinary income	1,563	972
Extraordinary losses		
Loss on retirement of non-current assets	81	25
Impairment loss	223	330
Gain on sale of investment securities	-	159
Loss due to temporary closing	1,193	-
Other	36	166
Total extraordinary losses	1,535	682
Income before income taxes	6,268	5,352
Income taxes—current	646	1,201
Income taxes—deferred	181	(415)
Total income taxes	827	785
Net income	5,441	4,567
Net loss attributable to non-controlling interest	(24)	(54)
Net income attributable to owners of parent	5,465	4,621

Quarterly Consolidated statements of comprehensive income

Consolidated cumulative Third quarter

(Million yen)

	Consolidated cumulative Third quarter of previous fiscal year (March 1,2021 to November 30, 2021)	Consolidated cumulative Third quarter of current fiscal year (March 1,2022 to November 30, 2022)
Net income	5,441	4,567
Other comprehensive income		
Valuation difference on available-for-sale securities	(790)	870
Foreign currency translation adjustment	473	1,052
Remeasurements of defined benefit plans	21	46
Share of other comprehensive income of affiliates accounted for using equity method	7	(18)
Total other comprehensive income	(287)	1,951
Comprehensive income	5,153	6,518
Total comprehensive income attributable to:		
Owners of parent	5,139	6,463
Non-controlling interests	13	54

(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 6,011 million yen; cost of sales increased by 377 million yen; selling, general, and administrative expenses increased by 5,868 million yen; and operating income, ordinary income, and income before income taxes each decreased by 234 million yen during the Third 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 Third 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 Third 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 ¥200 million for 428,000 shares.

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

As of February 28, 2022: ¥311 million and as of November 30, 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 Third quarter of previous fiscal year (March 1,2021 to November 30, 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	100,164	3,677	103,841	73	103,915
Inter-segment sales or transfers	78	156	235	(235)	—
Total	100,243	3,833	104,076	(161)	103,915
Segment income	4,949	59	5,009	171	5,180

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 adjustment of ¥171 million is transaction offsets among consolidated companies.
3. Segment income 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

In segment apparel-related businesses, book value of the stores which are decided to close, and whose operating income are continuously in red, and whose brands are decided to close, are supposed to be reduced to recoverable amount. And the decrease is posted as impairment loss in the extraordinary losses section.

As a side note, recorded amount of impairment loss in non-current assets were ¥223 million as of the end of this fiscal year under review.

A significant change in the amount of goodwill

None

A significant gain from negative goodwill

None

1. Consolidated cumulative Third quarter of current fiscal year (March 1,2022 to November 30, 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	111,468	3,883	115,351	55	115,406
Inter-segment sales or transfers	92	497	590	(590)	—
Total	111,560	4,380	115,941	(535)	115,406
Segment income	5,065	55	5,120	(1,394)	3,726

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 adjustment of (1,394) million yen is due to company-wide expenses of 2,974 million yen not attributable to any business segment and elimination of internal transactions among consolidated companies of 1,846 million yen.
3. Segment income 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 6,011 million yen and decreased by 234 million yen, respectively, in the Third 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 266 million yen for the nine-month period from March 1, 2022 to November 30, 2022.

A significant change in the amount of goodwill

None

A significant gain from negative goodwill

None