TSI HOLDINGS CO., LTD.

Q1 Financial Results Briefing for the Fiscal Year Ending February 2026

July 15, 2025

Event Summary

[Company Name]	TSI HOLDINGS CO., LTD.
[Company ID]	3608-QCODE
[Event Language]	JPN
[Event Type]	Earnings Announcement
[Event Name]	Q1 Financial Results Briefing for the Fiscal Year Ending February 2026
[Fiscal Period]	FY2026 Q1
[Date]	July 15, 2025
[Number of Pages]	7
[Time]	10:00 – 10:45 (Total: 45 minutes, Presentation: 27 minutes, Q&A: 18 minutes)
[Venue]	Webcast
[Venue Size]	
[Participants]	
[Number of Speakers]	3

Tsuyoshi Shimoji	President and CEO
Masanori Maekawa	Executive General Manager & COO
Mitsuru Naito	Executive General Manager & CFO, Director Group Strategy Headquarters

Question & Answer

Moderator [M]: We will now move on to the Q&A session.

We have received some questions. We have received three questions from Tokai Tokyo Intelligence Laboratory Co., Ltd. ("Tokai Tokyo").

Tokai Tokyo [Q]: Regarding the status of inventories: Is there any concern that struggling sales compared to plan will lead to an increase in inventories and lead to price reduction losses in Q2 and beyond?

Naito [A]: Although part of the decline in revenue was due to the withdrawal from certain businesses, there has also been a downward trend in the existing businesses, primarily due to the delay in transitioning members to the renewed proprietary e-commerce site.

Sales have fallen slightly short of the plan, so there is a risk that inventory levels ending up slightly above target. Going forward, including efforts to reignite growth on *mix.tokyo*, we aim to take steps during Q2 to address excess inventory so that inventory levels can be optimized.

However, what is different from last year is that the weight of the aged inventory, which is known as prior year inventory, was mostly cleared last year, so many of the products are relatively fresh. Therefore, rather than implementing steep price cuts all at once, we intend to adjust pricing appropriately in response to market conditions with the goal of minimizing losses of gross profit as much as possible.

Tokai Tokyo [Q]: Given the difficulties in migrating members of your online stores, could you share your outlook going forward and any measures planned to improve the situation?

Maekawa [A]: I'm Maekawa. Thank you for your question.

The primary reason has been that, following the relaunch in February, the migration of existing members, particularly those who re-registered around March, has taken a little longer than we initially anticipated.

Since March, we have implemented various initiatives each month. In particular, we ran a major promotional campaign ahead of the Golden Week in May, and we are currently in the middle of a seasonal sale. We also introduced in-store incentives to encourage member sign-ups. As a result, there is clear that our membership base is now growing steadily.

By continuing to implement these measures, we believe that we will be able to acquire a significant number of customers as members during Q2, and that by continuing these measures in H2 of the year, we will be able to enter a growth strategy. This is all.

Tokai Tokyo [Q]: Third question.

Regarding the acquisition of treasury stock, the share buyback limit for the mid-term management plan is over JPY 15 billion, and I believe this plan will cover JPY 12 billion of that limit. Could you please tell us about your thoughts on your future policy regarding share buybacks?

Naito [A]:

At the outset of our mid-term plan, we announced a treasury stock repurchase program totaling JPY 10 billion over three years. We increased the total amount to JPY 15 billion following the sale of real estate in January this year.

With this announcement, we have committed JPY 12 billion out of the JPY 15 billion, and basic math shows that we will acquire the remaining JPY 3 billion after January.

We have also announced the acquisition of Daytona International. While JPY 15 billion is positioned as a minimum amount for the treasury stock repurchase program, we intend to remail flexible in responding to market conditions. We will continue to carefully evaluate the balance between growth investments and shareholder returns.

Taking into account the overall balance, including the potential sale of non-core assets, we intend to treat the remaining JPY 3 billion as a minimum threshold and aim to exceed that amount as much as possible. Going forward, we will continue to strike an appropriate balance between growth investments and shareholder returns.

Tokai Tokyo [Q]: Thank you very much for your explanations. That's all from me.

Moderator [M]: Thank you. Now, we have a question from Amundi Japan.

Amundi Japan [Q]: Please explain the future goodwill and the amortization of goodwill related to the latest acquisition.

Naito [A]: Naturally, goodwill will have a significant impact on future earnings. With regard to the acquisition, we plan to determine the details—including the amortization period—after conducting a thorough Purchase Price Allocation (PPA) and consulting with our audit firm. As such, we will refrain from disclosing any specific figures at this time.

In terms of our approach, this acquisition of Daytona is not intended to pursue short-term gains but rather represents a medium- to long-term investment with a view to the next three, nine, or even ten years. At the time of the investment, we were prepared to bear some goodwill burden, but of course, we decided to make the acquisition with the firm expectation that business will generate returns exceeding that burden over time.

Their total sales are very high, reaching JPY 40 billion, and the impact on earnings is also significant, so we will promptly examine and make another announcement once our plans are solidified.

Amundi Japan [Q]: Thank you very much.

Regarding the profit of Daytona, the latest disclosed figure shows the operating income of approximately JPY 500 million. I would appreciate it if CEO Shimoji could tell us roughly what level of profit you expect from Daytona from a medium- to long-term perspective. Thank you.

Shimoji [A]:

As a target we are aiming for an operating income of around 10%. Given the scale of their purchasing volume, there is potential to increase the benefits of the structural profitability reforms we are currently promoting.

We will work closely together, aligning the same goals and perspective, as we continue our discussions.

Amundi Japan [Q]: Thank you.

Tsuhan Shimbunsya [Q]: What specific strengths do you see in Daytona International's OMO strategy, which will become your subsidiary?

Naito [A]:

Daytona's e-commerce ratio exceeds 50%. We see strong capabilities in its use of digital tools to analyze customer behavior and drive mutual traffic between physical stores and the e-commerce channel. We believe that the customer base and analytical expertise it possesses can be leveraged across our entire group.

Shimoji [A]:

By updating the entire TSI brand portfolio, we will be able to reach a broader consumer base.

In this respect, we believe that the impact of their OMO initiatives has strong potential for significant growth. We also highly value Daytona's ability to drive digital platform initiatives, and from that perspective, we have strong expectations that we will be able to generate synergies quickly.

Tsuhan Shimbunsya [Q]: Thank you very much.

Could you please elaborate a bit? Do you have any concrete ideas about how you plan to pursue synergy between Daytona Park and *mix.tokyo*? For example, could *mix.tokyo* sell the Daytona brand, or something like that?

Maekawa [A]: We believe that we are now entering the phase of determining how to build and realize synergies going forward. While specific initiatives are still under consideration, Daytona has a strong customer base among younger generations, particularly those in their 20s, whereas our company's strength lies with customers in their 30s or 40s and above.

Through coordinated promotional efforts, we aim to take on the challenge of cross-generational customer engagement, something we haven't been able to fully address until now. We will be working out specific measures and would like to share them with you all in the future.

Toyo Keizai [Q]: Regarding the acquisition of shares in Daytona International, it is said that the capital required to make the company a wholly owned subsidiary will be JPY 28.3 billion. How will this money be raised?

Naito [A]:

This acquisition involves a substantial investment of approximately JPY 30 billion. While funding options such as divestment of non-core assets may be considered over the medium to long term, our initial approach is to focus on bank borrowings as the primary means of financing. In terms of our current financial situation, our net assets stand at slightly over JPY 100 billion. We also hold approximately JPY 56 billion in cash and cash equivalents, including marketable securities.

On the other hand, the current outstanding borrowings, including both short- and long-term, amount to just over JPY 1 billion.

From the balance sheet perspective, we do not consider borrowing JPY 30 billion to be excessive. Therefore, our primary approach will be to finance the acquisition through debt.

Looking ahead, we will consider funding the remaining needs through measures such as the sale of non-core assets and other cash-generating initiatives, while maintaining a balanced approach alongside our growth investments.

Toyo Keizai [Q]: When did you start considering the acquisition of Daytona International and what prompted the discussion? Could you please tell us more, to the extent that you can, about the background and how you decided to include them in the Group?

Naito [A]:

This transaction was initiated by Unison Capital, a private equity fund. We were approached through an FA. We began considering the opportunity around the beginning of the year and have now reached a final agreement. We solidified our intent, including the proposed acquisition price, around April, and after several rounds of negotiations, we reached this agreement.

Toyo Keizai [Q]: Thank you for your explanation.

Moderator [M]: Thank you. That is all the questions we have received, so we would like to end today's briefing.

Thank you again for taking time out of your busy schedule to join us today.

Shimoji [M]: Thank you.

[END]

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