

Summary of Consolidated Financial Results
for the First Quarter of Fiscal Year Ended February 28, 2022
[Japanese GAAP] (Consolidated)

July 2, 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
Contact: Executive Officer, General Manager of Finance & Accounting Dept. Mitsuru Naito
TEL: +81-3-6748-0001

Scheduled date of financial report: July 9, 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 first quarter of the Fiscal Year Ended February 28, 2022(March 1, 2021 to May 31, 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	%
First quarter of FY ended February 28,2022	34,215	57.8	2,273	—	2,578	—	2,431	—
First quarter of FY ended February 28,2021	21,682	(49.4)	(6,445)	—	(6,094)	—	(10,454)	—

(Notes) Comprehensive income: First quarter of Fiscal year ended February 28, 2022 ¥2,887 million—%
First quarter of Fiscal year ended February 29, 2021 ¥(11,792) million—%

	Net income per share	Diluted net income per share
	Yen	Yen
First quarter of FY ended February 28,2022	26.94	—
First quarter of FY ended February 28,2021	(113.91)	—

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio
	Million yen	Million yen	%
First quarter of FY ended February 28,2022	148,329	100,348	67.3
FY ended February 28,2021	154,951	97,430	62.6

(Reference) Shareholders' equity: First quarter of FY ended February 28,2022 ¥99,859 million
FY ended February 2021 ¥96,977 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 2021	—	0.00	—	0.00	0.00
FY ended February 2022	—	—	—	—	—
FY ended February 2022 (forecast)	—	0.00	—	5.00	5.00

(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, 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

(Note) Revisions during this quarter of previously disclosed consolidated business results projection for FY 2022: None

* Notes:

(1) Changes in significant subsidiaries during the period: Yes

Changes in specified subsidiaries resulting in a change in the scope of consolidation

Deselection 2 companies(SANEI-INTERNATIONAL CO.,LTD. and TSI GROOVE AND SPORTS CO.,LTD.)

(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: None

b. Changes in accounting policies other than above (a): None

c. Changes of accounting estimates: None

d. Restatements: None

(4) Number of shares issued (common stock)

a. Number of shares issued at the end of period (treasury stock included)	Q1 of FY ended February 2022	95,783,293 shares	FY ended February 2021	95,783,293 shares
b. Number of treasury stock at the end of period	Q1 of FY ended February 2022	5,510,669 shares	FY ended February 2021	5,556,309 shares
c. Average number of shares over the period	Q1 of FY ended February 2022	90,242,807 shares	Q1 of FY ended February 2021	91,774,868 shares

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

*Explanation regarding the appropriate use of business forecasts and other special instructions

The forward-looking statements, including business forecasts, contained in this document are based on information currently available to the Company and on certain assumptions deemed reasonable by the Company, and are not intended as a promise by the Company that they will be achieved. Actual results may differ materially due to a variety of factors. Please refer to "(3) Explanation of Consolidated Business Forecast and Other Forward-looking Statements" on page 3 for the assumptions underlying the forecasts and cautionary statements regarding the use of the forecasts.

Contents of Attached Materials

1. Qualitative Information on results for this quarter of FY ended February 2022	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
(3) Notes to Quarterly Consolidated Financial Statements	8
Going Concern Assumption	8
Notes on Significant Changes in Shareholders' Equity	8
Additional Information	8
Segments of the Company and Related Information	12

1. Qualitative Information on results for this quarter of FY ended February 2022

(1) Overview of Business Results

During Q1 of consolidated cumulative period (March 1, 2021 to May 31, 2021), the apparel industry found itself in a situation where the spread of Covid-19 infections kept commercial facilities closed, or on short hours, and kept people off of the streets, which is impacting clothing sales.

While the supply of vaccines and the start of mass inoculation are expected to converge, the government issued a 3rd state of emergency on April 23, 2021, and the period of emergency was extended for some areas, leading to a state of uncertainty across the nation.

Under such a business environment, our group is using the TSI Innovation Program 2024 (TIP24) as a springboard to focus attention on withdrawing from unprofitable businesses and shops, reducing labor costs, and reducing SG&A expenses across the entire company. Following this, we will shift to a phase that involves boosting efforts in the rapidly growing area of EC business, and breaking into IT system business and other new business, etc. We will also actively invest for the future to maximize profitability in the group.

Moreover, after the takeover merger in March 2021 as the first step aimed at unifying our group companies into one company (our subsidiary Sanei BD Co., Ltd. absorbed 8 other subsidiaries, with the post-merger trade name changed to TSI Inc.), with the aim of further improving decision-making speed and operational efficiency.

However, with no end in sight for the pandemic, we are diligently implementing measures, such as curbing excess inventory by reducing purchase of products to an appropriate standard, but the consumer mindset is weakening with fewer people prepared to visit shops because they continue to live quietly at home away from infection risks. Thus, the turnover at shops run by companies in our group still face a tough situation.

Consequently, sales were 34.215 billion yen (up 57.8% YoY), operating income was 2.273 billion yen (loss of 6.445 billion yen in the same quarter last year), and ordinary income was 2.578 billion yen (a loss of 6.094 billion yen in the same quarter of the previous year).

Further, net income attributable to owners of the group's parent company was 2.431 billion yen (a loss of 10.454 billion yen in the same quarter of the previous 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 increased 58.0% year on year, to ¥33,155 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 Caffè JAPAN Co., Ltd., which operates in Japan a popular organic café in the U.S., California. Net sales in this segment declined 34.0% compared with the previous fiscal year, to ¥1,233million owing mainly to the continued impact of COVID-19.

(2) Overview of Financial Position

(Million yen)

	At the end of FY ended February 2021 (As of February 28, 2021)	At the end of 1Q FY ended February 2022 (As of May 31, 2021)	Increase/decrease
Total assets	154,951	148,329	(6,621)
Liabilities	57,521	47,981	(9,539)
Net assets	97,430	100,348	2,918
Shareholders' equity ratio	62.6%	67.3%	4.7%
Net assets per share	¥1,074.81	¥1,106.20	¥31.39

Total assets decreased by ¥6,621 million from the end of the previous fiscal year, despite an increase in investment securities (up ¥566 million). This was mainly due to a decrease in cash and deposits (down ¥7,054 million).

Liabilities decreased by ¥9,539 million from the end of the previous fiscal year due to a decrease in notes and accounts payable-trade (down ¥798 million) and a decrease in income taxes payable (down ¥1,905 million) and a decrease in other current liabilities (down ¥4,404 million) and a decrease in long-term borrowings (including current portion of long-term borrowings) (down ¥1,908 million).

Net assets increased by ¥2,918 million from the end of the previous fiscal year due to an increase in retained earnings (up ¥2,431 million) and an increase in foreign currency translation adjustment (up ¥430 million).

As a result, net asset per share increased by ¥31.39.

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

No adjustments were made concerning the business results projection for the year ending 28 February, 2022 as reported in the "Forecast of Consolidated Business Results for the Fiscal Year Ending February 28, 2022" released on 12 April 2021.

2. Quarterly Consolidated Financial Statements and Major Notes

(1) Quarterly Consolidated Balance Sheets

	(Million yen)	
	Previous consolidated fiscal year (As of February 28, 2021)	Quarter consolidated accounting period of current fiscal year (As of May 31, 2021)
Assets		
Current assets		
Cash and deposits	49,871	42,816
Notes and accounts receivable–trade	10,888	10,885
Merchandise and finished goods	17,034	17,796
Work in process	544	280
Raw materials and supplies	821	716
Other	3,594	3,980
Allowance for doubtful accounts	(39)	(45)
Total current assets	82,714	76,430
Non-current assets		
Property, plant and equipment	8,149	8,191
Intangible asset		
Goodwill	5,266	5,252
Other	7,404	7,451
Total intangible assets	12,670	12,704
Investments and other assets		
Investment securities	28,872	29,439
Investment property	4,980	4,973
Other	17,670	16,716
Allowance for doubtful accounts	(106)	(126)
Total investments and other assets	51,416	51,003
Total non-current assets	72,237	71,899
Total assets	154,951	148,329
Liabilities		
Current liabilities		
Notes and accounts payable–trade	11,607	10,809
Short-term borrowings	152	153
Current portion of long-term borrowings	8,915	8,699
Income taxes payable	2,196	290
Provision for bonuses	1,336	1,072
Provision for point card certificates	426	472
Provision for shareholder benefit program	126	81
Provision for sales returns	289	250
Asset retirement obligations	12	25
Other	10,906	6,501
Total current liabilities	35,969	28,356
Non-current liabilities		
Long-term borrowings	16,082	14,389
Provision for retirement benefits for directors	42	42
Retirement benefit liability	1,040	1,009
Asset retirement obligations	2,344	2,298
Other	2,042	1,885
Total non-current liabilities	21,551	19,624
Total liabilities	57,521	47,981

(Million yen)

	Previous consolidated fiscal year (As of February 28, 2021)	Quarter consolidated accounting period of current fiscal year (As of May 31, 2021)
Net assets		
Shareholders' equity		
Share capital	15,000	15,000
Capital surplus	29,255	29,255
Retained earnings	52,213	54,645
Treasury stock	(3,747)	(3,726)
Total shareholders' equity	92,720	95,174
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	4,812	4,790
Foreign currency translation adjustment	(469)	(39)
Remeasurements of defined benefit plans	(86)	(65)
Total accumulated other comprehensive income	4,256	4,685
Non-controlling interests	452	488
Total net assets	97,430	100,348
Total liabilities and net assets	154,951	148,329

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

Quarterly consolidated statements of income

Consolidated cumulative first quarter

(Million yen)

	Consolidated cumulative first quarter of previous fiscal year (March 1,2020 to May 31, 2020)	Consolidated cumulative first quarter of current fiscal year (March 1,2021 to May 31, 2021)
Net sales	21,682	34,215
Cost of sales	12,623	15,069
Gross profit	9,058	19,145
Selling, general and administrative expenses	15,504	16,872
Operating income (loss)	(6,445)	2,273
Non-operating income		
Interest income	5	0
Dividend income	396	128
Real estate income	336	47
Foreign exchange income	-	151
Other	92	130
Total non-operating income	831	457
Non-operating expenses		
Interest expenses	50	31
Foreign exchange losses	73	-
Loss on valuation of investment securities	51	4
Rental expenses on real estate	154	63
Other	149	51
Total non-operating expenses	479	151
Ordinary income (loss)	(6,094)	2,578
Extraordinary income		
Gain on sales of non-current assets	-	4
Gain on sale of investment securities	61	338
Other	5	171
Total extraordinary income	67	514
Extraordinary losses		
Loss on retirement of non-current assets	16	6
Impairment loss	889	2
Loss due to temporary closing	2,414	574
Other	-	14
Total extraordinary losses	3,320	597
Income(loss) before income taxes	(9,346)	2,495
Income taxes—current	94	273
Income taxes—deferred	1,053	(203)
Total income taxes	1,147	69
Net income (loss)	(10,494)	2,426
Net loss attributable to non-controlling interest	(40)	(4)
Net income attributable to owners of parent	(10,454)	2,431

Quarterly Consolidated statements of comprehensive income
 Consolidated cumulative first quarter

	(Million yen)	
	Consolidated cumulative first quarter of previous fiscal year (March 1,2020 to May 31, 2020)	Consolidated cumulative first quarter of current fiscal year (March 1,2021 to May 31, 2021)
Net income(loss)	(10,494)	2,426
Other comprehensive income		
Valuation difference on available-for-sale securities	(1,199)	(22)
Foreign currency translation adjustment	(107)	451
Remeasurements of defined benefit plans	9	21
Share of other comprehensive income of affiliates accounted for using equity method	(0)	10
Total other comprehensive income	(1,298)	460
Comprehensive income	(11,792)	2,887
Total comprehensive income attributable to:		
Owners of parent	(11,749)	2,860
Non-controlling interests	(43)	26

(3) Notes to Quarterly Consolidated Financial Statements

Going Concern Assumption

Not applicable

Notes on Significant Changes in Shareholders' Equity

Not applicable

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 ¥325 million for 696,000 shares. And that as of the end of this fiscal year under review were ¥306 million for 655,000 shares.

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

As of February 28, 2021: ¥359 million and as of March 31, 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 ¥288 million for 512,000 shares as of the end of the previous fiscal year and ¥285 million for 507,000 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.

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

The Transaction under common control

(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 EC STRATEGY CO., LTD. TSI PRODUCTION NETWORK CO., LTD.
Business:	Apparel business

ii. Date of Business Combination

March 1, 2021 and March 12, 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 Inc.)

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 Inc., as the surviving company, and consolidated subsidiaries Ueno Shokai Co., Ltd., Jack Clothing Co., Ltd., Arpege 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 Inc.
Business:	Apparel business
Names of the Combined Companies:	Ueno Shokai Co., Ltd. Jack Co., Ltd. Arpege 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 Inc., as the surviving company, and consolidated subsidiaries Ueno Shokai Co., Ltd., Jack Co., Ltd., Arpege 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 Inc.

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 Inc., 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 Inc. (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 Inc.

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 Inc., as the company to be merged.

iv. Name of the Company after Business Combination

TSI Holdings Co., Ltd. (new corporate name: TSI Inc. (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.

Segments of the Company and Related Information

1. Consolidated cumulative first quarter of previous fiscal year (March 1, 2020 to May 31, 2020)

(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	20,924	740	21,665	16	21,682
Inter-segment sales or transfers	66	1,128	1,195	(1,195)	—
Total	20,991	1,869	22,860	(1,178)	21,682
Segment income (loss)	(6,589)	(92)	(6,681)	235	(6,445)

Notes:

1. Other, which doesn't belong to respective reportable segments, includes synthetic resin-related, store design and management and so on.
2. Segment income (loss) adjustment of ¥235 million is transaction offsets among consolidated companies.
3. Segment income (loss) is adjusted to operating income listed in the consolidated financial statements.

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

Important impairment loss in non-current assets

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.

A significant change in the amount of goodwill

None

A significant gain from negative goodwill

None

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

(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	33,129	1,072	34,201	13	34,215
Inter-segment sales or transfers	66	161	187	(187)	—
Total	33,155	1,233	34,389	(174)	34,215
Segment income (loss)	2,523	(22)	2,500	(227)	2,273

Notes:

1. Other, which doesn't belong to respective reportable segments, includes synthetic resin-related, store design and management and so on.
2. Segment income (loss) adjustment of ¥235 million is transaction offsets among consolidated companies.
3. Segment income (loss) is adjusted to operating income listed in the consolidated financial statements.

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

Important impairment loss in non-current assets

None

A significant change in the amount of goodwill

None

A significant gain from negative goodwill

None