

Summary of Consolidated Financial Results
for the Third Quarter of Fiscal Year Ended February 29, 2024
[Japanese GAAP] (Consolidated)

January 12, 2024

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Scheduled date of financial report: January 15, 2024
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 29, 2024(March 1, 2023 to November 30, 2023)

(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 29,2024	114,857	(0.5)	2,223	(40.3)	3,645	(28.0)	3,290	(28.8)
Third quarter of FY ended February 28,2023	115,406	11.1	3,726	(28.1)	5,061	(18.9)	4,621	(15.4)

(Notes) Comprehensive income: Third quarter of Fiscal year ended February 29, 2024 ¥4,890 million(25.0)%
Third quarter of Fiscal year ended February 28, 2023 ¥6,518 million 26.5%

	Net income per share	Diluted net income per share
	Yen	Yen
Third quarter of FY ended February 29,2024	40.04	—
Third quarter of FY ended February 28,2023	52.69	—

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio
	Million yen	Million yen	%
Third quarter of FY ended February 29,2024	139,591	98,441	70.2
FY ended February 28,2023	135,427	98,878	72.7

(Reference) Shareholders' equity: Third quarter of FY ended February 29,2024 ¥98,060 million
FY ended February 2023 ¥98,480 million

2. Dividends

	Annual dividend				
	End of 1Q	End of 2Q	End of 3Q	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
FY ended February 2023	—	0.00	—	10.00	10.00
FY ended February 2024	—	0.00	—	—	—
FY ended February 2024 (forecast)	—	—	—	15.00	15.00

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

3. Forecast of Consolidated Business Results for the Fiscal Year Ending February 29, 2024 (March 1, 2023 to February 29, 2024)

(% 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	154,400	(0.0)	1,400	(39.9)	3,000	(22.3)	28,000	(8.6)	34.06

(Note) Revisions during this quarter of previously disclosed consolidated business results projection for FY 2024: 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: Yes

d. Restatements: None

(Note) For details, please refer to "2. Consolidated Financial Statements and Major Notes, and (3) Notes to 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 2024	87,074,993 shares	FY ended February 2023	90,144,093 shares
b. Number of treasury stock at the end of period	Q3 of FY ended February 2024	8,888,693 shares	FY ended February 2023	5,878,463 shares
c. Average number of shares over the period	Q3 of FY ended February 2024	82,196,053 shares	Q3 of FY ended February 2023	87,716,937 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 2 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 2024	2
(1) Overview of Business Results	2
(2) Overview of Financial Position	3
(3) Explanation of Consolidated Business Forecast and Other Forward-looking Statements	3
2. Quarterly Consolidated Financial Statements and Major Notes	4
(1) Quarterly Consolidated Balance Sheets	4
(2) Quarterly Consolidated Statements of Income and Quarterly Consolidated Statements of Comprehensive Income	6
Quarterly Consolidated Statements of Income	6
Current quarterly consolidated cumulative period	6
Quarterly consolidated statement of comprehensive income	7
Current quarterly consolidated cumulative period	7
(3) Notes to Quarterly Consolidated Financial Statements	8
Going Concern Assumption	8
Notes on Significant Changes in Shareholders' Equity	8
Change in an Accounting policy	8
Change in an accounting estimate	8
Additional Information	8
Segments of the Company and Related Information	10

1. Qualitative Information on results for this quarter of FY ended February 2024

(1) Overview of Business Results

During Q3 of the consolidated cumulative period (March 1, 2023–November 30, 2023), in the apparel industry, while there was a recovery in consumer spending as the impacts of the COVID-19 pandemic subsided, the situation remained challenging due to a combination of factors, including a change in consumer sentiment toward apparel products themselves due to COVID-19, soaring resource and raw material prices due to the conflicts in Ukraine and Palestine, and the continued sharp decline of the yen.

In such a business environment, in order to transform itself into a "non-apparel-only company" and a "fashion entertainment creation company" as set out the new medium-term management plan called the "TSI Innovation Program 2025 (TIP25)" announced in April 2022, the Group continues to drive forward fundamental reforms to its profit structure and corporate structure in response to changes in the social environment and customer lifestyles associated with the development of Digital Transformation (DX). Specifically, we focus on investing in growth business areas, primarily in EC expansion, and aim to reform its profit structure by shifting the phase from withdrawing unprofitable stores to opening large stores and reopening stores in prime locations, and developing attractive stores. Meanwhile, the Group are determined to focus more on reforms in the area of sustainability, which is of growing interest to customers, and will continue its efforts to reassure customers of the new value of the products offered by the Group through a review of materials and manufacturing processes.

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.

Consequently, the net sales stood at 114,857 million yen (down 0.5% year on year), the operating income was 2,223 million yen (down 40.3% year on year), and the ordinary income reached 3,645 million yen (down 28.0% year on year). Furthermore, the quarterly profit attributable to owners of the Group's parent was 3,290 million yen (down 28.8% year on year).

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.

In the existing businesses, we saw robust performances of our brands, including the street brand "STUSSY," which continued to perform well, and the London collection brand "MARGARET HOWELL." We strove to improve our profitability by meeting market demand and rolling out products that leverage the features of each brand which are tailored to customers' diverse lifestyles, especially military fashion focused "AVIREX," golf brand "PING," and outdoor fashion focused "and wander."

Despite these measures, the net sales in apparel-related businesses decreased by 0.6% compared with the previous fiscal year to 110,918 million yen, due to factors such as higher temperatures than in previous years, which resulted in a slowdown in the sale of autumn and winter items.

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 California, the U.S. Net sales were 4,542 million yen (up 3.7% compared with the previous fiscal year).

(2) Overview of Financial Position

(Million yen)

	At the end of FY ended February 2023 (As of February 28, 2023)	At the end of 3Q FY ended February 2024 (As of November 30, 2023)	Increase/decrease
Total assets	135,427	139,591	4,163
Liabilities	36,549	41,149	4,600
Net assets	98,878	98,441	(436)
Shareholders' equity ratio	72.7%	70.2%	(2.5)%
Net assets per share	¥1,168.69	¥1,254.19	¥85.50

Assets increased by ¥4,163 million, mainly due to increases in accounts receivable-trade (up ¥4,530 million from the end of the previous fiscal year) and inventories (up ¥8,075 million from the end of the previous fiscal year), despite a decrease in cash and deposits (down ¥9,093 million from the end of the previous fiscal year).

Liabilities increased by ¥4,600 million, mainly due to increases in notes and accounts payable-trade (up ¥946 million from the end of the previous fiscal year), short-term borrowings (up ¥5,028 million from the end of the previous fiscal year), "other" in current liabilities (up ¥714 million from the end of the previous fiscal year), and "other" in non-current liabilities (up ¥1,011 million from the end of the previous fiscal year), despite a decrease in long-term borrowings (including current portion of long-term borrowings) (down ¥3,330 million from the end of the previous fiscal year).

Net assets decreased by ¥436 million, mainly due to a decrease in capital surplus (down ¥1,902 million from the end of the previous fiscal year) and an increase in treasury stock (up ¥2,572 million from the end of the previous fiscal year), which is a deduction item in net assets, despite increases in retained earnings (up ¥2,439 million from the end of the previous fiscal year) and valuation difference on available-for-sale securities (up ¥955 million from the end of the previous fiscal year).

As a result, net asset per share increased by ¥85.50.

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

We adjusted the business results projection for the year ending February 29, 2024, which was released on April 23, 2023. For details, please refer to the "Notice Concerning Revisions to Full-Year Financial Results Forecasts" that was released today (January 12, 2024).

2. Quarterly Consolidated Financial Statements and Major Notes

(1) Quarterly Consolidated Balance Sheets

	(Million yen)	
	Previous consolidated fiscal year (As of February 28, 2023)	Quarter consolidated accounting period of current fiscal year (As of November 30, 2023)
Assets		
Current assets		
Cash and deposits	32,205	23,111
Notes receivable-trade	127	87
Account receivable-trade	10,604	15,134
Merchandise and finished goods	23,484	31,723
Work in process	636	392
Raw materials and supplies	559	638
Other	4,261	3,471
Allowance for doubtful accounts	(40)	(61)
Total current assets	71,837	74,499
Non-current assets		
Property, plant and equipment	6,136	6,799
Intangible asset		
Goodwill	1,922	1,800
Other	7,024	6,359
Total intangible assets	8,946	8,159
Investments and other assets		
Investment securities	27,879	27,944
Investment property	4,708	4,688
Other	16,023	17,600
Allowance for doubtful accounts	(105)	(100)
Total investments and other assets	48,506	50,132
Total non-current assets	63,589	65,091
Total assets	135,427	139,591
Liabilities		
Current liabilities		
Notes and accounts payable-trade	11,407	12,354
Short-term borrowings	17	5,045
Current portion of long-term borrowings	4,737	3,853
Income taxes payable	626	498
Provision for bonuses	1,301	1,700
Provision for shareholder benefit program	124	68
Asset retirement obligations	120	200
Other	7,905	8,620
Total current liabilities	26,239	32,342
Non-current liabilities		
Long-term borrowings	5,010	2,562
Provision for retirement benefits for directors	37	35
Retirement benefit liability	1,188	1,219
Asset retirement obligations	2,414	2,319
Other	1,658	2,670
Total non-current liabilities	10,309	8,807
Total liabilities	36,549	41,149

	(Million yen)	
	Previous consolidated fiscal year (As of February 28, 2023)	Quarter consolidated accounting period of current fiscal year (As of November 30, 2023)
Net assets		
Shareholders' equity		
Share capital	15,000	15,000
Capital surplus	25,933	24,030
Retained earnings	56,052	58,491
Treasury stock	(3,031)	(5,604)
Total shareholders' equity	93,953	91,917
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	3,802	4,758
Foreign currency translation adjustment	969	1,560
Remeasurements of defined benefit plans	(245)	(176)
Total accumulated other comprehensive income	4,526	6,142
Non-controlling interests	397	381
Total net assets	98,878	98,441
Total liabilities and net assets	135,427	139,591

(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 1,2022 to November 30, 2022)	Consolidated cumulative Third quarter of current fiscal year (March 1,2023 to November 30, 2023)
Net sales	115,406	114,857
Cost of sales	50,040	50,655
Gross profit	65,366	64,201
Selling, general and administrative expenses	61,639	61,978
Operating income	3,726	2,223
Non-operating income		
Interest income	19	50
Dividend income	460	758
Real estate income	267	269
Foreign exchange income	493	202
Other	283	318
Total non-operating income	1,524	1,600
Non-operating expenses		
Interest expenses	55	38
Rental expenses on real estate	41	36
Other	93	102
Total non-operating expenses	189	178
Ordinary income	5,061	3,645
Extraordinary income		
Gain on sales of non-current assets	4	4
Gain on sale of investment securities	839	1,397
Other	129	19
Total extraordinary income	972	1,421
Extraordinary losses		
Loss on retirement of non-current assets	25	6
Impairment loss	330	352
Loss on sales of investment securities	-	17
Loss on valuation of investment securities	159	17
Other	166	92
Total extraordinary losses	682	486
Income before income taxes	5,352	4,580
Income taxes—current	1,201	1,387
Income taxes—deferred	(415)	(31)
Total income taxes	785	1,355
Net income	4,567	3,224
Net loss attributable to non-controlling interest	(54)	(65)
Net income attributable to owners of parent	4,621	3,290

Quarterly Consolidated statements of comprehensive income
Consolidated cumulative Third quarter

	(Million yen)	
	Consolidated cumulative Third quarter of previous fiscal year (March 1, 2022 to November 30, 2022)	Consolidated cumulative Third quarter of current fiscal year (March 1, 2023 to November 30, 2023)
Net income	4,567	3,224
Other comprehensive income		
Valuation difference on available-for-sale securities	870	955
Foreign currency translation adjustment	1,052	620
Remeasurements of defined benefit plans	46	69
Share of other comprehensive income of affiliates accounted for using equity method	(18)	20
Total other comprehensive income	1,951	1,665
Comprehensive income	6,518	4,890
Total comprehensive income attributable to:		
Owners of parent	6,463	4,906
Non-controlling interests	54	(16)

(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

Guidance on the Application of Accounting Standards for Fair Value Calculation

“Guidance on the Application of Accounting Standards for Fair Value Calculation” (ASBJ Guidance No. 31, June 17, 2021. Hereafter referred to as the “Guidance on the Application of Accounting Standards for Fair Value Calculation”). The new accounting policy stipulated in the Guidance on the Application of Accounting Standard for Fair Value Calculation is to be applied from the beginning of the first quarter of the current fiscal year, in accordance with the transitional treatment stipulated in paragraph 27-2 of the Guidance on the Application of Accounting Standard for Fair Value Calculation, and will be applied in the future as well. There is no impact on the quarterly consolidated financial statements.

Change in an Accounting estimate

Valuation Criteria for Inventories

The Group has adopted a valuation criteria for inventories based on a certain devaluation rate determined in accordance with the period since production or purchase during the forecasted periods of selling products and others. The Group's balance sheet amount is based on the devalued book value.

Under the medium-term management plan called the TSI Innovation Program 2025, the Group strives to build a circular business model, which will minimize apparel waste to achieve a sustainable global environment through the power of fashion entertainment.

Against this backdrop, the duration for selling a certain product, etc. has been extended. Now, we can understand the true status of the extended duration more accurately with sufficient volume of accumulated sales data.

Under such circumstances, in order to more appropriately reflect the reality of decreased profitability associated with inventories in the financial position and business results, the Group decided to extend some of the forecasted periods of selling products and others related to the write-down of book value of inventories in the second quarter of the current consolidated fiscal year.

As a result of this change, the cost of sales decreased by ¥146 million for the consolidated third quarter period that ended on February 29, 2024. Consequently, operating income, ordinary income, and income before income taxes all increased by the same amount.

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 ¥187 million for 400,000 shares. And that as of the end of this fiscal year under review were ¥152 million for 325,000 shares.

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

As of February 28, 2023: ¥255 million and as of November 30, 2023: ¥220 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 ¥273 million for 486,000 shares as of the end of this fiscal year under review.

Application of the accounting treatment and disclosure for the application of the group totalization system

The Company and some of its domestic consolidated subsidiaries have shifted from a consolidated tax payment system to a group totalization system from the first quarter of the current financial year. In line with this, the accounting treatment and disclosure of corporate and local income taxes and tax effect accounting are based on the "Treatment of accounting treatment and disclosure when applying the group totalization system" (Practical Response Report No. 42, August 12, 2021; hereinafter referred to as "Practical Response Report No. 42"). In accordance with Paragraph 32 (1) of the Practical Response Report No. 42, no impact is deemed to arise from changes in accounting policies as a result of the application of the Practical Response Report No. 42.

Segments of the Company and Related Information

1. Consolidated cumulative Third quarter of previous fiscal year (March 1, 2022 to November 30, 2022)

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

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

As a side note, the recorded amount of impairment loss in non-current assets was ¥266 million for the consolidated six-month period that ended on November 30, 2022.

A significant change in the amount of goodwill

None

A significant gain from negative goodwill

None

2. Consolidated cumulative Third quarter of current fiscal year (March 1,2023 to November 30, 2023)

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

	Reportable segment	Other Note 1	Total	Adjustments Note 2	Consolidated financial statements amount (Note 3)
	Apparel-related businesses				
Net sales					
Sales to third parties	110,828	4,029	114,857	—	114,857
Inter-segment sales or transfers	90	569	659	(659)	—
Total	110,918	4,598	115,516	(659)	114,857
Segment income	3,005	325	3,330	(1,107)	2,223

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 ¥(1,107) 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 the segment "apparel-related businesses," book value of the stores which have decided to close, whose operating income is continuously in red, and whose brands are to be closed, is supposed to be reduced to the recoverable amount. And the decrease is posted as impairment loss in the extraordinary losses section

As a side note, the recorded amount of impairment loss in non-current assets was ¥352 million for the consolidated six-month period that ended on November 30, 2023.

A significant change in the amount of goodwill

None

A significant gain from negative goodwill

None