



TSI HOLDINGS

TSI HOLDINGS CO., LTD.

Q2 Financial Results Briefing for the Fiscal Year Ending February 2026

October 15, 2025

Event Summary

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[Participants]	66	
[Number of Speakers]	4	
	Tsuyoshi Shimoji	Representative Director, President & CEO
	Masanori Maekawa	Executive General Manager & COO
	Mitsuru Naito	Executive General Manager & CFO, Director, Group Strategy Headquarters
	Tsuyoshi Onoda	Director, E-commerce Headquarters

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Japan 050.5212.7790
Tollfree 0120.966.744

Email Support support@scriptsasia.com



Question & Answer

Moderator [M]: Thank you very much. Now, let us begin the question-and-answer session.

Tokai Tokyo Intelligence Laboratory Co., Ltd. (“Tokai Tokyo”) [Q]: First, regarding changes in operating income for 1H: for the full year, you are expecting a positive impact of JPY2.73 billion from one-time expenses and JPY2.97 billion from the growth effects, along with a negative impact of JPY2.18 billion from growth strategy investments. Please let me know the 1H progress for each item. Which item would explain the positive contribution of JPY3.26 billion from structural reforms?

Naito [A]: The JPY3.26 billion improvement from structural reforms in the 1H reflects both the reduction of one-off expenses and the contribution from growth areas. We haven’t broken that down separately.

As for structural reforms and growth investments as a whole in 1H, including those associated with M&A made on September 2, progress has been largely in line with the plan.

The negative impact of JPY2.4 billion shown in the waterfall chart reflects both the impact of exited businesses, and weaker sales in our existing core businesses. These factors together resulted in a large shortfall against our budget.

Tokai Tokyo [Q]: Our second question: Net sales for 1H were JPY4.8 billion below the plan, and naturally, that would have led to a decline in gross profit as well. Did you take any additional cost-cutting measures during 1H? Could you please elaborate on what those were?

Naito [A]: Regarding cost reductions in 1H, there were some areas where we accelerated our efforts. We have been implementing the structural reforms since the beginning of the previous fiscal year, and resulting cost savings have expanded.

The streamlining of the head office personnel was completed in the previous fiscal year, and while the effect was not reflected in 1H of the previous fiscal year, it has contributed for half a year this time.

In addition, we have further restrained advertising and promotional expenses as part of our cost control initiatives.

Tokai Tokyo [Q]: Regarding the struggling e-commerce sales, you had expected an improvement around Golden Week, but it seems the challenge has continued. Could you tell us the reason behind this and your plan for recovery going forward?

Onoda [A]: As indicated in the materials, we saw positive impacts in 1H, but challenges were also revealed. Looking at the monthly trend, we saw steady recovery from June through mid-August, which was largely in line with our expectations. We believe this was partly due to the earlier start of our summer sales and other promotional initiatives.

On the other hand, from mid-August, sales slowed significantly as we shifted to late-summer items and regular-priced merchandise. For 2H, we are planning a number of initiatives to raise brand awareness, including POP-UP events. We would like to recover by implementing membership acquisition measures in close coordination with the stores. We aim to drive recovery in the coming months.

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Tokai Tokyo [Q]: Regarding the FY2026 full-year forecast, net sales are increased by JPY16 billion, and operating income remains unchanged. How does the positive impact of Daytona International Co., Ltd. on net sales and TSI's previous forecast affect the results?

Naito [A]: As explained earlier, net sales for 1H were about JPY1 billion below the plan. For the 2H, while the impact is expected to be smaller than in 1H, we still anticipate a certain level of effect remaining.

In contrast, the sales forecast has increased by JPY16 billion due to the addition of almost a half year's sales from Daytona International.

As for the outlook for operating income, as explained in the presentation materials, the impact of the acquisition of Daytona International includes the effects of goodwill. We are currently in the process of calculating the impact of goodwill, including PPA, and have provisionally used conservative figures. Based on that assumption, we are expecting only a slight positive contribution.

On the other hand, it will not be enough to cover the shortfall in operating income for 1H, so we have kept the current forecast of JPY5.7 billion unchanged, considering that existing businesses will continue to grow beyond the 1H trend. Regarding profits, we expect Daytona's positive impact to offset the negative effects of underperforming existing businesses.

Shimoji [A]: I would like to add a few overall comments. First of all, with the integration of our e-commerce sites, we can finally move forward as a unified company. While the consolidation of 16 websites naturally caused troublesome confusion at the beginning, the entire organization has been working together steadily to make progress.

We view the temporary decline in sales that occurred at the moment of integration as a significant investment for the next stage. We have a wide range of initiatives planned in 2H, and we believe these efforts will help us drive sales growth going forward.

Also, we have a very strong desire to further strengthen our retail and on-site operations. We are particularly looking forward to closer collaboration with FREAK'S STORE, which has a strong presence and proven capability in retail, as well as to building strong connections between their growing e-commerce platform and our own mix.tokyo website.

With such a powerful new partner joining us, we are moving forward with further reforms, including within our existing brands, as we head into 2H.

Tokai Tokyo [M]: Thank you for your answers. That is all from me.

Moderator [M]: Thank you very much. Now, we have received two questions from Toyo Keizai.

Toyo Keizai [Q]: Regarding PMI of Daytona International, please tell us about the current progress and the initiatives for the next fiscal year and beyond. Can you tell us how to connect Daytona's sales capabilities, and strength in e-commerce sales with your existing businesses?

Naito [A]: We have been in the PMI process since the closing on September 2. The PMI is currently progressing as planned, but we are still evaluating the medium- and long-term prospects, including the next fiscal year and beyond.

Daytona International has very strong sales capabilities and a solid advantage in e-commerce sales, and we are placing high expectations on the synergies in those areas. The biggest attraction, however, lies in their customer base.

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Customers of our existing businesses are in their late 30s to 50s, but Daytona International's customers are much younger, primarily in their 20s and even in their teens. We expect this difference in demographics to create strong opportunities for mutual customer traffic between the two companies' e-commerce platforms.

In terms of sales capabilities, we have started to strengthen cross-selling and sales collaboration in areas with high affinity for younger consumers, such as streetwear brands and golf wear designed for younger audiences. We are also in the process of developing additional initiatives in this area for the next fiscal year and beyond.

Moderator [M]: The second question is about the likelihood of achieving an operating income of JPY10 billion in the next fiscal year.

Naito [A]: As you pointed out, the goodwill associated with the consolidation of Daytona International represents a sizable burden. However, even taking a conservative view of the amortization period, we do not expect a significant increase in the burden, nor do we expect a major impact, positive or negative, from Daytona International over the course of the next fiscal year.

In aiming to achieve an operating income of JPY10 billion next fiscal year, our biggest focus is, of course, on lifting overall profitability through synergies, including those with Daytona International. However, as I mentioned earlier in the earnings presentation, the biggest challenge for us will be whether we can raise the level of these businesses above that of the previous year.

We must first firmly rebuild existing brands, which we believe will be the biggest theme for 2H and beyond, as well as for the JPY10 billion goal in the next fiscal year. That is all.

Shimoji [A]: Thank you for your questions.

Even before the acquisition, several TSI brands had been wholesaling to FREAK'S STORE. They have strong sales capabilities, and our products have been selling very well through them.

By combining their sales force and retail presence with what we aim to achieve, we believe TSI as a whole will enter a phase of accelerated growth. We can already see a clear path toward that direction, and we would appreciate it if you could view this initiative from that perspective.

Moderator [M]: That concludes our financial results briefing. Thank you for joining us today.

[END]

Document Notes

1. Portions of the document where the audio is unclear are marked with [inaudible].
2. Portions of the document where the audio is obscured by technical difficulty are marked with [TD].
3. Speaker speech is classified based on whether it [Q] asks a question to the Company, [A] provides an answer from the Company, or [M] neither asks nor answers a question.
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