

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

October 5, 2021

Company name: TSI HOLDINGS CO., LTD. Stock listing: Tokyo Stock Exchange
 Code number: 3608 URL: <https://www.tsi-holdings.com/en/>
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Scheduled date of financial report: October 8, 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 Second quarter of the Fiscal Year Ended February 28, 2022(March 1, 2021 to August 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	%
Second quarter of FY ended February 28,2022	64,751	15.1	1,134	—	2,002	—	1,890	—
Second quarter of FY ended February 28,2021	56,270	(31.2)	(10,469)	—	(9,642)	—	(14,434)	—

(Notes) Comprehensive income: Second quarter of Fiscal year ended February 28, 2022 ¥1,698 million—%
 Second quarter of Fiscal year ended February 29, 2021 ¥(16,038) million—%

	Net income per share	Diluted net income per share
Second quarter of FY ended February 28,2022	Yen 20.94	Yen —
Second quarter of FY ended February 28,2021	(158.70)	—

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio
	Million yen	Million yen	%
Second quarter of FY ended February 28,2022	143,950	99,181	68.6
FY ended February 28,2021	154,951	97,430	62.6

(Reference) Shareholders' equity: Second quarter of FY ended February 28,2022 ¥98,710 million
 FY ended February 2021 ¥96,977 million

2. Dividends

	Annual dividend				
	End of 1Q	End of 2Q	End of 3Q	Year-end	Total
FY ended February 2021	Yen —	Yen 0.00	Yen —	Yen 0.00	Yen 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
Full fiscal year	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
	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)	Q2 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	Q2 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	Q2 of FY ended February 2022	90,242,807 shares	Q2 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) Quarterly Consolidated Statements of Cash Flows	8
(4) Notes to Quarterly Consolidated Financial Statements	10
Going Concern Assumption	10
Notes on Significant Changes in Shareholders' Equity	10
Additional Information	10
Segments of the Company and Related Information	15

1. Qualitative Information on Quarterly Results

(1) Overview of Business Results

During Q2 of consolidated cumulative period (March 1, 2021–August 31, 2021) the apparel industry was affected by the spread of COVID-19 which caused people to refrain from going out and commercial facilities to close or shorten their hours of operation, which in turn has affected sales. Although there are signs of COVID-19 abating as vaccination rates rise, a state of emergency was declared in Tokyo on July 12, and in Saitama, Chiba, Kanagawa, and Osaka on August 2. Nevertheless, the outlook remains uncertain.

Within this business environment, based on the medium-term reform project, TSI Innovation Program 2024 (TIP24), the Group has focused on withdrawing from unprofitable businesses and stores, reducing labor costs, and cutting SG&A expenses companywide. Following this, we will move into the next phase of reinforcing our fast-growing EC business, IT systems, and entering new businesses, and we will aggressively invest in the future to maximize the Group's earning capacity. Furthermore, we conducted an absorption-type merger in March 2021 as the first step aimed at unifying our group companies into one company (SANEI bd CO.,LTD. our subsidiary, absorbed eight other apparel subsidiaries, after which the trade name was changed to TSI Inc.). We aim to further improve decision-making speed and operational efficiency by name changes.

The spread of COVID-19 is not yet under control and consumer confidence is sluggish due to restraints on public movement, and the in-store sales of our group companies continue to be dire due to a decrease in the number of customers visiting our stores. Despite this setback, we focused our efforts on measures such as strengthening sales through EC and curbing excess inventory by reducing product purchases to appropriate levels.

Consequently, net sales were ¥64,751 million (up 15.1% year on year), operating income was ¥1,134 million (a loss of ¥10,469 million in the same quarter last year), and ordinary income was ¥2,002 million (a loss of ¥9,642 million in the same quarter last year). Quarterly profit attributable to owners of the Group's parent was realized at ¥1,890 million (a loss of ¥14,434 million in the same quarter last year).

An overview of each business segment is outlined below:

Apparel-Related Businesses

With regard to subsidiaries consisting of the Company's apparel-related business, we have focused on withdrawing from unprofitable businesses and stores, reducing labor costs, and cutting SG&A expenses companywide based on the aforementioned medium-term reform project (TIP24). In addition, we have continued to improve profitability by reforming existing brands and increasing operational efficiency, based on the medium-term management strategy.

In the midst of the need to manage brands in existing businesses with high market value that stand out for their individuality and are not affected by price competition, we have been aiming to expand profitability by developing products that make use of our unique features, including a golf brand "MASTER BUNNY EDITION," the ladies brands "Mystrada" and "JUSGLITTY," a street brand "HUF," and "UNDEFEATED," a business with a focus on sneakers. However, once again, a state of emergency was declared in many prefectures during the summer. Stores within department stores and shopping malls remain severely affected.

In the EC business, we have further facilitated measures to strengthen the cooperation between in-store sales and EC and strived to increase the latter by consolidating in-store inventory into EC inventory, expanding in-store online customer service, and transferring in-store customer to EC.

Through these initiatives, net sales of the apparel-related businesses reached ¥62,607 million (up 14.7% year on year).

Other Businesses

TSI Holdings' other businesses include S GROOVE CO.,LTD which engages in sales agents and temporary staffing businesses; Toska-Bano'k Co., Ltd which trades in the manufacture and sale of synthetic resin products; PLAX Co., Ltd, which involves in-store design and management and restaurant business; Laline JANAN CO.,LTD. which participates in the purchase and sale of cosmetics, perfumes, soaps, etc.; and Urth Cafe JAPAN CO.,LTD. which

operates popular organic cafes in the U.S., California. Net sales decreased 39.6% year on year to ¥2,428 million due to the continuing impact of the COVID-19 pandemic.

(2) Overview of Financial Position

			(Million yen)
	At the end of FY ended February 2021 (As of February 28, 2021)	At the end of 2Q FY ended February 2022 (As of August 31, 2021)	Increase/decrease
Total assets	154,951	143,950	(11,000)
Liabilities	57,521	44,768	(12,752)
Net assets	97,430	99,181	1,751
Shareholders' equity ratio	62.6%	68.6%	6.0%
Net assets per share	¥1,074.81	¥1,092.92	¥18.11

Total assets decreased by ¥11,000 million from the end of the previous fiscal year due to a decrease in cash and deposits (down ¥9,430 million) and a decrease in Notes and accounts receivable—trade (down ¥1,155 million).

Liabilities decreased by ¥12,752 million from the end of the previous fiscal year due to a decrease in notes and accounts payable—trade (down ¥1,335 million) and a decrease in income taxes payable (down ¥1,924 million) and a decrease in other current liabilities (down ¥4,319 million) and a decrease in long-term borrowings (including current portion of long-term borrowings) (down ¥4,504 million).

Net assets increased by ¥1,751 million from the end of the previous fiscal year, despite a decrease in Valuation difference on available-for-sale securities (down ¥620 million). This was mainly due to an increase in retained earnings (up ¥1,890 million) and an increase in foreign currency translation adjustment (up ¥401 million).

As a result, net asset per share increased by ¥18.11.

(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 August 31, 2021)
Assets		
Current assets		
Cash and deposits	49,871	40,440
Notes and accounts receivable—trade	10,888	9,733
Securities	-	988
Merchandise and finished goods	17,034	17,409
Work in process	544	641
Raw materials and supplies	821	665
Other	3,594	3,608
Allowance for doubtful accounts	(39)	(48)
Total current assets	<u>82,714</u>	<u>73,438</u>
Non-current assets		
Property, plant and equipment	8,149	7,889
Intangible asset		
Goodwill	5,266	5,054
Other	7,404	7,309
Total intangible assets	<u>12,670</u>	<u>12,364</u>
Investments and other assets		
Investment securities	28,872	28,865
Investment property	4,980	4,965
Other	17,670	16,554
Allowance for doubtful accounts	(106)	(126)
Total investments and other assets	<u>51,416</u>	<u>50,258</u>
Total non-current assets	<u>72,237</u>	<u>70,511</u>
Total assets	<u>154,951</u>	<u>143,950</u>
Liabilities		
Current liabilities		
Notes and accounts payable—trade	11,607	10,272
Short-term borrowings	152	202
Current portion of long-term borrowings	8,915	7,835
Income taxes payable	2,196	272
Provision for bonuses	1,336	1,134
Provision for point card certificates	426	453
Provision for shareholder benefit program	126	131
Provision for sales returns	289	242
Asset retirement obligations	12	64
Other	10,906	6,586
Total current liabilities	<u>35,969</u>	<u>27,195</u>
Non-current liabilities		
Long-term borrowings	16,082	12,657
Provision for retirement benefits for directors	42	37
Retirement benefit liability	1,040	1,023
Asset retirement obligations	2,344	2,214
Other	2,042	1,641
Total non-current liabilities	<u>21,551</u>	<u>17,573</u>
Total liabilities	<u>57,521</u>	<u>44,768</u>

	(Million yen)	
	Previous consolidated fiscal year (As of February 28, 2021)	Quarter consolidated accounting period of current fiscal year (As of August 31, 2021)
Net assets		
Shareholders' equity		
Share capital	15,000	15,000
Capital surplus	29,255	29,255
Retained earnings	52,213	54,104
Treasury stock	(3,747)	(3,704)
Total shareholders' equity	<u>92,720</u>	<u>94,655</u>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	4,812	4,192
Foreign currency translation adjustment	(469)	(67)
Remeasurements of defined benefit plans	(86)	(69)
Total accumulated other comprehensive income	<u>4,256</u>	<u>4,055</u>
Non-controlling interests	452	471
Total net assets	<u>97,430</u>	<u>99,181</u>
Total liabilities and net assets	<u>154,951</u>	<u>143,950</u>

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

Quarterly consolidated statements of income

Consolidated cumulative Second quarter

	(Million yen)	
	Consolidated cumulative Second quarter of previous fiscal year (March 1,2020 to August 31, 2020)	Consolidated cumulative Second quarter of current fiscal year (March 1,2021 to August 31, 2021)
Net sales	56,270	64,751
Cost of sales	32,101	29,456
Gross profit	24,169	35,294
Selling, general and administrative expenses	34,639	34,160
Operating income (loss)	(10,469)	1,134
Non-operating income		
Interest income	15	19
Dividend income	696	410
Real estate income	697	131
Foreign exchange income	-	133
Other	256	433
Total non-operating income	1,665	1,127
Non-operating expenses		
Interest expenses	109	68
Foreign exchange losses	78	-
Loss on valuation of investment securities	10	0
Rental expenses on real estate	335	96
Other	305	93
Total non-operating expenses	839	258
Ordinary income (loss)	(9,642)	2,002
Extraordinary income		
Gain on sales of non-current assets	-	384
Gain on sale of investment securities	110	809
Subsidies for employment adjustment	308	12
Other	-	237
Total extraordinary income	418	1,443
Extraordinary losses		
Loss on retirement of non-current assets	42	19
Impairment loss	1,404	25
Loss on sale of investment securities	9	-
Loss on valuation of investment securities	36	-
Loss due to temporary closing	2,414	1,000
Other	107	22
Total extraordinary losses	4,014	1,067
Income(loss) before income taxes	(13,237)	2,378
Income taxes—current	179	262
Income taxes—deferred	1,072	247
Total income taxes	1,252	510
Net income (loss)	(14,490)	1,867
Net loss attributable to non-controlling interest	(56)	(22)
Net income attributable to owners of parent	(14,434)	1,890

Quarterly Consolidated statements of comprehensive income
 Consolidated cumulative Second quarter

	Consolidated cumulative Second quarter of previous fiscal year (March 1,2020 to August 31, 2020)	Consolidated cumulative Second quarter of current fiscal year (March 1,2021 to August 31, 2021)	(Million yen)
Net income(loss)	(14,490)	1,867	
Other comprehensive income			
Valuation difference on available-for-sale securities	(1,453)	(620)	
Foreign currency translation adjustment	(111)	422	
Remeasurements of defined benefit plans	18	17	
Share of other comprehensive income of affiliates accounted for using equity method	(1)	11	
Total other comprehensive income	<u>(1,547)</u>	<u>(169)</u>	
Comprehensive income	<u>(16,038)</u>	<u>1,698</u>	
Total comprehensive income attributable to:			
Owners of parent	(15,972)	1,689	
Non-controlling interests	(65)	9	

(3) Quarterly Consolidated Statement of Cash Flows

	(Million yen)	
	Consolidated cumulative Second quarter of previous fiscal year (March 1,2020 to August 31, 2020)	Consolidated cumulative Second quarter of current fiscal year (March 1,2021 to August 31, 2021)
Cash flows from operating activities		
Income before income taxes	(13,237)	2,378
Depreciation	1,958	1,571
Amortization of goodwill	389	389
Increase (decrease) in allowance for doubtful accounts	82	27
Increase (decrease) in retirement benefit liability	8	9
Increase (decrease) in provision for retirement benefits for directors	(55)	(4)
Increase (decrease) in provision for bonuses	(44)	(170)
Increase (decrease) in provision for sales returns	(11)	(49)
Increase (decrease) in provision for point card certificates	(9)	31
Increase (decrease) in provision for shareholder benefit program	35	4
Interest and dividend income	(711)	(429)
Interest expenses	109	68
Loss (gain) on sales of non-current assets	-	(384)
Loss on retirement of non-current assets	42	19
Impairment loss	1,404	25
Loss due to temporary closing	2,414	1,000
Loss (gain) on sales of investment securities	(100)	(809)
Subsidies for employment adjustment	(308)	(12)
Decrease (increase) in accounts receivables—trade	1,555	1,089
Decrease (increase) in inventories	213	(957)
Increase (decrease) in accounts payables—trade	(2,571)	(1,299)
Increase (decrease) in accrued consumption taxes	(737)	(1,157)
Increase (decrease) in long-term accounts payable—other	(29)	-
Other	(1,766)	(710)
Subtotal	(11,372)	631
Interest and dividends received	711	429
Interest paid	(109)	(68)
Income taxes paid	(357)	(2,268)
Income taxes refund	747	85
Payment for loss due to temporary closing	(2,185)	(937)
Payment for Voluntary retirement-related expenses	-	(947)
Net cash provided by (used in) operating activities	(12,564)	(3,075)

(Million yen)

	FY2020 (March 1, 2020 to August 31, 2020)	FY2021 (March 1, 2021 to August 31, 2021)
Cash flows from investing activities		
Net decrease (increase) in time deposits	(1)	(611)
Purchase of property, plant and equipment	(1,866)	(620)
Proceeds from sales of property, plant and equipment	0	5
Purchase of investment securities	(2,906)	(5,257)
Proceeds from sales of investment securities	2,952	3,479
Purchase of intangible assets	(311)	(378)
Proceeds from sales of intangible assets	-	380
Payments of leasehold and guarantee deposits	(271)	(117)
Proceeds from collection of leasehold and guarantee deposits	460	623
Payments for acquisition of long-term prepaid expenses	(44)	(38)
Purchase of investment property	(2)	-
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(656)	-
Payments for sales of shares of subsidiaries resulting in change in scope of consolidation	-	(91)
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	-	25
Proceeds from sales of Business transfer	-	20
Other	1,671	(75)
Net cash provided by (used in) investing activities	(974)	(2,658)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	20,612	41
Proceeds from long-term borrowings	400	-
Repayments of long-term borrowings	(4,488)	(4,518)
Purchase of treasury shares	(780)	(0)
Proceeds from sales of treasury shares	-	43
Dividends paid	(1,635)	-
Other	(8)	(9)
Net cash provided by (used in) financing activities	14,100	(4,443)
Effect of exchange rate change on cash and cash equivalents	(5)	134
Net increase (decrease) in cash and cash equivalents	555	(10,042)
Cash and cash equivalents at beginning of period	30,232	49,761
Cash and cash equivalents at end of period	30,788	39,718

(4) Notes to Quarterly Consolidated Financial Statements

Going Concern Assumption

Not applicable

Notes on Significant Changes in Shareholders' Equity

Not applicable

Change of accounting estimate

In the first quarter of the current consolidated cumulative period, there is no prospect of convergence in preventing the spread of new coronavirus infections.

We have changed the estimate for the allowance for bonuses recorded in the previous consolidated fiscal year.

As a result of this change, operating income, ordinary income, and income before income taxes for the first quarter of the current consolidated cumulative period will be increased.

It has increased by 587 million yen.

Valuation Criteria for Inventories

The Company has adopted a valuation criteria for inventories based on a certain devaluation rate determined in accordance with the period since production or purchase. The Company's balance sheet amount is based on the devalued book value. While we were affected by the expansion of COVID-19, we've changed the sales policy and held down purchase and sales cost and along with that, we tried to improve the portion of the proper sales.

Consequently, the existing write-down rate deviates from that which would have been applied if the latest sales results had been reflected. We therefore decided to reflect the latest sales results in the write-down rate that evaluates the book value effective for the six-month period under review. The change in the estimation method was made to reflect decline in inventory-related profitability more appropriately in the Company's financial position and operating results.

As a result of this change, the cost of sales decreased by ¥970 million in the second half of the current fiscal year. Consequently, operating income, ordinary income, and income before income taxes increased by the same amount, respectively.

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 ¥289 million for 618,000 shares.

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

As of February 28, 2021: ¥359 million and as of August 31, 2021: ¥334 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 ¥280 million for 499,000 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 second quarter of previous fiscal year (March 1,2020 to August 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	54,456	1764	56,220	50	56,270
Inter-segment sales or transfers	131	2,259	2,391	(2,391)	—
Total	54,588	4,023	58,612	(2,341)	56,270
Segment income (loss)	(10,737)	(158)	(10,896)	426	(10,469)

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 ¥426 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.

As a side note, recorded amount of impairment loss in non-current assets were ¥1,404 million as of the end of this fiscal year under review.

A significant change in the amount of goodwill

None

A significant gain from negative goodwill

None

1. Consolidated cumulative second quarter of current fiscal year (March 1, 2021 to August 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	62,557	2,134	64,691	59	64,751
Inter-segment sales or transfers	50	293	344	(344)	—
Total	62,607	2,428	65,036	(285)	64,751
Segment income (loss)	1,022	(10)	1,011	122	1,134

Notes:

1. Other, which doesn't belong to respective reportable segments, includes synthetic resin-related, store design and management and so on.
2. Segment income (loss) adjustment of ¥122 million 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