

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

July 12, 2023

Company name: TSI HOLDINGS CO., LTD. Stock listing: Tokyo Stock Exchange
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Scheduled date of financial report: July 14, 2023
Scheduled date to begin dividend payment: —
Preparation of supplementary financial document: Yes
Briefing session to explain the financial statements: Yes (For institutional investors and analysts)

(Rounded down to the nearest million yen)

1. Consolidated Business Results for the first quarter of the Fiscal Year Ended February 29, 2024(March 1, 2023 to May 31, 2023)

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

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
First quarter of FY ended February 29,2024	39,372	3.3	1,836	14.5	2,425	9.6	1,988	(3.6)
First quarter of FY ended February 28,2023	38,122	11.4	1,603	(29.5)	2,212	(14.2)	2,063	(15.1)

(Notes) Comprehensive income: First quarter of Fiscal year ended February 29, 2024 ¥1,797 million(31.0%)
First quarter of Fiscal year ended February 28, 2023 ¥2,605 million(9.8%)

	Net income per share	Diluted net income per share
	Yen	Yen
First quarter of FY ended February 29,2024	23.78	—
First quarter of FY ended February 28,2023	23.04	—

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio
	Million yen	Million yen	%
First quarter of FY ended February 29,2024	136,027	99,080	72.6
FY ended February 28,2023	135,427	98,878	72.7

(Reference) Shareholders' equity: First quarter of FY ended February 29,2024 ¥98,704 million
FY ended February 2023 ¥98,480 million

2. Dividends

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

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

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

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

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Second quarter (Cumulative)	75,000	4.0	1,000	69.8	1,400	(26.0)	1,000	(55.6)	11.87
Full fiscal year	162,000	4.9	4,700	101.8	5,500	42.5	3,500	14.3	41.54

(Note) Revisions during this quarter of previously disclosed consolidated business results projection for FY 2024: None

* Notes:

(1) Changes in significant subsidiaries during the period: None

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

(2) Application of particular accounts procedures to the preparation of quarterly consolidated financial statements: None

(3) Changes in accounting policies, accounting estimates, and restatements

a. Changes in accounting policies due to revisions of accounting standards: Yes

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

c. Changes of accounting estimates: None

d. Restatements: None

(Note) For details, please refer to "2. Consolidated Financial Statements and Major Notes, and (3) Notes to Consolidated Financial Statements (changes in accounting policies)" on page 8 of attached materials.

(4) Number of shares issued (common stock)

a. Number of shares issued at the end of period (treasury stock included)	Q1 of FY ended February 2024	90,144,093 shares	FY ended February 2023	90,144,093 shares
b. Number of treasury stock at the end of period	Q1 of FY ended February 2024	7,029,893 shares	FY ended February 2023	5,878,463 shares
c. Average number of shares over the period	Q1 of FY ended February 2024	83,637,833 shares	Q1 of FY ended February 2023	89,574,530 shares

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

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

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

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

(1) Overview of Business Results

During the Q1 of the consolidated cumulative period (March 1, 2023 – May 31, 2023), there was a recovery in consumer spending in the apparel industry as the impacts of the COVID-19 pandemic subsided. However, the situation remained challenging due to a combination of factors, including a change in consumer sentiment toward apparel products due to the pandemic, soaring resource prices due to the Russia and Ukraine situation, and rapid exchange rate fluctuations.

In such a business environment, in order to transform the Group to "shed the 'apparel only' image" and become a "company creating fashion entertainment" according to the new medium-term management plan called the "TSI Innovation Program 2025 (TIP25)" announced in April 2022, it continues to drive forward fundamental reforms to its profit and corporate structures in response to changes in the social environment and customer lifestyles associated with the development of digital transformation (DX) with the aim of creating its own original value offerings. Specifically, we focus on investing in growth business areas, primarily in e-commerce (EC) expansion, and aim to reform the profit structure by shifting the phase from withdrawing unprofitable stores to opening large stores and reopening stores in prime locations and developing attractive stores.

Meanwhile, the Group is determined to focus more on reforms in the area of sustainability, which is of growing interest to customers, and will continue its efforts to reassure customers of the new value of its products through a review of the materials and manufacturing processes.

The Group has been working to secure the over-the-counter sales of its group companies and strengthen sales through EC, as well as to curb excess inventory and the cost of goods sold by strictly monitoring product purchases and reducing them to appropriate levels.

Consequently, the net sales stood at 39,372 million yen (up 3.3% year on year), the operating income was 1,836 million yen (up 14.5% year on year), and the ordinary income reached 2,425 million yen (up 9.6% year on year).

Furthermore, the quarterly profit attributable to owners of the Group's parent was 1,988 million yen (down 3.6% year on year).

Net sales by reportable segment were as follows.

Apparel-Related Businesses

With regard to each of the subsidiaries that comprise our apparel-related business, we focus on strengthening profitability by investing in growth business areas, reforming real stores, and shifting to EC sales channels based on the TIP25.

In existing businesses, we strove to improve our profitability by rolling out products that leverage the features of each brand, including the street brand "STUSSY", London collection brand "MARGARET HOWELL", military fashion focused "AVIREX", and outdoor fashion focused "and wander".

Consequently, the net sales in apparel-related businesses increased by 3.4% compared with the previous fiscal year to 38,047 million yen.

Other Businesses

Companies within TSI Holdings' other businesses include S-Groove Co., Ltd., which in addition to fulfilling a sales function for Group operating companies engages in paid employment placement and worker dispatching activities, Toska-Bano'k Co., Ltd., active in the manufacture and sale of synthetic resin related products, Plax Co., Ltd., which engages in store design and supervision as well as restaurant operations, Laline JAPAN Co., Ltd., which procures and sells a variety of products including cosmetics, perfumes, and soaps, and Urth Caffé JAPAN Co., Ltd., which operates in Japan a popular organic café in California, the U.S. Net sales were 1,533 million yen (up 2.3% compared with the previous fiscal year).

(2) Overview of Financial Position

(Million yen)

	At the end of FY ended February 2023 (As of February 28, 2023)	At the end of 1Q FY ended February 2024 (As of May 31, 2023)	Increase/decrease
Total assets	135,427	136,027	599
Liabilities	36,549	36,946	397
Net assets	98,878	99,080	202
Shareholders' equity ratio	72.7%	72.6%	(0.1%)
Net assets per share	¥1,168.69	¥1,187.58	¥18.89

Assets increased by ¥599 million, mainly due to increases in accounts receivable–trade (up ¥2,077 million from the end of the previous fiscal year) and inventories (up ¥2,591 million from the end of the previous fiscal year), despite a decrease in cash and deposits (down ¥3,706 million from the end of the previous fiscal year).

Liabilities increased by ¥397 million, mainly due to increases in the provision for bonuses (up ¥525 million from the end of the previous fiscal year) and “other” under current liabilities (up ¥867 million from the end of the previous fiscal year), despite a decrease in long-term borrowings (including the current portion of long-term borrowings) (down ¥1,018 million from the end of the previous fiscal year).

Net assets increased by ¥202 million, mainly due to an increase in retained earnings (up ¥1,137 million from the end of the previous fiscal year), despite an increase in treasury stock (up ¥742 million from the end of the previous fiscal year), which is a deduction item in net assets.

As a result, net asset per share increased by ¥18.89.

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

No adjustments were made concerning the business results projection for the year ending 29 February, 2024 as reported in the “Forecast of Consolidated Business Results for the Fiscal Year Ending February 29, 2024” released on 12 April 2023.

2. Quarterly Consolidated Financial Statements and Major Notes

(1) Quarterly Consolidated Balance Sheets

	(Million yen)	
	Previous consolidated fiscal year (As of February 28, 2023)	Quarter consolidated accounting period of current fiscal year (As of May 31, 2023)
Assets		
Current assets		
Cash and deposits	32,205	28,498
Notes receivable-trade	127	101
Account receivable-trade	10,604	12,681
Merchandise and finished goods	23,484	26,129
Work in process	636	517
Raw materials and supplies	559	623
Other	4,261	3,588
Allowance for doubtful accounts	(40)	(44)
Total current assets	71,837	72,096
Non-current assets		
Property, plant and equipment	6,136	6,760
Intangible asset		
Goodwill	1,922	1,827
Other	7,024	6,648
Total intangible assets	8,946	8,475
Investments and other assets		
Investment securities	27,879	27,805
Investment property	4,708	4,701
Other	16,023	16,293
Allowance for doubtful accounts	(105)	(105)
Total investments and other assets	48,506	48,695
Total non-current assets	63,589	63,930
Total assets	135,427	136,027
Liabilities		
Current liabilities		
Notes and accounts payable-trade	11,407	11,821
Short-term borrowings	17	-
Current portion of long-term borrowings	4,737	4,553
Income taxes payable	626	467
Provision for bonuses	1,301	1,827
Provision for shareholder benefit program	124	79
Asset retirement obligations	120	142
Other	7,905	8,773
Total current liabilities	26,239	27,665
Non-current liabilities		
Long-term borrowings	5,010	4,175
Provision for retirement benefits for directors	37	37
Retirement benefit liability	1,188	1,211
Asset retirement obligations	2,414	2,392
Other	1,658	1,465
Total non-current liabilities	10,309	9,281
Total liabilities	36,549	36,946

(Million yen)

	Previous consolidated fiscal year (As of February 28, 2023)	Quarter consolidated accounting period of current fiscal year (As of May 31, 2023)
Net assets		
Shareholders' equity		
Share capital	15,000	15,000
Capital surplus	25,933	25,933
Retained earnings	56,052	57,189
Treasury stock	(3,031)	(3,774)
Total shareholders' equity	93,953	94,348
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	3,802	3,779
Foreign currency translation adjustment	969	765
Remeasurements of defined benefit plans	(245)	(189)
Total accumulated other comprehensive income	4,526	4,356
Non-controlling interests	397	376
Total net assets	98,878	99,080
Total liabilities and net assets	135,427	136,027

(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, 2022 to May 31, 2022)	Consolidated cumulative first quarter of current fiscal year (March 1, 2023 to May 31, 2023)
Net sales	38,122	39,372
Cost of sales	15,774	16,810
Gross profit	22,348	22,562
Selling, general and administrative expenses	20,744	20,726
Operating income	1,603	1,836
Non-operating income		
Interest income	4	13
Dividend income	120	418
Real estate income	91	84
Foreign exchange income	270	63
Gain on sale of investment securities	17	-
Other	173	63
Total non-operating income	678	643
Non-operating expenses		
Interest expenses	19	12
Rental expenses on real estate	21	11
Loss on cancellation of insurance policies	-	11
Other	28	18
Total non-operating expenses	69	54
Ordinary income	2,212	2,425
Extraordinary income		
Gain on sales of non-current assets	3	-
Gain on sale of investment securities	101	191
Other	65	-
Total extraordinary income	170	191
Extraordinary losses		
Loss on retirement of non-current assets	-	4
Loss on sales of investment securities	-	17
Loss on valuation of investment securities	135	-
Impairment loss	20	25
Other	7	-
Total extraordinary losses	164	47
Income before income taxes	2,219	2,570
Income taxes—current	603	609
Income taxes—deferred	(420)	(2)
Total income taxes	183	606
Net income	2,035	1,963
Net loss attributable to non-controlling interest	(28)	(25)
Net income attributable to owners of parent	2,063	1,988

Quarterly Consolidated statements of comprehensive income
Consolidated cumulative first quarter

	(Million yen)	
	Consolidated cumulative first quarter of previous fiscal year (March 1,2022 to May 31, 2022)	Consolidated cumulative first quarter of current fiscal year (March 1,2023 to May 31, 2023)
Net income	2,035	1,963
Other comprehensive income		
Valuation difference on available-for-sale securities	352	(23)
Foreign currency translation adjustment	206	(200)
Remeasurements of defined benefit plans	37	55
Share of other comprehensive income of affiliates accounted for using equity method	(27)	-
Total other comprehensive income	569	(166)
Comprehensive income	2,605	1,797
Total comprehensive income attributable to:		
Owners of parent	2,600	1,818
Non-controlling interests	4	(21)

(3) Notes to Quarterly Consolidated Financial Statements

Going Concern Assumption

Not applicable

Notes on Significant Changes in Shareholders' Equity

Not applicable

Change in an Accounting policy

Implementation Guidance on Accounting Standard for Fair Value Measurement

The Company and its subsidiaries have adopted the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, issued on June 17, 2021; hereafter, referred to as the "Implementation Guidance on Accounting Standard for Fair Value Measurement") from the beginning of the first quarter of the current consolidated fiscal year. The new accounting policy stipulated in the Implementation Guidance on Accounting Standard for Fair Value Measurement will be applied in the future in accordance with the transitional treatment stipulated in Paragraph 27-2 of the Implementation Guidance on Accounting Standard for Fair Value Measurement. There is no impact on the quarterly consolidated financial statements.

Additional Information

Trust-Type Employee Stock Ownership Plan (ESOP)

TSI Holdings resolved at a Board of Directors' meeting held on April 13, 2020 to reintroduce a trust-type employee stock ownership plan (ESOP) as an incentive plan and part of its efforts to provide benefits for its employees.

i. Overview of the Plan

The Company has established a trust (the Shareholding Association Trust). The beneficiaries of the Shareholding Association Trust are members of the TSI Employee Shareholding Association (the Shareholding Association) who have met certain requirements.

The Shareholding Association Trust acquired in advance a number of TSI Holdings shares projected to be acquired by the Shareholding Association over a five-year period from April 2020 utilizing funds procured through debt finance. Thereafter, acquisition of the Company's shares by the Shareholding Association will be undertaken by the Shareholding Association Trust. Meanwhile, TSI Holdings will guarantee the debt finance undertaken by the Shareholding Association Trust.

ii. Shares of the Company Remaining in the Trust

The shares of the Company remaining in the Trust are posted as shares of treasury stock in the net assets section at their carrying amount in the Trust. The carrying amount and number of shares of treasury stock as of the end of the previous fiscal year under review were ¥187 million for 400,000 shares. And that as of the end of this fiscal year under review were ¥176 million for 376,000 shares.

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

As of February 28, 2023: ¥255 million and as of March 31, 2023: ¥255 million,

Board Benefit Trust (BBT)

In accordance with a proposal put forward at the Company's 5th General Meeting of Shareholders held on May 25, 2016, TSI Holdings introduced a performance-linked stock compensation (Board Benefit Trust (BBT)) plan for its directors and delegated executive officers as well as Group company directors (eligible officers).

i. Outline of the Transaction

Under the plan, the Company's shares are acquired through a trust using money contributed by the Company as funds. Eligible officers receive the Company's shares equivalent to the points granted in accordance with the level of performance achievement, etc., and money equivalent to the amount of the Company's shares converted at market

value as of the date of retirement (the Company's shares, etc.), pursuant to the officer stock delivery regulations. Meanwhile, the timing of receipt of the benefits of the Company's shares, etc. by eligible officers shall, in principle, be upon their retirement from office.

ii. Shares of the Company Remaining in the Trust

The shares of the Company remaining in the Trust are posted as shares of treasury stock in the net assets section at their carrying amount in the Trust. The carrying amount and number of shares of treasury stock were ¥279 million for 496,000 shares as of the end of the previous fiscal year and ¥279 million for 496,000 shares as of the end of this fiscal year under review.

Application of the Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System

The Company and some of its domestic consolidated subsidiaries have shifted from a consolidated taxation system to a group tax sharing system from the first quarter of the current consolidated fiscal year. In line with this, the accounting and disclosure of corporate tax, local corporation tax, and tax effect accounting are based on the "Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System" (Practical Issues Task Force No. 42, August 12, 2021; here after referred to as "Practical Issues Task Force No. 42"). In accordance with Paragraph 32 (1) of Practical Issues Task Force No. 42, no impact is deemed to arise from changes in accounting policies as a result of its application.

Segments of the Company and Related Information

1. Consolidated cumulative first quarter of previous fiscal year (March 1, 2022 to May 31, 2022)

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

	Reportable segment	Other Note 1	Total	Adjustments Note 2	Consolidated financial statements amount (Note 3)
	Apparel-related businesses				
Net sales					
Sales to third parties	36,754	1,356	38,110	11	38,122
Inter-segment sales or transfers	26	142	168	(168)	—
Total	36,780	1,498	38,278	(156)	38,122
Segment income	1,915	60	1,976	(372)	1,603

Notes:

1. Other, which doesn't belong to respective reportable segments, includes synthetic resin-related, store design and management and so on.
2. Segment income adjustment of ¥(372) million is transaction offsets among consolidated companies.
3. Segment income is adjusted to operating income listed in the consolidated financial statements.

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

Important impairment loss in non-current assets

None

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 1,2023 to May 31, 2023)

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

	Reportable segment	Other Note 1	Total	Adjustments Note 2	Consolidated financial statements amount (Note 3)
	Apparel-related businesses				
Net sales					
Sales to third parties	38,018	1,352	39,371	1	39,372
Inter-segment sales or transfers	29	180	209	(209)	—
Total	38,047	1,533	39,580	(207)	39,372
Segment income	2,025	118	2,143	(307)	1,836

Notes:

1. Other, which doesn't belong to respective reportable segments, includes synthetic resin-related, store design and management and so on.
2. Segment income adjustment of ¥(307) million is transaction offsets among consolidated companies.
3. Segment income is adjusted to operating income listed in the consolidated financial statements.

(3) 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