

Summary of Consolidated Financial Results
for the Third Quarter of Fiscal Year Ending February 28, 2025
[Japanese GAAP] (Consolidated)

January 14, 2025

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: Director, General Manager Corporate Headquarters, Mitsuru Naito
TEL: +81-3-5785-6400
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 Third quarter of the Fiscal Year Ending February 28, 2025 (March 1, 2024 to November 30, 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	%
Third quarter of FY ending February 28, 2025	116,051	1.0	2,178	(2.0)	2,475	(32.1)	159	(95.2)
Third quarter of FY ended February 29, 2024	114,857	(0.5)	2,223	(40.3)	3,645	(28.0)	3,290	(28.8)

(Notes) Comprehensive income: Third quarter of Fiscal year ending February 28, 2025 ¥1,141 million (76.7%)
Third quarter of Fiscal year ended February 29, 2024 ¥4,890 million (25.0%)

	Net income per share	Diluted net income per share
	Yen	Yen
Third quarter of FY ending February 28, 2025	2.18	—
Third quarter of FY ended February 29, 2024	40.04	—

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio
	Million yen	Million yen	%
Third quarter of FY ending February 28, 2025	133,373	93,375	69.8
FY ended February 29, 2024	133,464	97,422	72.7

(Reference) Shareholders' equity: Third quarter of FY ending February 28, 2025 ¥93,057 million
FY ended February 2024 ¥97,084 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 2024	—	0.00	—	15.00	15.00
FY ending February 2025	—	0.00	—	—	—
FY ending February 2025 (forecast)	—	—	—	65.00	65.00

(Note) Revisions during this quarter of dividends forecast for fiscal year: Yes

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
Full fiscal year	157,000	1.0	2,000	13.6	2,500	(33.5)	15,000	209.3	211.67

(Note) Revisions during this quarter of previously disclosed consolidated business results projection for FY 2025: Yes

* Notes:

(1) Changes in significant subsidiaries 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 quarterly consolidated financial statements: None

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

a. Changes in accounting policies due to revisions of accounting standards: None

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

c. Changes of accounting estimates: None

d. Restatements: None

(4) Number of shares issued (common stock)

a. Number of shares issued at the end of period (treasury stock included)	Q3 of FY ending February 2025	76,941,393 shares	FY ended February 2024	87,074,993 shares
b. Number of treasury stock at the end of period	Q3 of FY ending February 2025	6,077,395 shares	FY ended February 2024	11,655,093 shares
c. Average number of shares over the period	Q3 of FY ending February 2025	73,298,643 shares	Q3 of FY ended February 2024	82,196,053 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 2 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 2025

(1) Overview of Business Results

During Q3 of the consolidated cumulative period (March 1, 2024–November 30, 2024), the apparel industry experienced a recovery in consumer spending as the impacts of the COVID-19 pandemic subsided, supported by increased demand from foreign tourists. However, the industry continued to face significant challenges due to several factors, including shifts in consumer sentiment toward apparel products stemming from the prolonged effects of COVID-19, soaring resource and raw material costs caused by the conflicts in Ukraine and Palestine, and a sharp 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 key initiatives: concentrating investments in high-growth, high-profitability brands through a review of our brand portfolio; entering new market segments with strong growth potential; expanding existing brands through M&A; consolidating stores and EC channels to enhance customer referrals between them; and strengthening CRM to improve our ability to offer tailored proposals 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, the net sales stood at 116,051 million yen (up 1.0% year on year), the operating income was 2,178 million yen (down 2.0% year on year), and the ordinary income reached 2,475 million yen (down 32.1% year on year).

Furthermore, the quarterly profit attributable to owners of the Group's parent was 159 million yen (down 95.2% year on year).

Net sales by reportable segment were as follows.

Apparel-Related Businesses

In the Group's apparel business, efforts to enhance profitability under the medium-term management plan, "TIP27," included measures such as price optimization for certain brands to reform the revenue structure. The prolonged summer heat boosted sales of late-summer items, particularly cut-and-sewn products. However, the delayed start of the Fall/Winter sales season, including outerwear, significantly impacted overall sales for the period. To address inventory challenges, the Group prioritized reductions through e-commerce platforms and outlet stores, with a particular focus on the golf-related segment.

Demand from foreign tourists remained robust, driving strong performance from brands such as the streetwear label *Stussy*, the London-based collection brand *Margaret Howell*, and the outdoor brand *and wander*. Additionally, curated multi-brand stores like *Royal Flash*, and *LHP*, along with the military-inspired fashion brand *Avirex* and the leather fashion brand *Schott*, contributed to growth. Women's brands such as *LE PHIL*, *YLÈVE*, *ADORE*, and *CADUNE* also boosted sales by offering product lines tailored to their distinctive characteristics and market needs.

As a result of these initiatives, sales in the apparel-related business amounted to 111,644 million yen (up 0.7% year-on-year.)

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, *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, *Toska-Bano'k Co., Ltd.*, active in the manufacture and sale of synthetic resin related products, *Plax Co., Ltd.*, which engages in-store design and supervision as well as restaurant operations, *Laline JAPAN Co., Ltd.*, which procures and sells a variety of products including cosmetics, perfumes, and soaps, and *Urth Caffè JAPAN Co., Ltd.*, which operates in Japan a popular organic café in California, the U.S.

Net sales were 5,000 million yen (up 8.8% year-on-year).

(2) Overview of Financial Position

(Million yen)

	At the end of FY ended February 2024 (As of February 29, 2024)	At the end of 3Q FY ending February 2025 (As of November 30, 2024)	Increase/decrease
Total assets	133,464	133,373	(90)
Liabilities	36,041	39,998	3,956
Net assets	97,422	93,375	(4,047)
Shareholders' equity ratio	72.7%	69.8%	(2.9%)
Net assets per share	¥1,287.25	¥1,313.19	¥25.94

Assets decreased by 90 million yen, despite increases in accounts receivable (up 4,457 million yen from the end of the previous fiscal year) and inventories (up 2,894 million yen from the end of the previous fiscal year), due to factors such as a decline in cash and deposits (down 5,457 million yen from the end of the previous fiscal year) and a reduction in 'Other' under current assets (down 1,026 million yen from the end of the previous fiscal year).

Liabilities increased by 3,956 million yen, mainly due to increases in notes and accounts payable-trade (up 935 million yen from the end of the previous fiscal year), short-term borrowings (up 4,570 million yen from the end of the previous fiscal year), "other" in current liabilities (up 1,018 million yen from the end of the previous fiscal year), despite a decrease in long-term borrowings (including current portion of long-term borrowings) (down 2,455 million yen from the end of the previous fiscal year).

Net assets decreased by 4,047 million yen, despite an increase in valuation difference on available-for-sale securities (up 863 million yen from the end of the previous fiscal year), due to factors such as a decrease in retained earnings (down 983 million yen from the end of the previous fiscal year) and the acquisition of treasury shares, which is recorded as a deduction from net assets.

As a result, net assets per share increased by 25.94 yen.

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

We have revised the consolidated earnings forecast for the fiscal year ending February 2024, which was initially announced on April 12, 2024. For details, please refer to the "Notice of Revision to the Full-Year Consolidated Earnings Forecast" released on January 14, 2025.

2. Quarterly Consolidated Financial Statements and Major Notes

(1) Quarterly Consolidated Balance Sheets

(Million yen)

	Previous consolidated fiscal year (As of February 29, 2024)	Quarter consolidated accounting period of current fiscal year (As of November 30, 2024)
Assets		
Current assets		
Cash and deposits	27,472	22,014
Notes receivable-trade	85	100
Account receivable-trade	11,596	16,053
Merchandise and finished goods	26,863	29,841
Work in process	507	399
Raw materials and supplies	681	705
Other	3,724	2,697
Allowance for doubtful accounts	(54)	(65)
Total current assets	70,877	71,748
Non-current assets		
Property, plant and equipment	6,560	6,602
Intangible asset		
Goodwill	1,501	1,619
Other	5,658	4,828
Total intangible assets	7,159	6,448
Investments and other assets		
Investment securities	25,137	25,042
Investment property	4,683	4,872
Other	19,147	18,760
Allowance for doubtful accounts	(100)	(102)
Total investments and other assets	48,866	48,573
Total non-current assets	62,586	61,624
Total assets	133,464	133,373
Liabilities		
Current liabilities		
Notes and accounts payable-trade	9,615	10,550
Short-term borrowings	5,013	9,583
Current portion of long-term borrowings	3,309	1,752
Income taxes payable	637	592
Provision for bonuses	1,164	1,383
Provision for shareholder benefit program	104	67
Asset retirement obligations	148	181
Other	8,395	9,413
Total current liabilities	28,388	33,526
Non-current liabilities		
Long-term borrowings	1,630	731
Provision for retirement benefits for directors	35	35
Retirement benefit liability	1,192	1,061
Asset retirement obligations	2,367	2,349
Other	2,426	2,293
Total non-current liabilities	7,653	6,471
Total liabilities	36,041	39,998

	(Million yen)	
	Previous consolidated fiscal year (As of February 29, 2024)	Quarter consolidated accounting period of current fiscal year (As of November 30, 2024)
Net assets		
Shareholders' equity		
Share capital	15,000	15,000
Capital surplus	24,030	16,929
Retained earnings	60,052	59,068
Treasury stock	(7,605)	(4,550)
Total shareholders' equity	91,477	86,447
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	4,597	5,461
Foreign currency translation adjustment	1,136	1,161
Remeasurements of defined benefit plans	(126)	(11)
Total accumulated other comprehensive income	5,607	6,610
Non-controlling interests	337	317
Total net assets	97,422	93,375
Total liabilities and net assets	133,464	133,373

(2) Quarterly Consolidated Statements of Income and Quarterly Consolidated Statements of Comprehensive Income
Quarterly consolidated statements of income
Consolidated cumulative third-quarter

	(Million yen)	
	Consolidated cumulative third quarter of previous fiscal year (March 1, 2023 - November 30, 2023)	Consolidated cumulative third quarter of current fiscal year (March 1, 2024 - November 30, 2024)
Net sales	114,857	116,051
Cost of sales	50,655	52,585
Gross profit	64,201	63,465
Selling, general and administrative expenses	61,978	61,287
Operating income	2,223	2,178
Non-operating income		
Interest income	50	52
Dividend income	758	435
Real estate income	269	280
Foreign exchange income	202	39
Other	318	227
Total non-operating income	1,600	1,034
Non-operating expenses		
Interest expenses	38	46
Rental expenses on real estate	36	34
Share of loss of entities accounted for using the equity method	-	304
Loss on investments in silent partnerships	1	196
Other	101	155
Total non-operating expenses	178	737
Ordinary income	3,645	2,475
Extraordinary income		
Gain on sales of non-current assets	4	2
Gain on sale of investment securities	1,397	864
Other	19	116
Total extraordinary income	1,421	983
Extraordinary losses		
Loss on retirement of non-current assets	6	8
Impairment loss	352	819
Loss on sales of investment securities	17	225
Loss on valuation of investment securities	17	27
Business restructuring expenses	-	691
Other	92	228
Total extraordinary losses	486	2,000
Income before income taxes	4,580	1,459
Income taxes—current	1,387	1,159
Income taxes—deferred	(31)	164
Total income taxes	1,355	1,324
Net income	3,224	134
Net loss attributable to non-controlling interest	(65)	(24)
Net income attributable to owners of parent	3,290	159

Quarterly Consolidated statements of comprehensive income

Consolidated cumulative third-quarter

(Million yen)

	Consolidated cumulative third quarter of previous fiscal year (March 1, 2023 - November 30, 2023)	Consolidated cumulative third quarter of current fiscal year (March 1, 2024 - November 30, 2024)
Net income	3,224	134
Other comprehensive income		
Valuation difference on available-for-sale securities	955	863
Foreign currency translation adjustment	620	25
Remeasurements of defined benefit plans	69	115
Share of other comprehensive income of affiliates accounted for using equity method	20	2
Total other comprehensive income	1,665	1,007
Comprehensive income	4,890	1,141
Total comprehensive income attributable to:		
Owners of parent	4,906	1,162
Non-controlling interests	(16)	(20)

(3) Notes to Quarterly Consolidated Financial Statements

Going Concern Assumption

Not applicable

Notes on Significant Changes in Shareholders' Equity

The amount of shareholders' equity has not experienced any significant changes from 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, the 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 140 million yen for 301,000 shares. And that as of the end of this fiscal year under review were 106 million yen for 228,000 shares.

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

As of February 29, 2024, 185 million yen, and as of November 30, 2024, 141 million yen.

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 yen for 486,000 shares as of the end of the previous fiscal year and 269 million yen for 478,000 shares as of the end of this fiscal year under review.

Segments of the Company and Related Information

1. Consolidated cumulative Third quarter of previous fiscal year (March 1, 2023 to November 30, 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	110,828	4,029	114,857	-	114,857
Inter-segment sales or transfers	90	569	659	(659)	-
Total	110,918	4,598	115,516	(659)	114,857
Segment income	3,005	325	3,330	(1,107)	2,223

(Notes)

1. Other, which does not belong to respective reportable segments, includes synthetic resin-related, store design and management, and so on.
2. Segment income adjustment of (1,107) million yen is due to corporate expenses not attributable to any business segment, as well as the elimination of intercompany transactions within the consolidated group.
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

In the segment “apparel-related businesses,” the book value of stores that have been decided to close, that continuously generate negative operating income, or whose brands are to be closed has been reduced to the recoverable amount. The decrease is posted as an impairment loss in the extraordinary losses section.

As a side note, the recorded amount of impairment loss in non-current assets was 352 million yen for the consolidated cumulative period of the third quarter ended November 30, 2023.

A significant change in the amount of goodwill

None

A significant gain from negative goodwill

None

2. Consolidated cumulative Third quarter of current fiscal year (March 1, 2024 to November 30, 2024)

(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	111,546	4,504	116,051	-	116,051
Inter-segment sales or transfers	97	495	592	(592)	-
Total	111,644	5,000	116,644	(592)	116,051
Segment income	3,823	338	4,161	(1,983)	2,178

(Notes)

1. Other, which does not belong to respective reportable segments, includes synthetic resin-related, store design and management, and so on.
2. Segment income adjustment of (1,983) million yen is due to corporate expenses not attributable to any business segment, as well as the elimination of intercompany transactions within the consolidated group.
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

In the segment “apparel-related businesses”, the book value of stores that have been decided for closure, stores that have consistently operated at a loss, and stores associated with brands for which closure has been decided, has been reduced to their recoverable amount. The reduction has been recorded as an impairment loss under extraordinary losses.

It should be noted that the recorded amount of impairment loss related to these assets was 335 million yen for the consolidated cumulative period of the third quarter ended November 30, 2024.

Additionally, in the same “Apparel-Related Businesses” segment, the book value of factory land that has been decided for sale has been reduced to its estimated selling price. This reduction has also been recorded as an impairment loss under extraordinary losses.

The recorded amount of impairment loss related to this asset was 483 million yen for the consolidated cumulative period of the third quarter ended November 30, 2024.

A significant change in the amount of goodwill

None

A significant gain from negative goodwill

None

Notes on the Statement of Cash Flows

The quarterly consolidated statement of cash flows for the consolidated cumulative period of the third quarter has not been prepared. However, depreciation (including amortization of intangible assets excluding goodwill) and amortization of goodwill for the consolidated cumulative period of the third quarter are as follows:

(Million yen)

	Consolidated cumulative third quarter of previous fiscal year (March 1, 2023 - November 30, 2023)	Consolidated cumulative third quarter of current fiscal year (March 1, 2024 - November 30, 2024)
Depreciation	2,426	2,309
Amortization of goodwill	356	330