Summary of Consolidated Financial Results for the Fiscal Year Ended February 28, 2021

[Japanese GAAP] (Consolidated)

April 12, 2021

Company name:	TSI HOLDINGS CO., LTD.	Stock listing: Tokyo Stock Exchange
Code number:	3608	URL: https://www.tsi-holdings.com/en/
Representative:	Representative Director and President, Tsuyoshi Shimoji	
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Scheduled date of Annual General Meeting of shareholders: May 28, 2021
Scheduled date of filing of annual securities report: May 28, 2021
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 Fiscal Year Ended February 28, 2021 (March 1, 2020 to February 28, 2021)

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

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
FY ended February 2021	134,078	(21.2)	(11,843)	—	(10,359)	—	3,861	77.0
FY ended February 2020	170,068	3.1	70	(96.9)	1,851	(52.6)	2,181	—

(Notes) Comprehensive income: Fiscal year ended February 28, 2021 ¥4,636 million —%
Fiscal year ended February 29, 2020 ¥(1,679) million —%

	Net income per share	**Diluted net income per share**	**Return on equity**	**Ratio of ordinary income to total assets**	**Ratio of operating income to net sales**
	Yen	Yen	%	%	%
FY ended February 2021	42.64	—	4.0	(6.6)	(8.8)
FY ended February 2020	23.42	—	2.2	1.1	0.0

(Reference) Equity in earnings of affiliates: Fiscal year ended February 28, 2021 ¥61 million
Fiscal year ended February 29, 2020 ¥(190) million

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of February 28, 2021	154,951	97,430	62.6	1,074 81
As of February 29, 2020	160,328	95,451	59.2	1,021 90

(Reference) Shareholders' equity: As of February 28, 2021 ¥96,977 million
As of February 29, 2020 ¥94,952 million

(3) Consolidated results of cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at the end of period
	Million yen	Million yen	Million yen	Million yen
FY ended February 2021	(5,300)	36,010	(11,170)	49,761
FY ended February 2020	4,702	11,150	(16,760)	30,232

2. Dividends

	Annual dividend					Total dividend	Dividend payout ratio (Consolidated)	Rate of total dividend to net assets (Consolidated)
	End of 1Q	End of 2Q	End of 3Q	Year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
FY ended February 2021	—	0.00	—	17.50	17.50	1,635	74.7	1.7
FY ended February 2020	—	0.00	—	0.00	0.00	—	—	—
FY ended February 2022 (forecast)	—	0.00	—	5.00	5.00		27.2	

3. Forecast of Consolidated Business Results for the Fiscal Year Ending February 28, 2022 (March 1, 2021 to February 28, 2022)

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

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Second quarter (Cumulative)	71,300	26.7	(500)	—	(300)	—	170	—	1.88
Full fiscal year	152,400	13.7	1,100	—	1,600	—	1,660	(57.0)	18.40

＊Notes:

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

(2) Changes in accounting policies, accounting estimates, and restatements
- a. Changes in accounting policies due to revisions of accounting standards: None
- b. Changes in accounting policies other than above (a): None
- c. Changes of accounting estimates: None
- d. Restatements: None

(3) Number of shares issued (common stock)

a. Number of shares issued at the end of period (treasury stock included)	FY ended February 2021	95,783,293 shares	FY ended February 2020	105,783,293 shares
b. Number of treasury stock at the end of period	FY ended February 2021	5,556,309 shares	FY ended February 2020	12,865,187 shares
c. Average number of shares over the period	FY ended February 2021	90,560,235 shares	FY ended February 2020	93,149,318 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.

Contents of Attached Materials

1. Overview of Business Results

(1) Overview of Business Results for the Fiscal Year Ended February 28, 2021

In fiscal 2020, the twelve-month period from March 1, 2020 to February 28, 2021, sales in the apparel industry declined substantially owing to the novel coronavirus (COVID-19) pandemic which restricted economic activity. While the initial state of emergency was lifted on May 25, 2020, the decision by the government to declare a second state of emergency covering the Tokyo Metropolitan Area and three surrounding prefectures on January 7, 2021 was extended to include seven additional prefectures including Osaka and Aichi on January 13, 2021. While commercial facilities and stores took measures to prevent the spread of infection and continued to operate, these efforts failed to trigger a recovery to attract customers and consumer sentiment. Coupled with the persistent slump in inbound demand, overall operating conditions remained difficult.

Under these circumstances, the TSI Holdings Group worked diligently to accelerate the pace of its decision-making process, by adopting a company system in its apparel business companies and newly establishing the Platform Department to integrate various headquarter functions. These efforts form a part of the Group structure review, which is a key measure in TSI Holdings' medium-term management strategy. In addition to streamlining its organizational structure by eliminating overlapping functions, the Group also pushed forward the absorption merger of subsidiary SANEI bd CO., LTD. with eight other apparel subsidiary companies as a first step toward the integration of Group companies into a single entity. Through these means, TSI Holdings is strengthening its profitability by improving operating efficiency and accelerating decision making across the Group as a whole. Withdrawing from unprofitable stores while conducting a review of Group-wide selling, general and administrative expenses, and working to reduce a series of costs including the drastic cutback of personnel expenses, the Group has continued to promote measures aimed at optimizing its profit structure.

Moreover, in a bid to enter businesses that utilize digital marketing methods in the direct-to-consumer (D2C) market, TSI Holdings acquired HYBES Co., Ltd., which oversees and handles the ETRÉ TOKYO apparel brand on August 1, 2020.

Turning to the Group's overseas activities, TSI Holdings acquired an equity stake in Efuego Corp., which operates an online business at www.tactics.com specializing in action sports specifically on skateboards and snowboards on March 31, 2020, with the aim of expanding its U.S. business.

Over-the-counter sales at each Group company declined and we have to reevaluate inventories. This largely reflected the decision by consumers to refrain from going out as a result of the ongoing spread of pandemic, which in turn led to a decrease in the number of customers visiting stores.

Accounting for each of these factors, net sales came to ¥134,078 million in fiscal 2020, down 21.2% compared with the previous fiscal year. From a profit perspective, TSI Holdings incurred an operating loss of ¥11,843 million and an ordinary loss of ¥10,359 million. This was a negative turnaround from the operating income of ¥70 million and ordinary income of ¥1,851 million posted in fiscal 2019.

The Company's net income attributable to owners of parent totaled ¥3,861 million, up 77.0% compared with the previous fiscal year.

Net sales by reportable segment were as follows.

Apparel-Related Businesses

Based on the medium-term management strategy, TSI Group subsidiaries continued to improve profits by reforming existing brands and streamlining operations. Amid the need to manage high market value brands that are unique and are price competitive, the Group worked diligently to strengthen its profitability by rolling out products that take full advantage of special features in its existing businesses including Jack Bunny!!, a golf apparel brand, UNDEFEATED, which revolves mainly around sneakers, and Sunspel, a brand licensed from a longstanding U.K. clothing manufacturer. Despite these endeavors, over-the-counter sales declined. While department stores, shopping centers, and other retail outlets implemented measures aimed at preventing further spread of the pandemic, this downturn in sales reflected the harsh operating environment that impacted operations following the government's decision to again declare a state of emergency covering the Tokyo Metropolitan Area and 10 other prefectures in January 2021.

In the e-commerce business, we initiated various measures including the consolidation of in-store inventory to e-commerce stock and continued to upgrade online customer service. Despite efforts to ramp up measures aimed at strengthening in-store and online coordination and increasing e-commerce activities, sales in apparel-related businesses declined 21.2% year on year, to ¥130,120 million owing to the substantial impact of COVID-19.

Other Businesses

Companies within TSI Holdings' other businesses include S-Groove Co., Ltd., which in addition to fulfilling a sales function for Group operating companies engages in paid employment placement and worker dispatching activities, Toska-Bano'k Co., Ltd., active in the manufacture and sale of synthetic resin related products, Plax Co., Ltd., which engages in store design and supervision as well as restaurant operations, Laline JAPAN Co., Ltd., which procures and sells a variety of products including cosmetics, perfumes, and soaps, and Urth Caffe JAPAN Co., Ltd., which operates in Japan a popular organic café in the U.S., California. Net sales in this segment declined 15.1% compared with the previous fiscal year, to ¥8,567 million owing mainly to the continued impact of COVID-19.

(2) Overview of Financial Position

(Million yen)

	At the end of FY2019 (As of February 29, 2020)	At the end of FY2020 (As of February 28, 2021)	Increase/decrease
Total assets	160,328	154,951	(5,377)
Liabilities	64,877	57,521	(7,355)
Net assets	95,451	97,430	1,978
Shareholders' equity ratio	59.2%	62.6%	3.4%
Net assets per share	¥1,021.90	¥1,074.81	¥52.91

Total assets decreased by ¥5,377 million from the end of the previous fiscal year, despite an increase in cash and deposits (up ¥18,928 million) and an increase in investment securities (up ¥2,751 million). This was mainly due to a decrease in notes and accounts receivable–trade (down ¥1,265 million); a decrease in inventories (down ¥3,279 million); a decrease in "other" current assets (down ¥1,666 million); a decrease in property, plant and equipment (down ¥4,958 million); a decrease in intangible assets (down ¥1,757 million); a decrease in investment property (down ¥11,662 million); and a decrease in "other" in investments and other assets (down ¥1,354 million).

Liabilities decreased by ¥7,355 million from the end of the previous fiscal year, despite an increase in income taxes payable (up ¥1,797 million) and an increase in other current liabilities (up ¥1,306 million). This was mainly due to a decrease in notes and accounts payable–trade (down ¥2,658 million); and a decrease in long-term borrowings (including current portion of long-term borrowings) (down ¥8,459 million).

Net assets increased by ¥1,978 million from the end of the previous fiscal year, despite a decrease in capital surplus (down ¥7,208 million). This was mainly due to an increase in retained earnings (up ¥2,226 million); a decrease in treasury stock which is a deduction item for net assets (down ¥6,108 million); and an increase in valuation difference on available-for-sale securities (up ¥1,182 million).

As a result, net asset per share increased by ¥52.91.

(3) Overview of Cash Flows

(Million yen)

	At the end of FY2019 (As of February 29, 2020)	At the end of FY2020 (As of February 28, 2021)	Increase/decrease
Cash flows from operating activities	4,702	(5,300)	(10,002)
Cash flows from investing activities	11,150	36,010	24,860
Cash flows from financing activities	(16,760)	(11,170)	5,589
Cash and cash equivalents at end of period	30,232	49,761	19,528

Cash flows from operating activities:

Net cash used in operating activities for the fiscal year under review was ¥5,300 million (compared to net cash provided by operating activities of ¥4,702 million in the previous fiscal year). This was mainly due to the factors of income before income taxes of ¥5,855 million; depreciation of ¥4,080 million, which is non-cash expenses; amortization of goodwill of ¥762 million, impairment loss of ¥3,068 million; loss on liquidation of subsidiaries and affiliates of ¥1,192 million; a decrease in notes and accounts receivable–trade of ¥1,287 million; a decrease in inventories of ¥3,723 million; but gains on sales of fixed assets of ¥24,015 million, which is an adjustment item for investing activities; and a decrease in notes and accounts payable–trade of ¥2,749 million.

Cash flows from investing activities:

Net cash provided by investing activities for the fiscal year under review was ¥36,010 million (up 223.0% compared to the previous year), mainly due to sales of property, plant and equipment of ¥4,300 million, sales of investment securities of ¥7,672 million, sales of investment property of ¥34,031 million, and collection of leasehold and guarantee deposits of ¥1,440 million, despite the purchase of property, plant and equipment (interior assets of stores, etc.) of ¥2,927 million; and purchase of investment securities of ¥8,397 million.

Cash flows from financing activities:

Net cash used in financing activities for the fiscal year under review was ¥11,170 million (compared to net cash used in by financing activities of ¥16,760 million in the previous fiscal year), mainly due to repayment of long-term loans payable of ¥8,934 million, purchase of treasury stock of ¥1,180 million, and dividend payments of ¥1,635 million.

As a result, cash and cash equivalents at the end of the consolidated fiscal year under review increased by ¥19,528 million from the end of the previous consolidated fiscal year to ¥49,761 million.

(For Reference) Trends in Cash-Flow Indicators

	FY2018 (As of February 28, 2019)	FY2019 (As of February 29, 2020)	FY2020 (As of February 28, 2021)
Shareholders' equity ratio (%)	55.0	59.2	62.6
Shareholders' equity ratio based on current market price (%)	35.8	24.2	15.3
Years of debt redemption (Years)	6.9	7.1	—
Interest coverage ratio (Times)	36.2	21.7	—

Notes:

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

(4) Outlook

Entering the fiscal year ending February 28, 2022, personal consumption continues to reel under the effects of COVID-19, causing people to refrain from going outside their houses, a downturn in consumer sentiment, and the virtual disappearance of inbound demand. While vaccinations are expected to help bring the infection under control, the timing remains unpredictable. On a positive note, customers are shifting from brick-and-mortar stores to e-commerce at an increasingly fast pace due to the aforementioned voluntary restraint. From the Company's perspective, steps are being taken to concentrate management resources on e-commerce opportunities in a bid to capture this changing customer demand. Drawing on these endeavors, net sales are expected to recover to a certain level in the fiscal year ending February 28, 2022. Moreover, the Company will continue to reduce selling, general and administrative expenses and to improve the break-even point ratio in the fiscal year under review. Through these means, net income attributable to owners of parent is projected to remain in the black at ¥1,660 million in fiscal 2021.

2. Basic Stance on the Selection of Accounting Standards

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

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

3. Consolidated Financial Statements and Major Notes

(1) Consolidated Balance Sheets

(Million yen)

	FY2019 (As of February 29, 2020)	FY2020 (As of February 28, 2021)
Assets		
Current assets		
Cash and deposits	30,942	49,871
Notes and accounts receivable–trade	12,153	10,888
Securities	519	–
Merchandise and finished goods	20,578	17,034
Work in process	562	544
Raw materials and supplies	538	821
Other	5,261	3,594
Allowance for doubtful accounts	(76)	(39)
Total current assets	70,480	82,714
Non-current assets		
Property, plant and equipment		
Buildings and structures	21,109	17,730
Accumulated depreciation	(12,976)	(12,122)
Buildings and structures, net	8,133	5,607
Machinery, equipment and vehicles	1,081	1,146
Accumulated depreciation	(886)	(950)
Machinery, equipment and vehicles, net	194	195
Land	2,826	903
Leased assets	604	558
Accumulated depreciation	(574)	(531)
Leased assets, net	29	27
Other	8,420	7,565
Accumulated depreciation	(6,496)	(6,149)
Other, net	1,924	1,415
Total property, plant and equipment	13,108	8,149
Intangible assets		
Goodwill	5,956	5,266
Trademark right	4,276	3,646
Other	4,194	3,757
Total intangible assets	14,428	12,670
Investments and other assets		
Investment securities	26,121	28,872
Long-term loans receivable	59	76
Leasehold and guarantee deposits	11,825	11,222
Deferred tax assets	1,067	1,021
Investment property, net	16,642	4,980
Other	6,704	5,350
Allowance for doubtful accounts	(109)	(106)
Total investments and other assets	62,311	51,416
Total non-current assets	89,847	72,237
Total assets	160,328	154,951

(Million yen)

	FY2019 (As of February 29, 2020)	FY2020 (As of February 28, 2021)
Liabilities		
Current liabilities		
Notes and accounts payable–trade	14,266	11,607
Short-term borrowings	92	152
Current portion of long-term borrowings	8,894	8,915
Lease obligations	11	13
Accounts payable–other	3,939	4,645
Income taxes payable	399	2,196
Provision for bonuses	1,308	1,336
Provision for point card certificates	466	426
Provision for shareholder benefit program	71	126
Provision for sales returns	161	289
Asset retirement obligations	78	12
Other	4,940	6,246
Total current liabilities	34,628	35,969
Non-current liabilities		
Long-term borrowings	24,562	16,082
Lease obligations	15	36
Deferred tax liabilities	844	1,029
Provision for retirement benefits for directors	97	42
Retirement benefit liability	1,052	1,040
Asset retirement obligations	2,406	2,344
Other	1,269	975
Total non-current liabilities	30,248	21,551
Total liabilities	64,877	57,521
Net assets		
Shareholders' equity		
Share capital	15,000	15,000
Capital surplus	36,463	29,255
Retained earnings	49,987	52,213
Treasury stock	(9,856)	(3,747)
Total shareholders' equity	91,594	92,720
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	3,630	4,812
Foreign currency translation adjustment	(192)	(469)
Remeasurements of defined benefit plans	(78)	(86)
Total accumulated other comprehensive income	3,358	4,256
Non-controlling interests	498	452
Total net assets	95,451	97,430
Total liabilities and net assets	160,328	154,951

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

Consolidated statements of income

(Million yen)

	FY2019 (March 1, 2019 to February 29, 2020)	FY2020 (March 1, 2020 to February 28, 2021)
Net sales	170,068	134,078
Cost of sales	80,685	70,232
Gross profit	89,382	63,846
Selling, general and administrative expenses	89,312	75,689
Operating income (loss)	70	(11,843)
Non-operating income		
Interest income	119	34
Dividend income	817	1,065
Real estate income	1,377	1,297
Gain on valuation of investment securities	50	—
Other	634	603
Total non-operating income	2,998	3,000
Non-operating expenses		
Interest expenses	217	216
Foreign exchange losses	142	26
Rental expenses on real estate	587	876
Provision of allowance for doubtful accounts	2	—
Loss on valuation of investment securities	—	32
Other	268	364
Total non-operating expenses	1,217	1,516
Ordinary income (loss)	1,851	(10,359)
Extraordinary income		
Gain on sales of non-current assets	2,243	24,024
Gain on sale of investment securities	2,949	364
Gain on sales of shares of subsidiaries and associates	1,096	—
Subsidies for employment adjustment	—	438
Other	—	31
Total extraordinary income	6,289	24,859
Extraordinary losses		
Loss on retirement of non-current assets	329	80
Impairment loss	3,596	3,068
Loss on sales of investment securities	—	559
Loss on liquidation of subsidiaries and associates	—	1,192
Loss due to temporary closing	—	2,414
Voluntary retirement-related expenses	—	1,160
Other	355	169
Total extraordinary losses	4,281	8,644
Income before income taxes	3,859	5,855
Income taxes—current	720	2,337
Income taxes—deferred	1,073	(233)
Total income taxes	1,794	2,103
Net income	2,064	3,751
Net loss attributable to non-controlling interest	(117)	(109)
Net income attributable to owners of parent	2,181	3,861

Consolidated statements of comprehensive income

(Million yen)

	FY2019 (March 1, 2019 to February 29, 2020)	FY2020 (March 1, 2020 to February 28, 2021)
Net income	2,064	3,751
Other comprehensive income		
Valuation difference on available-for-sale securities	(3,414)	1,182
Deferred gains or losses on hedges	0	―
Foreign currency translation adjustment	(400)	(269)
Remeasurements of defined benefit plans	13	(8)
Share of other comprehensive income of affiliates accounted for using equity method	57	(20)
Total other comprehensive income	(3,744)	884
Comprehensive income	(1,679)	4,636
Total comprehensive income attributable to:		
Owners of parent	(1,550)	4,759
Non-controlling interests	(129)	(123)

(3) Consolidated Statements of Changes in Net Assets

FY2019 (March 1, 2019 to February 29, 2020)

(Million yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of period	15,000	37,513	49,475	(8,737)	93,251
Changes during period					
Dividends of surplus			(1,670)		(1,670)
Net income attributable to owners of parent			2,181		2,181
Purchase of treasury shares				(1,334)	(1,334)
Disposal of treasury shares				215	215
Cancellation of treasury shares					—
Change in ownership interest of parent due to transactions with non-controlling interests		(1,049)			(1,049)
Net changes in items other than shareholders' equity					
Total changes during period	—	(1,049)	511	(1,119)	(1,657)
Balance at the end of period	15,000	36,463	49,987	(9,856)	91,594

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at the beginning of period	7,042	(0)	139	(92)	7,090	3,595	103,937
Changes during period							
Dividends of surplus							(1,670)
Net income (loss) attributable to owners of parent							2,181
Purchase of treasury shares							(1,334)
Disposal of treasury shares							215
Cancellation of treasury shares							—
Change in ownership interest of parent due to transactions with non-controlling interests							(1,049)
Net changes in items other than shareholders' equity	(3,412)	0	(332)	13	(3,732)	(3,096)	(6,829)
Total changes during period	(3,412)	0	(332)	13	(3,732)	(3,096)	(8,486)
Balance at the end of period	3,630	—	(192)	(78)	3,358	498	95,451

FY2020 (March 1, 2020 to February 28, 2021)

(Million yen)

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

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

(4) Consolidated Statement of Cash Flows

(Million yen)

	FY2019 (March 1, 2019 to February 29, 2020)	FY2020 (March 1, 2020 to February 28, 2021)
Cash flows from operating activities		
Income before income taxes	3,859	5,855
Depreciation	4,759	4,080
Amortization of goodwill	1,024	762
Increase (decrease) in allowance for doubtful accounts	16	(38)
Increase (decrease) in retirement benefit liability	81	(3)
Increase (decrease) in provision for retirement benefits for directors	0	(55)
Increase (decrease) in provision for bonuses	(126)	28
Increase (decrease) in provision for sales returns	(58)	120
Increase (decrease) in provision for point card certificates	41	(46)
Increase (decrease) in provision for shareholder benefit program	32	55
Interest and dividend income	(936)	(1,099)
Interest expenses	217	216
Loss (gain) on sales of non-current assets	(2,243)	(24,015)
Loss on retirement of non-current assets	329	80
Impairment loss	3,596	3,068
Loss due to temporary closing	–	2,414
Voluntary retirement-related expenses	–	1,160
Loss (gain) on sales of investment securities	(2,949)	195
Loss (gain) on valuation of investment securities	304	32
Loss (gain) on sales of shares of subsidiaries and associates	(1,096)	–
Loss on liquidation of subsidiaries and associates	–	1,192
Subsidies for employment adjustment	–	(438)
Decrease (increase) in accounts receivables–trade	(755)	1,287
Decrease (increase) in inventories	409	3,723
Increase (decrease) in accounts payables–trade	(1,833)	(2,749)
Increase (decrease) in accrued consumption taxes	186	859
Increase (decrease) in accounts payable–other	163	(145)
Increase (decrease) in long-term accounts payable–other	(14)	(31)
Other	276	(710)
Subtotal	5,287	(4,198)
Interest and dividends received	931	1,099
Interest paid	(217)	(216)
Income taxes paid	(3,058)	(549)
Income taxes refund	1,758	749
Payment for loss due to temporary closing	—	(2,185)
Net cash provided by (used in) operating activities	4,702	(5,300)

(Million yen)

	FY2019 (March 1, 2019 to February 29, 2020)	FY2020 (March 1, 2020 to February 28, 2021)
Cash flows from investing activities		
Net decrease (increase) in time deposits	(257)	600
Purchase of property, plant and equipment	(4,090)	(2,927)
Proceeds from sales of property, plant and equipment	11	4,300
Purchase of investment securities	(6,251)	(8,397)
Proceeds from sales of investment securities	16,934	7,672
Purchase of intangible assets	(648)	(710)
Payments of leasehold and guarantee deposits	(857)	(933)
Proceeds from collection of leasehold and guarantee deposits	710	1,440
Purchase of investment property	(13)	(13)
Proceeds from sales of investment property	2,900	34,031
Short-term loan advances	(56)	(27)
Collection of short-term loans receivable	353	407
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(162)	(656)
Payments for sales of shares of subsidiaries resulting in change in scope of consolidation	(18)	(6)
Proceeds from sales of shares of subsidiaries and associates	2,000	–
Payments for asset retirement obligations	(409)	(578)
Other	1,004	1,807
Net cash provided by (used in) investing activities	11,150	36,010
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(20,960)	55
Proceeds from long-term borrowings	19,000	478
Repayments of long-term borrowings	(7,955)	(8,934)
Repayments of lease obligations	(66)	(31)
Purchase of treasury shares	(1,340)	(1,180)
Proceeds from sales of treasury shares	215	77
Dividends paid	(1,670)	(1,635)
Purchase of shares of subsidiaries that do not result in change in scope of consolidation	(3,983)	–
Net cash provided by (used in) financing activities	(16,760)	(11,170)
Effect of exchange rate change on cash and cash equivalents	(50)	(11)
Net increase (decrease) in cash and cash equivalents	(958)	19,528
Cash and cash equivalents at beginning of period	31,190	30,232
Cash and cash equivalents at end of period	30,232	49,761

(5) Notes to the Consolidated Financial Statements

(Going Concern Assumption)

Not applicable

(Major Notes to Consolidated Financial Statements)

1. Scope of consolidation

(1) Number of consolidated group companies: 38

Major subsidiaries:

TOKYO STYLE CO., LTD.
SANEI-INTERNATIONAL CO., LTD.
SANEI bd CO., LTD.
TSI GROOVE AND SPORTS CO., LTD.
nano universe CO., LTD.
HUF Holdings, LLC
Ueno Shokai Co., Ltd.
Consolidated subsidiaries other than the above: 31

(Change in the scope of consolidation)

Efuego Corp. was included in the Company's scope of consolidation during the fiscal year under review after TSI Holdings acquired an equity stake.

HYBES Co., Ltd. was included in the Company's scope of consolidation after TSI Holdings acquired all of its shares.

D.A.B. PASTRY CO., LTD. was excluded from the Company's scope of consolidation after TSI Holdings transferred all of its shares.

(2) Major non-consolidated subsidiaries

Major non-consolidated subsidiaries:

Tokyo Fashion (Qidong) Co., Ltd.

(Reason for exclusion from the scope of consolidation)

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

2. Equity method

(1) Number of subsidiaries and affiliates accounted for by the equity method: 2

Main company name:

RICHARD HENDRIX LLC

(2) Non-consolidated subsidiaries not accounted for by the equity method

Company name:

Tokyo Fashion (Qidong) Co., Ltd.

(Reason for exclusion from the scope of equity method)

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

3. Accounting period of consolidated subsidiaries

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

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

Among consolidated subsidiaries, HUF Holdings, LLC and HUF Worldwide, LLC, closed their accounts on December 31. With the annual business term set at 52 weeks, the closing date has been revised to the Saturday closest to December 31.

The financial statements of each company as of January 2, 2021 are used in the preparation of consolidated financial statements. Significant transactions that occurred between January 2, 2021 and the consolidated closing date are adjusted as necessary for consolidation purposes.

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

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

4. Accounting policies

(1) Valuation criteria and methods for significant assets

i. Securities

Other securities

- Marketable securities:

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

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

ii. Derivative financial instruments

Derivative financial instruments are stated at fair value.

iii. Inventories

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

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

b. Supplies

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

(2) Depreciation method for significant depreciable assets

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

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

The main useful lives are as follows.

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

ii. Intangible assets (excluding leased assets)

The straight-line method is adopted.

The main useful lives are as follows.

Software	5 to 10 years
Trademark rights	10 years

iii. Leased assets

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

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

iv. Long-term prepaid expenses

Equal amortization is applied.

(3) Basis for accounting for significant provisions

i. Allowance for doubtful accounts

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

ii. Provision for bonuses

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

iii. Provision for point card certificates

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

iv. Provision for shareholder benefits

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

v. Provision for sales returns

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

vi. Provision for retirement benefits for directors

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

(4) Accounting method for retirement benefits

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

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

ii. Amortization of actuarial differences and past service costs

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

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

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

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

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

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

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

(6) Significant hedge accounting methods

i. Hedge accounting method

Deferred hedge accounting is adopted.

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

ii. Hedging instruments and hedged items

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

iii. Hedging policy

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

iv. Assessment of hedge effectiveness

When entering into foreign exchange forward contracts, the Company allocates forward exchange contracts of the same amount and date denominated in the same currency in accordance with a risk management policy. Because the correlation with subsequent fluctuations in foreign exchange markets is completely maintained, any evaluation of effectiveness at the time of account settlement is not conducted.

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

(7) Method and period of amortization of goodwill

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

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

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

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

i. Accounting method for consumption tax, etc.

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

ii. Application of the consolidated taxation system

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

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

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

(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 fiscal year under review were ¥325 million for 696,000 shares.

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

As of February 28, 2021: ¥359 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 ¥291 million for 518,000 shares as of the end of the previous fiscal year and ¥288 million for 512,000 shares as of the end of the fiscal year under review.

(Segments of the Company and Related Information)

Segment information

1. Overview of reportable segments

(1) Method of determining segments

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

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

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

(2) Products and services belonging to each reportable segment

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

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

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

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

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

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

FY2019 (March 1, 2019 to February 29, 2020)

(Million yen)

	Reportable segment	Other	Total	Adjustments Note 1,2,4,5	Consolidated financial statements amount (Note 3)
	Apparel-related businesses				
Net sales					
Sales to third parties	164,755	5,214	169,970	97	170,068
Inter-segment sales or transfers	298	4,872	5,170	(5,170)	—
Total	165,054	10,086	175,140	(5,072)	170,068
Segment income (loss)	(97)	31	(66)	136	70
Segment assets	89,887	6,711	96,599	63,729	160,328
Other items					
Depreciation and amortization expense	3,373	150	3,523	1,236	4,759
Increase in property, plant and equipment and intangible assets	3,895	268	4,163	799	4,963

Notes:

1. The segment income adjustment of ¥136 million is transaction offsets among consolidated companies.
2. The segment assets adjustment of ¥63,729 million includes the Company-wide assets that are not belong to respective reportable segments of ¥68,514 million and elimination of internal transactions between consolidated companies of ¥(4,784) million.
3. Segment income is adjusted to operating income listed in the consolidated financial statements.
4. The adjustment of depreciation and amortization of ¥1,236 million is mainly due to the amortization cost of the Company-wide assets.
5. Adjustment of ¥799 million in increase in property, plant and equipment and intangible assets is mostly related to the Company-wide assets.

FY2020 (March 1, 2020 to February 28, 2021)

(Millions of yen)

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

Notes:

1. The segment loss adjustment of ¥150 million is transaction offsets among consolidated companies.
2. The segment assets adjustment of ¥71,183 million includes the Company-wide assets that are not belong to respective reportable segments of ¥76,471 million and elimination of internal transactions between consolidated companies of ¥(5,287) million.
3. Segment loss is adjusted to operating loss listed in the consolidated financial statements.
4. The adjustment of depreciation and amortization of ¥1,178 million is mainly due to the amortization cost of the Company-wide assets.
5. Adjustment of ¥523 million in increase in property, plant and equipment and intangible assets is mostly related to the Company-wide assets.

(Per Share Information)

(Yen)

	FY2019 (March 1, 2019 to February 29, 2020)	FY2020 (March 1, 2020 to February 28, 2020)
Net assets per share	1,021.90	1,074.81
Net income per share	23.42	42.64

Notes:

1. Data on diluted earnings per share is not presented since there were no potential shares with a dilutive effect.
2. With the Company's shares held by the trust-type employee stock ownership plan (ESOP) treated as treasury stock, the number of such shares is deducted from the number of shares issued as of the end of the fiscal year in the calculation of net assets per share. Meanwhile, the number of treasury stock held by the Trust as of the end of the fiscal year under review was 696,000 shares.
3. With the Company's shares held by the trust-type employee stock ownership plan (ESOP) treated as treasury stock, the number of such shares is deducted from the average number of shares for the period in the calculation of net income per share. Meanwhile, the average number of shares held by the Trust during the previous fiscal year was 241,000 shares and 581,000 shares during the fiscal year under review.
4. With the Company's shares held by the Board Benefit Trust (BBT) treated as treasury stock, the number of such shares is deducted from the number of shares issued as of the end of the fiscal year in the calculation of net assets per share. Meanwhile, the number of treasury stock held by the Trust as of the end of the previous fiscal year was 518,000 shares and 512,000 shares as of the end of the fiscal year under review.
5. With the Company's shares held by the Board Benefit Trust (BBT) treated as treasury stock, the number of such shares is deducted from the average number of shares for the period in the calculation of net income per share. Meanwhile, the average number of shares held by the Trust during the previous fiscal year was 518,000 shares and 514,000 shares during the fiscal year under review.
6. The basis for calculating net income per share is as follows.

	FY2019 (March 1, 2019 to February 29, 2020)	FY2020 (March 1, 2020 to February 28, 2020)
Net income attributable to owners of parent (Million yen)	2,181	3,861
Amount not attributable to shareholders on common stock (Million yen)	—	—
Net income attributable to owners of parent on common stock (Million yen)	2,181	3,861
Average number of shares of common stock during the period (Shares)	93,149	90,560

(Important Subsequent Events)

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.

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

TSI Holdings' Board of Directors resolved to undertake an absorption-type merger of certain consolidated subsidiaries with SANEI bd CO., LTD., as the surviving company, and SANEI-INTERNATIONAL CO., LTD., TSI GROOVE AND SPORTS CO,. LTD., nano universe CO., LTD., anglobal Ltd., Rose Bud Co., Ltd., Isolar Co., Ltd., TSI PRODUCTION NETWORK CO., LTD., and TSI EC STRATEGY CO., LTD., as the companies to be merged effective March 1, 2021. SANEI bd CO., LTD. then changed its corporate name to TSI Co., Ltd. in accordance with the absorption-type merger.

(1) Overview of the Transaction

i. Names and Businesses of the Combining Companies

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

ii. Date of Business Combination

March 1, 2021

iii. Legal Form of Business Combination

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

iv. Name of the Company after Business Combination

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

v. Other Matters Related to the Transaction

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

(2) Overview of the Accounting Treatment Applied

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

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

TSI Holdings' Board of Directors resolved to undertake an absorption-type merger with TSI Co., Ltd., as the surviving company, and consolidated subsidiaries Ueno Shokai Co., Ltd., Jack Clothing Co., Ltd., Alpage Co., Ltd., Star Joinus Co., Ltd., and And Wonder Co., Ltd., as the companies to be merged on the scheduled date of March 1, 2022.

(1) Overview of the Transaction

i. Names and Businesses of the Combining Companies

Name of the Combining Company:	TSI Co., Ltd.
Business:	Apparel business
Names of the Combined Companies:	Ueno Shokai Co., Ltd. Jack Clothing Co., Ltd. Alpage Co., Ltd. Star Joinus Co., Ltd. And Wonder Co., Ltd.
Business:	Apparel business

ii. Date of Business Combination

March 1, 2022 (scheduled)

iii. Legal Form of Business Combination

Absorption-type merger with TSI Co., Ltd., as the surviving company, and consolidated subsidiaries Ueno Shokai Co., Ltd., Jack Clothing Co., Ltd., Alpage Co., Ltd., Star Joinus Co., Ltd., and And Wonder Co., Ltd., as the companies to be merged.

iv. Name of the Company after Business Combination

TSI Co., Ltd.

v. Other Matters Related to the Transaction

After promoting the sharing of the same internal information systems, human resources, and other systems, the aforementioned five combining companies will be subject to an absorption-type merger.

(2) Overview of the Accounting Treatment Applied

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

3. Final stage: Absorption-type merger between TSI Holdings and a consolidated subsidiary on March 1, 2023

TSI Holdings' Board of Directors resolved to undertake an absorption-type merger with TSI Holdings Co., Ltd., as the surviving company, and TSI Co., Ltd., as the company to be merged on the scheduled date of March 1, 2023. TSI Holdings Co., Ltd. will then change its corporate name to TSI Co., Ltd. (provisional name) in accordance with the absorption-type merger.

(1) Overview of the Transaction

i. Names and Businesses of the Combining Companies

Name of the Combining Company:	TSI Holdings Co., Ltd.
Business:	Apparel business
Name of the Combined Company:	TSI Co., Ltd.
Business	Apparel business

ii. Date of Business Combination

March 1, 2023 (scheduled)

iii. Legal Form of Business Combination

Absorption-type merger with TSI Holdings Co., Ltd., as the surviving company, and TSI Co., Ltd., as the company to be merged.

iv. Name of the Company after Business Combination

TSI Holdings Co., Ltd. (new corporate name: TSI Co., Ltd. (provisional name))

v. Other Matters Related to the Transaction

By implementing these mergers in stages, plans are in place to lower the break-even point by streamlining the organizational structure by reducing the overlapping functions of each Group company, increase the speed of business through an organizational structure suitable for the digital age, and reform the mindset and culture by integrating the structure, functions, and rules through corporate integration.

(2) Overview of the Accounting Treatment Applied

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