TSI HOLDINGS CO., LTD.

Q3 Financial Results Briefing for the Fiscal Year Ending February 2026

January 15, 2026

Event Summary

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[Participants]	57
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Tsuyoshi Shimoji	Representative Director, President and CEO
Masanori Maekawa	Executive General Manager & COO
Mitsuru Naito	Executive General Manager & CFO, Director, Group Strategy Headquarters
Tsuyoshi Onoda	Director E-commerce Headquarters

Question & Answer

Moderator [M]: We will now move on to the question-and-answer session.

Tokai Tokyo Intelligence Laboratory Co., Ltd. ("Tokai Tokyo") [Q]: First, you mentioned that you are on track against the full-year plan. How do you plan to achieve JPY 2.0 billion in operating income in Q4? We understand that Q4 is typically a seasonally challenging quarter for generating profits.

Second, structural reform benefits amounted to JPY 3.26 billion in the first half and JPY 0.59 billion in Q3, exceeding the full-year plan of JPY 2.97 billion. Could you explain what factors are driving these better-than-expected structural reform benefits?

Third, regarding the planned JPY 2.18 billion in growth strategy investments, could you share the progress through the first nine months (up to Q3) and your outlook for the amount to be recorded in Q4?**aito [A]:**

Traditionally, our Company has posted a loss in Q4. In the previous fiscal year, we recorded a loss of approximately JPY 0.5 billion. In addition, we executed a large-scale real estate sale in January and recorded temporary costs related to that transaction (JPY 0.44 billion), which impacted operating income.

However, the structural reforms we have been implementing since the previous fiscal year, along with improvements in full-price selling, tighter control of discounting and promotions, and better inventory management, have been steadily progressing year by year. Taking into account all of these factors—including the temporary costs and structural reform-related expenses incurred in the previous fiscal year- we believe we are well-positioned to generate a profit in Q4 of the current fiscal year.

For Q4 of the current fiscal year, we need to deliver an additional JPY 2.0 billion in operating income versus our disclosed full-year forecast. As mentioned earlier, changes in our cost structure driven by structural reforms, together with improvements in gross profit margins—including better control of discounting—have strengthened our ability to generate profits.

That said, it is also true that the current business environment is not entirely favorable, as seen in our sales performance in December. In that sense, achieving the JPY 2.0 billion budget for Q4 is undoubtedly challenging at this stage. It will depend on how much we can build up sales. With the addition of Daytona, we have significantly enhanced our ability to grow top-line sales, and if we can also successfully turn around our core legacy businesses that were somewhat underperforming, we believe it will be possible to achieve the Q4 budget.

Maekawa [A]: I will respond to your question regarding the factors behind the structural reform benefits exceeding our expectations.

Overall, we believe that our profitability improvement initiatives are progressing steadily. In particular, the most significant driver has been the improvement in our gross profit margin, which increased by 1.2 percentage points year on year. This was mainly attributable to reductions in procurement costs, as well as inventory optimization as the clearance of prior-year inventory has largely run its course, resulting in a lower inventory level.

In addition, we have continued to enforce strict control over SG&A expenses since the previous fiscal year. As a result, for the cumulative period through the third quarter, net sales were maintained at 100.5% year on year versus the same period of the previous fiscal year, and operating income increased to approximately

170% year on year. We recognize that these results represent solid progress, and in some areas, performance has exceeded our initial expectations.

That is all from me.

Naito [A]: Let me address the question regarding our growth strategy investments.

For our regular, ongoing investments—such as e-commerce, advertising and promotions, and IT—spending in Q3 came in slightly below plan. This is because sales were below our initial assumptions, and accordingly, we have been controlling and adjusting the pace of these investments.

That said, as I mentioned earlier, we recognize that expanding our top line will be a key priority going forward. While we do not necessarily intend to spend the entire shortfall all at once, we plan to continue executing our growth investments broadly in line with our plan, carefully monitoring the top-line situation and proceeding accordingly.

Tokai Tokyo[Q]: Thank you for your response. I have one additional question, if I may.

Now that Daytona International has joined the Group, and with the next fiscal year being the final year of your mid-term management plan, could you share your current outlook for the plan and whether you intend to revise or review your targets and assumptions going forward?

Naito [A]: Let me respond to that question.

We are currently formulating our plan for the next fiscal year, so I am not in a position to provide any definitive details at this time.

That said, the addition of Daytona International is certainly a very positive factor for us. Ideally, we would like to be able to say with confidence at this stage that we can achieve our plan targets.

One area of concern, however, is that sales in our existing core businesses have been sluggish. Unfortunately, our legacy core businesses remain below last year's levels. In order to achieve our plan—particularly the JPY 10 billion operating income target—it is essential that these core businesses improve at least back to the level of the fiscal year ended February 2024. Therefore, whether we can successfully revitalize and rebuild performance in these businesses will be a key factor.

Of course, we intend to work toward achieving our targets, and we recognize that our profitability has undoubtedly been strengthened through our structural reforms. With respect to the JPY 10 billion target we have set, we would like to carefully assess the risks in our existing core businesses and then make a final announcement accordingly.

Tokai Tokyo [M]: Thank you. That's all from me.

Moderator [M]: Thank you. Now, we have the next question.

Toyo Keizai [Q]: Could you please share your current outlook on business performance for the next fiscal year, as well as the key business areas you plan to focus on at this stage?

In addition, with the next fiscal year being the final year of your mid-term management plan, could you elaborate on the JPY 10 billion operating income target? Specifically, what do you see as the main drivers of profit improvement from the current fiscal year into next fiscal year, and which initiatives are expected to make the most significant contributions?

Finally, we would appreciate it if you could share your view on the balance of earnings between the first half and the second half of next fiscal year.

Maekawa [A]: Thank you for the question.

While we are still formulating our plan, we are proceeding on the premise that we will continue to aim for the JPY 10 billion operating income target in line with our mid-term management plan.

Regarding our priority areas, the primary focus is on expanding e-commerce sales. Although this has been a particularly challenging area this fiscal year, we are seeing signs of improvement. Going forward, we intend to accelerate the acquisition of new members through continued strategic investments, positioning this as a key channel-level initiative.

In terms of priority businesses, men’s casual brands have been performing steadily, and we intend to maintain this momentum. At the same time, there are still core businesses that require further improvement, particularly NATURAL BEAUTY BASIC, NANO universe, and PEARLY GATES. While these brands showed a notable recovery trend in the third quarter and profitability has improved, same-store sales remain somewhat below expectations. Although efficiency in terms of earnings power has been improving, we plan to place even greater emphasis on top-line growth in the next fiscal year and to focus our initiatives accordingly.

Regarding the balance between the first and second halves, this is still under consideration. As you pointed out, our industry tends to generate limited profits in the first half. Nevertheless, we believe it is essential that our plan at least exceeds the results of the current fiscal year. In addition, Waterfront, which was newly consolidated in the current fiscal year, tends to perform strongly in the first half. Taking this into account, we aim to achieve a significantly higher level of profitability than in the current fiscal year.

That's all from me.

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

If possible, I would appreciate it if you could provide more detail on the e-commerce in the next fiscal year. Specifically, we'dhow you intend to accelerate new member acquisition and any initiatives or developments you are considering for EC and mix.tokyo going forward. Thank you.

Maekawa [A]: I will answer your question from the overall perspective.

As you pointed out, e-commerce is a channel that still faces many challenges. Over the past year, while we improved our cost structure through the integration of our websites, the weakness in sales became quite evident.

We view the acquisition of new members as our highest-priority issue at this stage, and my colleague will provide additional detail on specific promotional initiatives. Broadly speaking, our key policy is to continue and further strengthen our efforts in areas such as talent and celebrity use, video-based content distribution, performance-based influencer marketing, and digital advertising operations. Through these initiatives, we aim to accelerate new member acquisition and maximize sales growth.

Onoda [A]: I am Onoda, Manager of the E-commerce Management Department. We are working to further strengthen our awareness-building initiatives.

For the first half of the next fiscal year, we are considering a greater focus on events as part of our marketing efforts, including sponsorships to broaden awareness. In parallel, we plan to actively pursue new customer acquisitions by incorporating new tools such as LINE and various social media platforms.

From an internal operations perspective, alignment across the organization has progressed during the current fiscal year. Building on this, we intend to make more proactive, targeted use of inventory, with a focus on improving its effectiveness.

In addition, within the Group, we have welcomed new brands, and Daytona International operates a robust platform. We plan to leverage this platform to expand the reach of our existing brands, further enhance awareness, and accelerate new customer acquisition across the Group.

We hope you will look forward to these initiatives.

That's all from me.

Toyo Keizai [M]: Thank you for the explanation. I understand very well. That's all from me.

Shimoji [A]: Thank you all for your questions.

Next fiscal year will be the final year of TIP27, our current mid-term management plan. We are preparing initiatives we intend to announce to the market, including M&A and new business development.

In the coming fiscal year, we plan to focus intensively on revitalizing our sales floors, including our physical retail stores. Our goal is to build business units in which each operation can better express its own individuality, while moving forward together through closer collaboration among sales staff, infrastructure, and other shared resources.

We are also working toward renewed growth of our in-house e-commerce business, with a plan that brings the entire Company together. Including Daytona International and Waterfront, we aim to create synergies across the Group and enhance each other's strengths.

We are shaping a bold vision for the next fiscal year, and we sincerely appreciate your continued support.

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Moderator [M]: This concludes the presentation of the Q3 financial results. Thank you.

[END]

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