

Summary of Consolidated Financial Results
for the Six Months Ended August 31, 2024
(Under Japanese GAAP)

October 11, 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
Contact: Executive Officer, General Manager of Finance & Accounting Dept. Mitsuru Naito
TEL: +81-3-5785-6400

Scheduled date of financial report: October 11, 2024
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 Six Months Ended August 31, 2024 (March 1, 2024 to August 31, 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	%
Six Months Ended August 31, 2024	75,230	2.7	(221)	—	(167)	—	(791)	—
August 31, 2023	73,278	1.7	532	(9.6)	1,608	(15.0)	1,472	(34.6)

(Notes) Comprehensive income: For the six months ended August 31, 2024 ¥716 million (74.0%)
For the six months ended August 31, 2023 ¥2,760 million (22.8%)

	Net income per share	Diluted net income per share
Six Months Ended	Yen	Yen
August 31, 2024	(10.68)	—
August 31, 2023	17.72	—

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio
As of	Million yen	Million yen	%
August 31, 2024	128,363	94,200	73.1
February 29, 2024	133,464	97,422	72.7

(Reference) Shareholders' equity: As of August 31, 2024 ¥93,882 million
As of February 29, 2024 ¥97,084 million

2. Dividends

	Annual dividend				
	End of 1Q	End of 2Q	End of 3Q	End of Fiscal Year	Total
	Yen	Yen	Yen	Yen	Yen
FY ended February 29, 2024	—	0.00	—	15.00	15.00
FY ending February 28, 2025	—	0.00			
FY ending February 28, 2025 (forecast)			—	19.00	19.00

(Note) Revisions to the forecast of cash dividends most recently announced: None

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

(% represent year-on-year changes)

Full 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
	160,000	3.0	2,000	13.6	2,500	(33.5)	4,000	(17.5)	53.04

(Note) Revisions to the forecast of consolidated business results most recently announced: None

* Notes:

(1) Significant changes in the scope of consolidation during the period: Yes

Newly included: 1 company (Ready to Fashion Inc.)

Excluded: 1 company (Starjoinus Inc.)

(2) Application of particular accounts procedures to the preparation of semi-annual 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. Total number of issued shares at the end of the period (including treasury shares)	As of August 31, 2024	80,327,993 shares	As of February 29, 2024	87,074,993 shares
b. Number of treasury stock at the end of the period	As of August 31, 2024	8,108,894 shares	As of February 29, 2024	11,655,093 shares
c. Average number of shares over the period	As of August 31, 2024	74,129,142 shares	As of August 31, 2023	83,095,380 shares

* Semi-annual financial results reports are exempt from review conducted by certified public accountants or an audit firm.

* 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 (1) *Overview of Operating Results and Other Matters* on page 2 and (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. Overview of Business Results and Other Matters	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. Semi-Annual Consolidated Financial Statements and Major Notes	4
(1) Semi-Annual Consolidated Balance Sheets	4
(2) Semi-Annual Consolidated Statements of Income and Comprehensive Income	6
(3) Semi-Annual Consolidated Statements of Cash Flows	8
(4) Notes to Semi-Annual 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	11

1. Overview of Business Results and Other Matters

(1) Overview of Business Results

During the current interim consolidated accounting period (March 1, 2024, to August 31, 2024), the apparel industry experienced a recovery in personal consumption due to the subsiding impact of the COVID-19 pandemic and increased tourism-related demand. However, the industry faced challenges due to a complex mix of factors. These included changes in consumer sentiment towards apparel products driven by the prolonged effects of the pandemic, as well as the soaring resource and material prices caused by conflicts in Ukraine and Palestine and the significant depreciation of the yen.

In response to this challenging business environment, TSI Holdings and its subsidiaries (the Group) announced a new medium-term business strategy, "TSI Innovation Program 2027 (TIP27)," in April 2024. Guided by our purpose, "We create global empathy and social value through the power of fashion entertainment," we are committed to enhancing corporate value by simultaneously pursuing a fundamental restructuring of our revenue structure, growth strategies, and investment in human capital. Specifically, we aim to reform our revenue structure through several initiatives: pursuing economies of scale by consolidating raw material procurement and product sourcing, improving profit margins by revising product pricing and sales strategies, strategically reallocating stores and personnel through the consolidation and expansion of stores, increasing operational efficiency by consolidating E-commerce sites currently dispersed across brands, and reassessing the staffing structure at our headquarters. Additionally, we will invest in growth strategies by focusing on several key areas: concentrating investments in high-growth, high-profitability brands through a review of our brand portfolio, entering new market segments with growth potential, expanding existing brands through M&A, enhancing customer referrals between stores and EC channels by consolidating them, and strengthening our CRM to improve our presentation capabilities to customers.

On the other hand, our group is dedicating increased focus to reforms in the sustainability area, which has attracted heightened customer interest. By reviewing materials and reconsidering manufacturing processes, we will continue our efforts to help customers find new value in the products we offer.

As a group, we diligently focus on strengthening retail sales across our various subsidiaries and enhancing sales through e-commerce channels. Concurrently, we continue to rigorously assess product procurement to maintain optimal standards, thereby implementing measures such as reducing excess inventory and controlling costs.

Consequently, net sales stood at 75,230 million yen (up 2.7% year on year), operating loss was 221 million yen (compared to operating income of 532 million yen in the same period of the previous year), and ordinary loss was 167 million yen (compared to ordinary income of 1,680 million yen in the same period of the previous year).

Furthermore, the semi-annual loss attributable to owners of the Group's parent was 791 million yen (compared to the profit attributable to owners of the Group's parent of 1,472 million yen in the same period of the previous year).

Net sales by reportable segment were as follows.

Apparel-Related Businesses

In terms of the Group's apparel business, sales of summer products performed well. The Group focused on reducing inventory through e-commerce platform sales, particularly in the golf-related business. Additionally, the Group aimed to enhance profitability by adjusting pricing for some brands and bolstering regular-price sales of mid-summer products, in alignment with the medium-term management strategy (TIP27) mentioned earlier.

Demand from foreign tourists remained strong, and brands with international recognition, such as the streetwear brand *Stussy*, the London-based collection brand *Margaret Howell*, and the outdoor brand *and wander* performed well. Additionally, select shop brands like *Nano Universe* and *Royal Flash*, the military fashion brand *Avirex*, the leather fashion brand *Schott*, as well as women's brands *ADORE* and *CADUNE*, contributed to increased sales by offering product lines that leveraged their distinctive characteristics to meet market demands.

As a result of these initiatives, sales in the apparel-related business amounted to 72,316 million yen (a 2.3% increase year-on-year).

Other Businesses

As for other businesses, S Groove Co., Ltd., which operates sales agency and staffing services, and READY TO FASHION Inc., which became a wholly-owned subsidiary of the Company in March of this year and specializes in SaaS-based recruitment services and social media platforms for job searches focused on the apparel industry, both achieved sales growth.

Furthermore, Tosca Bank Co., Ltd., engaged in the manufacture and sale of synthetic resin products; Plax Co., Ltd., involved in-store design supervision and food service operations; Laline JAPAN Co., Ltd., which handles procurement and sales of cosmetics, perfumes, soaps, and others; and Urth Caffè JAPAN Co., Ltd., operating a popular organic cafe in California, contributed to revenue reaching 3,317 million yen (up 11.4% year on year).

(2) Overview of Financial Position

Financial Position of Assets, Liabilities, and Net Assets as of the End of the Consolidated Interim Accounting Period

(Million yen)

	As of the end of fiscal year 2024 (February 29, 2024)	As of the end of the six-month period (August 31, 2024)	Increase/decrease
Total assets	133,464	128,363	(5,101)
Liabilities	36,041	34,162	(1,879)
Net assets	97,422	94,200	(3,221)
Shareholders' equity ratio	72.7%	73.1%	0.4%
Net assets per share	¥1,287.25	¥1,299.97	¥12.72

Assets decreased by 5,101 million yen due to increases in accounts receivable (up 553 million yen from the previous fiscal year-end) and property, plant and equipment (up 661 million yen from the previous fiscal year-end), offset by a decrease in cash and cash equivalents (down 5,792 million yen from the previous fiscal year-end) and current assets 'other' (down 717 million yen).

Liabilities decreased by 1,879 million yen, primarily due to a decrease in long-term borrowings, including current portion of long-term borrowings (down 1,970 million yen from the previous fiscal year-end).

Net assets decreased by 3,221 million yen, primarily due to a reduction in retained earnings (down 1,934 million yen from the previous fiscal year-end) and the acquisition of treasury shares (2,823 million yen), despite an increase in the foreign currency translation adjustment (up 861 million yen from the previous fiscal year-end).

As a result, net assets per share increased by 12.72 yen.

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

The financial results for the second quarter (interim period) deviated from the consolidated earnings forecast for the second quarter (interim period) of the fiscal year ending February 2025, which was announced on September 25, 2024. For further details, please refer to the Notice Regarding Differences Between the Forecast and Actual Results for the Consolidated Cumulative Second Quarter (Interim Period), released on October 11, 2024.

The full-year earnings forecast remains unchanged from the one announced on April 12, 2024

2. Interim Consolidated Financial Statements and Major Notes

(1) Interim Consolidated Balance Sheets

(Million yen)

	Previous consolidated fiscal year (As of February 29, 2024)	Interim consolidated accounting period of the current fiscal year (As of August 31, 2024)
Assets		
Current assets		
Cash and deposits	27,472	21,680
Notes receivable-trade	85	114
Account receivable-trade	11,596	12,150
Merchandise and finished goods	26,863	26,967
Work in process	507	702
Raw materials and supplies	681	706
Other	3,724	3,007
Allowance for doubtful accounts	(54)	(65)
Total current assets	70,877	65,263
Non-current assets		
Property, plant and equipment	6,560	7,221
Intangible asset		
Goodwill	1,501	1,892
Other	5,658	5,150
Total intangible assets	7,159	7,043
Investments and other assets		
Investment securities	25,137	25,644
Investment property	4,683	4,880
Other	19,147	18,412
Allowance for doubtful accounts	(100)	(102)
Total investments and other assets	48,866	48,835
Total non-current assets	62,586	63,100
Total assets	133,464	128,363
Liabilities		
Current liabilities		
Notes and accounts payable-trade	9,615	9,737
Short-term borrowings	5,013	5,098
Current portion of long-term borrowings	3,309	1,952
Income taxes payable	637	316
Provision for bonuses	1,164	1,031
Provision for shareholder benefit program	104	105
Asset retirement obligations	148	69
Other	8,395	8,816
Total current liabilities	28,388	27,127
Non-current liabilities		
Long-term borrowings	1,630	1,016
Provision for retirement benefits for directors	35	35
Retirement benefit liability	1,192	1,056
Asset retirement obligations	2,367	2,435
Other	2,426	2,489
Total non-current liabilities	7,653	7,034
Total liabilities	36,041	34,162

	(Million yen)	
	Previous consolidated fiscal year (As of February 29, 2024)	Interim consolidated accounting period of the current fiscal year (As of August 31, 2024)
Net assets		
Shareholders' equity		
Share capital	15,000	15,000
Capital surplus	24,030	19,520
Retained earnings	60,052	58,117
Treasury stock	(7,605)	(5,890)
Total shareholders' equity	91,477	86,746
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	4,597	5,153
Foreign currency translation adjustment	1,136	1,998
Remeasurements of defined benefit plans	(126)	(16)
Total accumulated other comprehensive income	5,607	7,135
Non-controlling interests	337	318
Total net assets	97,422	94,200
Total liabilities and net assets	133,464	128,363

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

Interim Consolidated Statement of Income

	(Million yen)	
	Previous Interim Consolidated Accounting Period (March 1, 2023 to August 31, 2023)	Current Interim Consolidated Accounting Period (March 1, 2024 to August 31, 2024)
Net sales	73,278	75,230
Cost of sales	32,436	34,675
Gross profit	40,841	40,554
Selling, general and administrative expenses	40,308	40,776
Operating income (loss)	532	(221)
Non-operating income		
Interest income	31	22
Dividend income	694	372
Real estate income	174	187
Foreign exchange income	187	-
Other	98	116
Total non-operating income	1,186	698
Non-operating expenses		
Interest expenses	26	24
Foreign exchange loss	-	122
Rental expenses on real estate	23	21
Equity in losses of affiliates	-	268
Other	59	206
Total non-operating expenses	110	644
Ordinary income (loss)	1,608	(167)
Extraordinary income		
Gain on sales of non-current assets	3	0
Gain on sale of investment securities	508	466
Total extraordinary income	511	467
Extraordinary losses		
Loss on retirement of non-current assets	5	3
Impairment loss	80	34
Loss on sales of investment securities	17	135
Other	-	167
Total extraordinary losses	103	341
Income (loss) before income taxes	2,016	(41)
Income taxes—current	518	302
Income taxes—deferred	80	479
Total income taxes	598	781
Net income (loss)	1,418	(823)
Net loss attributable to non-controlling interest	(54)	(31)
Net income or loss attributable to owners of parent	1,472	(791)

Interim Consolidated Statement of Comprehensive Income

(Million yen)

	Previous Interim Consolidated Accounting Period (March 1, 2023 to August 31, 2023)	Current Interim Consolidated Accounting Period (March 1, 2024 to August 31, 2024)
Net income (loss)	1,418	(823)
Other comprehensive income		
Valuation difference on available-for-sale securities	859	556
Foreign currency translation adjustment	422	816
Remeasurements of defined benefit plans	46	110
Share of other comprehensive income of affiliates accounted for using equity method	14	57
Total other comprehensive income	1,342	1,540
Comprehensive income	2,760	716
Total comprehensive income attributable to:		
Owners of parent	2,777	736
Non-controlling interests	(16)	(19)

(3) Interim Consolidated Statement of Cash Flows

(Million yen)

	Previous Interim Consolidated Accounting Period (March 1, 2023 to August 31, 2023)	Current Interim Consolidated Accounting Period (March 1, 2024 to August 31, 2024)
Cash flows from operating activities		
Income (loss) before income taxes	2,016	(41)
Depreciation	1,593	1,547
Amortization of goodwill	230	243
Increase (decrease) in allowance for doubtful accounts	16	11
Increase (decrease) in retirement benefit liability	68	43
Increase (decrease) in provision for retirement benefits for directors	(1)	-
Increase (decrease) in provision for bonuses	(273)	(127)
Increase (decrease) in provision for shareholder benefit program	(11)	0
Interest and dividend income	(725)	(394)
Interest expenses	26	24
Loss (gain) on sales of non-current assets	(3)	(0)
Loss on retirement of non-current assets	5	3
Impairment loss	80	34
Loss (gain) on sales of investment securities	(490)	(331)
Decrease (increase) in accounts receivables–trade	(401)	(506)
Decrease (increase) in inventories	(2,885)	(98)
Increase (decrease) in accounts payables–trade	(1,239)	56
Increase (decrease) in accrued consumption taxes	(39)	(33)
Other	(541)	945
Subtotal	(2,575)	1,377
Interest and dividends received	725	394
Interest paid	(26)	(24)
Income taxes paid	(1,286)	(785)
Income taxes refund	17	490
Net cash provided by (used in) operating activities	(3,145)	1,452

(Million Yen)

	Previous Interim Consolidated Accounting Period (March 1, 2023 to August 31, 2023)	Current Interim Consolidated Accounting Period (March 1, 2024 to August 31, 2024)
Cash flows from investing activities		
Net decrease (increase) in time deposits	680	(5)
Purchase of property, plant and equipment	(1,245)	(1,465)
Proceeds from sales of property, plant and equipment	3	3
Purchase of investment securities	(3,539)	(4,877)
Proceeds from sales of investment securities	5,382	5,374
Purchase of intangible assets	(325)	(164)
Payments of leasehold and guarantee deposits	(260)	(243)
Proceeds from collection of leasehold and guarantee deposits	717	329
Acquisition of long-term prepaid expenses	(38)	(21)
Payments for purchase of shares of subsidiaries resulting in change in scope of consolidation	-	(390)
Other	(432)	53
Net cash provided by (used in) investing activities	940	(1,408)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(18)	83
Repayments of long-term borrowings	(2,495)	(1,949)
Purchase of treasury shares	(1,536)	(2,823)
Proceeds from sales of treasury shares	29	28
Dividends paid	(851)	(1,143)
Other	(91)	(113)
Net cash provided by (used in) financing activities	(4,963)	(5,918)
Effect of exchange rate change on cash and cash equivalents	314	97
Net increase (decrease) in cash and cash equivalents	(6,854)	(5,776)
Cash and cash equivalents at beginning of period	30,721	26,766
Cash and cash equivalents at end of period	23,866	20,989

(4) Notes to Interim Consolidated Financial Statements

Going Concern Assumption

Not applicable

Notes on Significant Changes in Shareholders' Equity

The amount of shareholders' equity has not significantly changed compared to the end of the previous consolidated fiscal year.

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 book value and number of treasury shares were 140 million yen and 301,000 shares at the end of the previous consolidated fiscal year, and 117 million yen and 250,000 shares during the current interim consolidated accounting period.

iii. Carrying Amount of Debt Financing Recorded Using the Gross Method

185 million yen in the fiscal year ended February 29, 2024

141 million yen in the six-month period ended August 31, 2024.

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 ¥273 million for 486,000 shares as of the end of the previous fiscal year and ¥269 million for 478,000 shares as of the end

of this fiscal year under review.

Segments of the Company and Related Information

1. Previous interim consolidated accounting period (March 1, 2023 to August 31, 2023)

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

	Reportable segment	Other Note 1	Total	Adjustments Note 2	Interim Consolidated Income Statement Amounts (Note 3)
	Apparel-related businesses				
Net sales					
Sales to third parties	70,610	2,617	73,227	50	73,278
Inter-segment sales or transfers	61	361	423	(423)	-
Total	70,672	2,978	73,650	(372)	73,278
Segment income	1,062	165	1,228	(695)	532

Notes:

1. "Other," which doesn't belong to respective reportable segments, includes synthetic resin-related issues, store design and management, and so on.
2. Segment income adjustment of ¥ (695) million is attributed to corporate expenses not allocated to business segments and the transaction offsets among consolidated companies.
3. Segment income is adjusted to operating income listed in the interim 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

2. Current Interim Consolidated Accounting Period (March 1, 2024 to August 31, 2024)

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

	Reportable segment	Other Note 1	Total	Adjustments Note 2	Interim Consolidated Income Statement Amounts (Note 3)
	Apparel-related businesses				
Net sales					
Sales to third parties	72,245	2,984	75,230	—	75,230
Inter-segment sales or transfers	70	333	404	(404)	—
Total	72,316	3,317	75,634	(404)	75,230
Segment income (loss)	680	208	888	(1,110)	(221)

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 ¥ (1,110) million is attributed to corporate expenses not allocated to business segments and the transaction offsets among consolidated companies.
3. Segment loss 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