Business Results for the Fiscal Year Ended February 29, 2024

[Japanese GAAP] (Consolidated)

April 12, 2024

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 24, 2024
Scheduled date of financial report: May 24, 2024
Scheduled date to begin dividend payment: May 7, 2024
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 29, 2024 (March 1, 2023 to February 29, 2024)

(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 2024	155,383	0.6	1,760	(24.4)	3,758	(2.6)	4,849	58.3
FY ended February 2023	154,456	10.0	2,329	(47.5)	3,859	(33.8)	3,063	199.6

(Notes) Comprehensive income: Fiscal year ended February 29, 2024 ¥5,871 million 41.0%
Fiscal year ended February 28, 2023 ¥4,164 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 2024	59.97	—	5.0	2.8	1.1
FY ended February 2023	35.21	—	3.1	2.8	1.5

(Reference) Equity in earnings of affiliates: Fiscal year ended February 29, 2024 ¥253 million
Fiscal year ended February 28, 2023 ¥9 million

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of February 29, 2024	133,464	97,422	72.7	1,287 25
As of February 28, 2023	135,427	98,878	72.7	1,168 69

(Reference) Shareholders' equity: As of February 29, 2024, ¥97,084 million
As of February 28, 2023, ¥98,480 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 2024	(525)	3,496	(7,252)	26,766
FY ended February 2023	1,326	(110)	(9,589)	30,721

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 2023	—	0.00	—	10.00	10.00	851	28.4	0.9
FY ended February 2024	—	0.00	—	15.00	15.00	1,143	25.0	1.2
FY ended February 2025 (forecast)	—	0.00	—	19.00	19.00		35.8	

3. Forecast of Consolidated Business Results for the Fiscal Year Ending February 28, 2025 (March 1, 2024 to February 28, 2025)

(% 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)	74,500	1.7	(900)	—	(500)	—	(900)	—	(11.93)
Full fiscal year	160,000	3.0	2,000	13.6	2,500	(33.5)	4,000	(17.5)	53.04

＊Notes:

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

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

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

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

c. Changes of accounting estimates: Yes

d. Restatements: None

(Note) For details, please refer to "3. Consolidated Financial Statements and Major Notes, and (5) Notes to Consolidated Financial Statements (changes in accounting policies)" on page 18 of the attached materials.

(3) Number of shares issued (common stock)

a. Number of shares issued at the end of period (treasury stock included)	FY ended February 2024	87,074,993 shares	FY ended February 2023	90,144,093 shares
b. Number of treasury stock at the end of period	FY ended February 2024	11,655,093 shares	FY ended February 2023	5,878,463 shares
c. Average number of shares over the period	FY ended February 2024	80,875,224 shares	FY ended February 2023	86,994,620 shares

* Summary of financial statements is not subject to audit by a certified public accountant or an audit corporation.

***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 "(4) Explanation of Consolidated Business Forecast and Other Forward-looking Statements " on page 4 for the assumptions underlying the forecasts and cautionary statements regarding the use of the forecasts.

Contents of Attached Materials

1. Overview of Business Results

(1) Overview of Business Results for the Fiscal Year Ended February 29, 2024

During the consolidated cumulative period under review (from March 1, 2023 to February 29, 2024), the apparel industry saw a recovery in personal consumption. This was due to an increase in inbound demand as the impact of the COVID-19 pandemic subsided. On the other hand, the apparel industry continued to face difficult conditions due to a combination of factors. These factors included a shift in consumer sentiment toward apparel products due to the impact of the long-running infectious disease and the resulting high prices, soaring global resource and raw material prices arising from the conflicts in Ukraine and Palestine, and the significant depreciation of the yen.

In such a business environment, in order to transform itself into a "non-apparel-only company" and a "fashion entertainment creation company" as set out the new medium-term management plan called the "TSI Innovation Program 2025 (TIP25)" announced in April 2022, the Group continued to drive forward fundamental reforms to its profit structure and corporate structure in response to changes in the social environment and customer lifestyles associated with the development of Digital Transformation (DX).

Specifically, we focus on investing in growth business areas, primarily in EC expansion, and aim to reform its profit structure by shifting the phase from withdrawing unprofitable stores to opening large stores and reopening stores in prime locations, and developing attractive stores.

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

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

Consequently, the net sales were 155,383 million yen (up 0.6% compared with the previous fiscal year), the operating income was 1,760 million yen (down 24.4% compared with the previous fiscal year), and the ordinary income reached 3,758 million yen (down 2.6% compared with the previous fiscal year).

Furthermore, the quarterly profit attributable to owners of the Group's parent was 4,849 million yen (up 58.3% compared with the previous fiscal year).

Net sales by reportable segment were as follows.

Apparel-Related Businesses

In the Group's apparel-related business, the domestic golf apparel business, which had been a tailwind under the pandemic, and athleisure demand in the U.S. ran their course, and the market was showing signs of stabilizing.

Meanwhile, the street brand "STUSSY," which continued to perform well as inbound demand accelerated, as well as the London collection brand "MARGARET HOWELL" and the outdoor brand "and wander," which has sales channels overseas, remained strong. In addition, we strove to improve our profitability by developing products with distinctive features that respond to customers' lifestyles based on market needs. Such product brands include our mainstay military fashion brand "AVIREX," the leather fashion brand "Schott," and the womenswear brands "ADORE" and "CADUNE."

Despite these measures, the net sales in apparel-related businesses increased by 0.5% compared with the previous fiscal year to 150,076 million yen due to factors such as higher temperatures than in previous years, which resulted in a slowdown in the sales of autumn and winter items.

Other Businesses

Companies within TSI Holdings' other businesses including 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 California, the U.S. Net sales were 6,146 million yen (up 5.5% compared with the previous fiscal year).

(2) Overview of Financial Position

(Million yen)

	At the end of FY2023 (As of February 28, 2023)	At the end of FY2024 (As of February 29, 2024)	Increase/decrease
Total assets	135,427	133,464	(1,963)
Liabilities	36,549	36,041	(507)
Net assets	98,878	97,422	(1,455)
Shareholders' equity ratio	72.7%	72.7%	0.0%
Net assets per share	¥1,168.69	¥1,287.25	¥118.56

Total assets decreased by ¥1,963 million, mainly due to decreases in cash and deposits (down ¥4,732 million from the end of the previous period) and investment securities (down ¥2,742 million from the end of the previous period), despite increases in inventories (up ¥3,372 million from the end of the previous period) and deferred tax assets (up ¥2,077 million from the end of the previous period).

Liabilities decreased by ¥507 million, mainly due to decreases in notes and accounts payable-trade (down ¥1,791 million from the end of the previous period) and long-term borrowings (including current portion of long-term borrowings) (down ¥4,807 million from the end of the previous period), despite increases in short-term borrowings (up ¥4,996 million from the end of the previous period) and "other" in non-current liabilities (up ¥654 million from the end of the previous period).

Net assets decreased by ¥1,455 million, mainly due to a decrease in capital surplus (down ¥1,902 million from the end of the previous fiscal year) and an increase in treasury stock (up ¥4,574 million from the end of the previous fiscal year), which is a deduction item in net assets, despite increases in retained earnings (up ¥4,000 million from the end of the previous fiscal year) and valuation difference on available-for-sale securities (up ¥794 million from the end of the previous fiscal year).

As a result, net assets per share increased by ¥118.56.

(3) Overview of Cash Flows

(Million yen)

	At the end of FY2023 (As of February 28, 2023)	At the end of FY2024 (As of February 29, 2024)	Increase/decrease
Cash flows from operating activities	1,326	(525)	(1,851)
Cash flows from investing activities	(110)	3,496	3,607
Cash flows from financing activities	(9,589)	(7,252)	2,336
Cash and cash equivalents at end of period	30,721	26,766	(3,954)

1) Cash flows from operating activities:

Net cash used in operating activities for the consolidated fiscal year under review amounted to ¥525 million (compared to net cash provided by operating activities of ¥1,326 million in the previous fiscal year) due to an increase in inventories by ¥3,174 million, a decrease in accounts payable–trade by ¥1,827 million, and the recording of gain on sale of investment securities of ¥2,172 million, which is an adjustment to investing activities, and income taxes paid of ¥2,125 million, despite the recording of income before income taxes of ¥4,057 million, depreciation of ¥3,199 million, which is non-cash expenses, and impairment loss of ¥1,332 million.

2) Cash flows from investing activities:

Net cash provided by investing activities for the consolidated fiscal year under review amounted to ¥3,496 million (compared to net cash used in investing activities of ¥110 million in the previous fiscal year) due to the sale of investment securities of ¥12,296 million, despite the purchase of property, plant, and equipment (store interior assets, etc.) of ¥2,320 million and purchase of investment securities of ¥6,301 million.

3) Cash flows from financing activities:

Net cash used in financing activities for the consolidated fiscal year under review amounted to ¥7,252 million (¥9,589 million in the previous fiscal year) due to the repayment of long-term borrowings of ¥4,807 million, purchase of treasury stock of ¥6,529 million, and payment of dividends of ¥851 million, despite a net increase in short-term borrowings of ¥4,993 million.

Consequently, cash and cash equivalents at the end of the current consolidated fiscal year decreased by ¥3,954 million from the end of the previous fiscal year to ¥26,766 million.

(For Reference) Trends in Cash-Flow Indicators

	FY2022 (As of February 28, 2022)	FY2023 (As of February 28, 2023)	FY2024 (As of February 29, 2024)
Shareholders' equity ratio (%)	69.2	72.7	72.7
Shareholders' equity ratio based on current market price (%)	21.5	38.5	37.0
Years of debt redemption (Years)	11.7	7.4	—
Interest coverage ratio (Times)	12.6	18.6	—

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 29, 2024 was negative, the years of debt redemption and interest coverage ratio are not calculated.

(4) Outlook

Since the lifting of COVID-19 restrictions, demands from local consumers who look for goods to go out and inbound customers have been increasing. However, some factors may negatively impact our business, such as the high cost of goods manufactured due to a weak yen and the rising cost of raw materials, and ongoing international conflicts.

It is anticipated that a certain level of sales recovery will be achieved for the fiscal year ending February 2025. To foster growth and improve profitability, significant investments in existing brands with growth potential and structural reform projects are being planned. Additionally, plans are in place to further reduce investment assets. Accordingly, the net income attributable to the owners of the parent company for the current fiscal year is expected to be approximately ¥4,000 million.

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)

	FY2023 (As of February 28, 2023)	FY2024 (As of February 29, 2024)
Assets		
Current assets		
Cash and deposits	32,205	27,472
Notes receivable-trade	127	85
Account receivable-trade	10,604	11,596
Merchandise and finished goods	23,484	26,863
Work in process	636	507
Raw materials and supplies	559	681
Other	4,261	3,724
Allowance for doubtful accounts	(40)	(54)
Total current assets	71,837	70,877
Non-current assets		
Property, plant and equipment		
Buildings and structures	15,667	15,625
Accumulated depreciation	(11,536)	(11,200)
Buildings and structures, net	4,131	4,425
Machinery, equipment and vehicles	1,048	1,070
Accumulated depreciation	(937)	(951)
Machinery, equipment and vehicles, net	111	119
Land	955	955
Leased assets	533	251
Accumulated depreciation	(525)	(247)
Leased assets, net	7	3
Other	6,821	6,952
Accumulated depreciation	(5,890)	(5,895)
Other, net	931	1,056
Total property, plant and equipment	6,136	6,560
Intangible assets		
Goodwill	1,922	1,501
Trademark right	3,090	2,628
Other	3,933	3,030
Total intangible assets	8,946	7,159
Investments and other assets		
Investment securities	27,879	25,137
Long-term loans receivable	71	57
Leasehold and guarantee deposits	9,168	9,111
Deferred tax assets	1,020	3,098
Investment property, net	4,708	4,683
Other	5,762	6,878
Allowance for doubtful accounts	(105)	(100)
Total investments and other assets	48,506	48,866
Total non-current assets	63,589	62,586
Total assets	135,427	133,464

(Million yen)

	FY2023 (As of February 28, 2023)	FY2024 (As of February 29, 2024)
Liabilities		
Current liabilities		
Notes and accounts payable–trade	11,407	9,615
Short-term borrowings	17	5,013
Current portion of long-term borrowings	4,737	3,309
Lease obligations	4	3
Accounts payable–other	3,154	3,109
Income taxes payable	626	637
Contract Liability	547	495
Provision for bonuses	1,301	1,164
Provision for shareholder benefit program	124	104
Asset retirement obligations	120	148
Other	4,199	4,786
Total current liabilities	26,239	28,388
Non-current liabilities		
Long-term borrowings	5,010	1,630
Lease obligations	4	1
Deferred tax liabilities	314	431
Provision for retirement benefits for directors	37	35
Retirement benefit liability	1,188	1,192
Asset retirement obligations	2,414	2,367
Other	1,339	1,994
Total non-current liabilities	10,309	7,653
Total liabilities	36,549	36,041
Net assets		
Shareholders' equity		
Share capital	15,000	15,000
Capital surplus	25,933	24,030
Retained earnings	56,052	60,052
Treasury stock	(3,031)	(7,605)
Total shareholders' equity	93,953	91,477
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	3,802	4,597
Foreign currency translation adjustment	969	1,136
Remeasurements of defined benefit plans	(245)	(126)
Total accumulated other comprehensive income	4,526	5,607
Non-controlling interests	397	337
Total net assets	98,878	97,422
Total liabilities and net assets	135,427	133,464

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

Consolidated statements of income

(Million yen)

	FY2023 (March 1, 2022 to February 28, 2023)	FY2024 (March 1, 2023 to February 29, 2024)
Net sales	154,456	155,383
Cost of sales	69,555	70,654
Gross profit	84,901	84,729
Selling, general and administrative expenses	82,572	82,968
Operating income	2,329	1,760
Non-operating income		
Interest income	28	61
Dividend income	692	1,049
Share of profit of entities accounted for using equity method	9	253
Real estate income	354	363
Foreign exchange gain	476	295
Other	298	272
Total non-operating income	1,858	2,296
Non-operating expenses		
Interest expenses	71	51
Rental expenses on real estate	53	48
Investment loss of anonymous association	84	—
Loss on cancellation of insurance policies	4	45
Other	115	152
Total non-operating expenses	328	297
Ordinary income	3,859	3,758
Extraordinary income		
Gain on sales of non-current assets	4	5
Gain on sale of investment securities	881	2,218
Other	179	19
Total extraordinary income	1,065	2,243
Extraordinary losses		
Loss on retirement of non-current assets	40	13
Impairment loss	1,753	1,332
Loss on sales of investment securities	0	46
Loss on valuation of investment securities	179	443
Loss on liquidation of subsidiaries and associates	—	62
Other	147	47
Total extraordinary losses	2,120	1,944
Income before income taxes	2,804	4,057
Income taxes—current	1,024	1,646
Income taxes—deferred	(1,233)	(2,351)
Total income taxes	(208)	(705)
Net income	3,012	4,763
Net loss attributable to non-controlling interest	(51)	(86)
Net income attributable to owners of parent	3,063	4,849

Consolidated statements of comprehensive income

(Million yen)

	FY2023 (March 1, 2022 to February 28, 2023)	FY2024 (March 1, 2023 to February 29, 2024)
Net income	3,012	4,763
Other comprehensive income		
Valuation difference on available-for-sale securities	744	794
Foreign currency translation adjustment	558	183
Remeasurements of defined benefit plans	(119)	118
Share of other comprehensive income of affiliates accounted for using equity method	(31)	10
Total other comprehensive income	1,152	1,107
Comprehensive income	4,164	5,871
Total comprehensive income attributable to:		
Owners of parent	4,200	5,930
Non-controlling interests	(36)	(59)

(3) Consolidated Statements of Changes in Net Assets

FY2023 (March 1, 2022 to February 28, 2023)

(Million yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of period	15,000	29,255	52,236	(3,668)	93,822
Cumulative effect of change in accounting policy			(288)		(288)
Balance at the beginning of the period reflecting change in accounting policy	15,000	29,255	52,947	(3,668)	93,533
Changes during period					
Dividends of surplus			(457)		(457)
Net income attributable to owners of parent			3,063		3,063
Change in the scope of consolidation			498		498
Change in ownership interests of parent due to transactions with non-controlling interests		(430)			(430)
Purchase of treasury shares				(2,322)	(2,322)
Disposal of treasury shares				68	68
Cancellation of treasury shares		(2,891)		2,891	―
Net changes in items other than shareholders' equity					
Total changes during period	―	(3,321)	3,104	637	420
Balance at the end of period	15,000	25,933	56,052	△3,031	93,953

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurement of defined benefit plans	Total accumulated other compre-hensive income		
Balance at the beginning of period	3,058	457	(126)	3,389	523	97,736
Cumulative effect of change in accounting policy						(288)
Balance at the beginning of the period reflecting change in accounting policy	3,058	457	(126)	3,389	523	97,477
Changes during period						
Dividends of surplus						(457)
Net income attributable to owners of parent						3,063

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurement of defined benefit plans	Total accumulated other comprehensive income		
Change in the scope of consolidation						498
Change in ownership interests of parent due to transactions with non-controlling interests						(430)
Purchase of treasury shares						(2,322)
Disposal of treasury shares						68
Cancellation of treasury shares						―
Net changes in items other than shareholders' equity	744	511	(118)	1,137	(126)	1,010
Total changes during period	744	511	(118)	1,137	(126)	1,430
Balance at the end of period	3,802	969	(245)	4,526	397	98,878

FY2024 (March 1, 2023 to February 29, 2024)

(Million yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of period	15,000	25,933	56,052	(3,031)	93,953
Cumulative effect of change in accounting policy					―
Balance at the beginning of the period reflecting change in accounting policy	15,000	25,933	56,052	(3,031)	93,953
Changes during period					
Dividends of surplus			(851)		(851)
Net income attributable to owners of parent			4,849		4,849
Change in the scope of consolidation			1		1
Change in ownership interests of parent due to transactions with non-controlling interests					―
Purchase of treasury shares				(6,529)	(6,529)
Disposal of treasury shares				51	51
Cancellation of treasury shares		(1,902)		1,902	―
Net changes in items other than shareholders' equity					
Total changes during period	―	(1,902)	4,000	(4,574)	(2,476)
Balance at the end of period	15,000	24,030	60,052	(7,605)	91,477

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasure-ments of defined benefit plans	Total accumulated other compre-hensive income		
Balance at the beginning of period	3,802	969	(245)	4,526	397	98,878
Cumulative effect of change in accounting policy						—
Balance at the beginning of the period reflecting change in accounting policy	3,802	969	(245)	4,526	397	98,878
Changes during period						
Dividends of surplus						(851)
Net income attributable to owners of parent						4,849
Change in the scope of consolidation						1
Change in ownership interests of parent due to transactions with non-controlling interests						—
Purchase of treasury shares						(6,529)
Disposal of treasury shares						51
Cancellation of treasury shares						—
Net changes in items other than shareholders' equity	794	167	118	1,080	(59)	1,021
Total changes during period	794	167	118	1,080	(59)	(1,455)
Balance at the end of period	4,597	1,136	(126)	5,607	337	97,422

(4) Consolidated Statement of Cash Flows

(Million yen)

	FY2023 (March 1, 2022 to February 28, 2023)	FY2024 (March 1, 2023 to February 29, 2024)
Cash flows from operating activities		
Income before income taxes	2,804	4,057
Depreciation	3,508	3,199
Amortization of goodwill	423	451
Increase (decrease) in allowance for doubtful accounts	(9)	9
Increase (decrease) in retirement benefit liability	63	135
Increase (decrease) in provision for retirement benefits for directors	–	(1)
Increase (decrease) in provision for bonuses	(25)	(136)
Increase (decrease) in provision for sales returns	(309)	–
Increase (decrease) in provision for point card certificates	(454)	–
Increase (decrease) in provision for shareholder benefit program	(15)	(19)
Increase (decrease) in provision for relocation expenses	(87)	–
Interest and dividend income	(720)	(1,111)
Interest expenses	71	51
Loss (gain) on sales of non-current assets	(4)	(5)
Loss on retirement of non-current assets	40	13
Impairment loss	1,753	1,332
Loss (gain) on sales of investment securities	(881)	(2,172)
Loss (gain) on valuation of investment securities	179	443
Loss on liquidation of subsidiaries and associates	–	62
Decrease (increase) in accounts receivables–trade	(243)	(890)
Decrease (increase) in inventories	(5,781)	(3,174)
Increase (decrease) in accounts payables–trade	747	(1,827)
Increase (decrease) in accrued consumption taxes	(1,279)	126
Increase (decrease) in accounts payable–other	208	153
Other	140	(174)
Subtotal	127	521
Interest and dividends received	720	1,111
Interest paid	(71)	(51)
Income taxes paid	(651)	(2,125)
Income taxes refund	1,200	18
Net cash provided by (used in) operating activities	1,326	(525)

(Million yen)

	FY2023 (March 1, 2022 to February 28, 2023)	FY2024 (March 1, 2023 to February 29, 2024)
Cash flows from investing activities		
Net decrease (increase) in time deposits	257	768
Proceeds from sales of securities	995	–
Purchase of property, plant and equipment	(2,480)	(2,320)
Proceeds from sales of property, plant and equipment	22	4
Purchase of investment securities	(4,183)	(6,301)
Proceeds from sales of investment securities	6,368	12,296
Purchase of intangible assets	(1,272)	(726)
Proceeds from collection of leasehold and guarantee deposits	(522)	(556)
Proceeds from collection of leasehold and guarantee deposits	1,398	871
Proceeds from sales of investment property	4	3
Short-term loan advances	(1)	(2)
Collection of short-term loans receivable	25	14
Proceeds of shares of subsidiaries resulting in change in scope of consolidation	1	–
Payments for asset retirement obligations	(826)	(382)
Other	102	(171)
Net cash provided by (used in) investing activities	(110)	3,496
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	1	4,993
Repayments of long-term borrowings	(6,267)	(4,807)
Repayments of lease obligations	(42)	(110)
Purchase of treasury shares	(2,322)	(6,529)
Proceeds from sales of treasury shares	68	51
Dividends paid	(457)	(851)
Payments for sales of shares of subsidiaries without change in scope of consolidation	(569)	–
Net cash provided by (used in) financing activities	(9,589)	(7,252)
Effect of exchange rate change on cash and cash equivalents	477	326
Net increase (decrease) in cash and cash equivalents	(7,895)	(3,954)
Cash and cash equivalents at beginning of period	38,503	30,721
Increase (decrease) in cash and cash equivalents due to change in scope of consolidation	113	–
Cash and cash equivalents at end of period	30,721	26,766

(5) Notes to the Consolidated Financial Statements

Going Concern Assumption

Not applicable

Major Notes to Consolidated Financial Statements

1. Scope of consolidation

i. Number of consolidated group companies: 26

Major subsidiaries:

TSI Inc.

HUF Holdings, LLC

Consolidated subsidiaries other than the above: 24

Change in the scope of consolidation

In the consolidated fiscal year under review, UNIT&GUEST CO., LTD. was excluded from the scope of consolidation due to the completion of liquidation.

ii. Major non-consolidated subsidiaries

Major non-consolidated subsidiaries:

Tokyo Fashion (Kaito) 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

i. Number of subsidiaries and affiliates accounted for by the equity method: 1

Main company name:

RICHARD HENDRIX LLC

ii. Non-consolidated subsidiaries not accounted for by the equity method

Company name:

Tokyo Fashion (Kaito) Co., Ltd.

Reason for exclusion from the scope of equity method

Non-equity method companies are 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., TSI US Holdings Co., Ltd., AVIREX SHANGHAI TRADING CO., LTD., Efuego Corp., Van Nang Banok Co., Ltd., and TSI FASHION TAIWAN CO., LTD. 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, with the annual business term set at 52 weeks, closed their accounts on the Saturday closest to December 31.

The financial statements of each company as of January 1, 2023 are used in the preparation of consolidated financial statements. Significant transactions that occurred between January 1, 2023 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

Other than shares without a market price:

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.

Shares without a market price:

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.

(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 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 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) The basis for recognizing significant revenues and expenses

Major performance obligations in the main businesses related to revenue from contracts with customers of the Company and its consolidated subsidiaries and the normal timing of satisfying the performance obligations (normal timing of recognizing revenues) are as follows:

Apparel-related businesses

Apparel-related businesses are primarily involved in the planning, manufacturing, and sales of clothes. Regarding such sales of merchandise and finished goods, in the retail business, performance obligations are judged to be satisfied when customers obtain control over the merchandise and finished goods at the time of their delivery, and therefore, revenues are recognized at the time of delivery. In the wholesale and EC businesses, the period for transferring control over merchandise and finished goods to customers is the normal period, and therefore, revenues are recognized at the time of shipping.

In the point programs run by some of the consolidated subsidiaries, points given to customers are recognized as performance obligations, and the transaction price is allocated to record contract liabilities. Revenues are recognized when customers use these points.

Other businesses

Other businesses include synthetic resin related and restaurant businesses. In the sales of such merchandise and finished goods, performance obligations are judged to be satisfied when customers obtain control over the merchandise and finished goods at the time of their delivery, and therefore, revenues are recognized at the time of delivery.

In any transaction, consideration is received approximately a month after satisfying performance obligations, and no significant financial factors are included.

(6) 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.

(7) 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.

(8) 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.

(9) 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.

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

Application of the group tax sharing system

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

Change in an Accounting policy

Guidance on the Application of Accounting Standards for Fair Value Calculation

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

Change in reporting method

Notes to Consolidated Statements of Income

"Share of profit of entities accounted for using equity method," which was included in "other" in "non-operating income" in the previous consolidated fiscal year, is separately presented in the current consolidated fiscal year due to its increased importance in terms of amount. The consolidated financial statements for the previous consolidated fiscal year have been reclassified to reflect this change in reporting method.

As a result, ¥307 million reported as "other" in "non-operating income" in the consolidated statements of income for the previous fiscal year has been reclassified as "share of profit of entities accounted for using equity method" of ¥9 million and "other" of ¥298 million.

"Loss on cancellation of insurance policies," which was included in "other" in "non-operating expenses" in the previous consolidated fiscal year, is separately presented in the current consolidated fiscal year due to its increased importance in terms of amount. The consolidated financial statements for the previous consolidated fiscal year have been reclassified to reflect this change in reporting method.

As a result, ¥119 million reported as "other" in "non-operating expenses" in the consolidated statements of income for the previous fiscal year has been reclassified as "loss on cancellation of insurance policies" of ¥4 million and "other" of ¥115 million.

"Loss on valuation of investment securities," which was included in "other" in "extraordinary losses" in the previous consolidated fiscal year, is separately presented in the current consolidated fiscal year due to its increased importance in terms of amount. The consolidated financial statements for the previous consolidated fiscal year have been reclassified to reflect this change in reporting method.

As a result, ¥326 million reported as "other" in "extraordinary losses" in the consolidated statements of income for the previous fiscal year has been reclassified as "loss on valuation of investment securities" of ¥179 million and "other" of

¥147 million.

Change in an Accounting estimate

Valuation Criteria for Inventories

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

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

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

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

As a result of this change, the cost of sales decreased by ¥197 million for the consolidated third quarter period that ended on February 29, 2024. Consequently, operating income, ordinary income, and income before income taxes all increased by the same amount.

Additional Information

Trust-Type Employee Stock Ownership Plan (ESOP)

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

i. Overview of the Plan

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

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

ii. Shares of the Company Remaining in the Trust

The shares of the Company remaining in the Trust are posted as shares of treasury stock in the net assets section at their carrying amount in the Trust. The carrying amount and number of shares of treasury stock as of the end of the previous fiscal year under review were ¥187 million for 400,000 shares. And that as of the end of this fiscal year under review were ¥140 million for 301,000 shares.

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

As of February 28, 2023: ¥255 million and as of February 29, 2024: ¥185 million,

Board Benefit Trust (BBT)

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

i. Outline of the Transaction

Under the plan, the Company's shares are acquired through a trust using money contributed by the Company as funds. Eligible officers receive the Company's shares equivalent to the points granted in accordance with the level of performance achievement, etc., and money equivalent to the amount of the Company's shares converted at market value as of the date of retirement (the Company's shares, etc.), pursuant to the officer stock delivery regulations. Meanwhile, the timing of receipt of the benefits of the Company's shares, etc. by eligible officers shall, in principle, be upon their retirement from office.

ii. Shares of the Company Remaining in the Trust

The shares of the Company remaining in the Trust are posted as shares of treasury stock in the net assets section at their carrying amount in the Trust. The carrying amount and number of shares of treasury stock were ¥279 million for 496,000 shares as of the end of the previous fiscal year and ¥273 million for 486,000 shares as of the end of this fiscal year under review.

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 decisions 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, and 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

FY2023 (March 1, 2022 to February 28, 2023)

(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	149,236	5,156	154,393	63	154,456
Inter-segment sales or transfers	113	668	781	(781)	―
Total	149,349	5,825	155,175	(718)	154,456
Segment income(loss)	4,543	(24)	4,519	(2,189)	(2,329)
Segment assets	76,484	6,124	82,609	52,818	135,427
Other items					
Depreciation and amortization expense	1,812	199	2,011	1,496	3,508
Increase in property, plant and equipment, and intangible assets	1,853	308	2,161	2,367	4,528

Notes:

1. The segment income adjustment of ¥(2,189) million is transaction offsets among consolidated companies.
2. The segment assets adjustment of ¥52,818 million includes the Company-wide assets that do not belong to respective reportable segments of ¥59,965 million and the elimination of internal transactions between consolidated companies of ¥(7,147) million.
3. Segment income is adjusted for operating income listed in the consolidated financial statements.
4. The adjustment of depreciation and amortization of ¥1,496 million is mainly due to the amortization cost of the Company-wide assets.
5. Adjustment of ¥2,367 million in increase in property, plant and equipment, and intangible assets is mostly related to the Company-wide assets.

FY2024 (March 1, 2023 to February 29, 2024)

(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	149,955	5,428	155,383	—	155,383
Inter-segment sales or transfers	120	718	839	(839)	—
Total	150,076	6,146	156,223	(839)	155,383
Segment income	3,183	322	3,505	(1,745)	1,760
Segment assets	77,798	6,429	84,228	49,236	133,464
Other items					
Depreciation and amortization expense	1,356	62	1,419	1,780	3,199
Increase in property, plant and equipment and intangible assets	2,205	100	2,306	987	3,298

Notes:

1. Segment income adjustment of ¥(1,745) million is due to company-wide expenses not attributable to any business segment and elimination of internal transactions among consolidated companies.
2. The segment assets adjustment of ¥49,236 million includes the Company-wide assets that do not belong to respective reportable segments of ¥56,126 million and the elimination of internal transactions between consolidated companies of ¥(6,890) million.
3. Segment loss is adjusted to operating loss listed in the consolidated financial statements.
4. The adjustment of depreciation and amortization of ¥1,780 million is mainly due to the amortization cost of the Company-wide assets.
5. Adjustment of ¥987 million in increase in property, plant and equipment, and intangible assets is mostly related to the Company-wide assets.

Per Share Information

(Yen)

	FY2023 (March 1, 2022 to February 28, 2023)	FY2024 (March 1, 2023 to February 29, 2024)
Net assets per share	1,168.69	1,287.25
Net income per share	35.21	59.97

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. The number of shares of treasury stock held by the Trust at the end of the previous fiscal year was 400,000 shares, and the number of shares of treasury stock held by the Trust at the end of the current fiscal year was 301,000 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 470,000 shares and 353,000 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 496,000 shares and 486,000 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 496,000 shares and 490,000 shares during the fiscal year under review.
6. The basis for calculating net income per share is as follows.

	FY2023 (March 1, 2022 to February 29, 2022)	FY2024 (March 1, 2023 to February 29, 2024)
Net income attributable to owners of parent (Million yen)	3,063	4,849
Amount not attributable to shareholders on common stock (Million yen)	—	—
Net income attributable to owners of parent on common stock (Million yen)	3,063	4,849
Average number of shares of common stock during the period (Shares)	86,994	80,875

Important Subsequent Events

Absorption-type merger between consolidated subsidiaries

At a meeting held on January 12, 2024, the Company's Board of Directors resolved to implement an absorption-type merger, with Jack Inc., our consolidated subsidiary, as the surviving company, and Star Joinus Co., Ltd., our consolidated subsidiary, as the absorbed company. The deal was executed on March 1, 2024.

(1) Overview of the Transaction

i. Names and Businesses of the Combining Companies

Name of the Combining Company: Jack Inc.

Business: Apparel business

Names of the Combined Companies: Star Joinus Co., Ltd.

Business: Apparel business

ii. Date of Business Combination

March 3, 2024

iii. Legal Form of Business Combination

Absorption-type merger with Jack Inc. as the surviving company and consolidated subsidiaries Star Joinus Co., Ltd. as the companies to be merged.

iv. Name of the Company after Business Combination

Jack Inc.

v. Other Matters Related to the Transaction

The objective is to lower the break-even point by reducing duplicated functions and streamlining the organizational structure in order to strengthen profitability while leveraging the individuality of the brands that both companies have built up to date, as well as strengthening the governance of the group as a whole.

(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