TSI HOLDINGS CO., LTD.

Q1 Financial Results Briefing for the Fiscal Year Ending February 2027

July 15, 2026

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 2027
[Fiscal Period]	FY2027 Q1
[Date]	July 15, 2026
[Number of Pages]	9
[Time]	10:00 – 10:55 (Total: 55 minutes, Presentation: 22 minutes, Q&A: 33 minutes)
[Venue]	Webcast
[Venue Size]	
[Participants]	49
[Number of Speakers]	8

Tsuyoshi Shimoji	President and CEO
Mitsuru Naito	Executive General Manager & CFO
Masanori Maekawa	Executive General Manager & COO
Masahiro Takahashi	Executive Officer President and CEO of Daytona International Co., Ltd.
Katsuhiro Kamiya	Executive Officer Director of Business Headquarters
Ryuji Tsukamoto	Executive Officer Director of Sales Headquarters
Kazuhito Yamamoto	Executive Officer Director of Production Headquarters
Tsuyoshi Onoda	Executive Officer Director of Digital Business Headquarters

Question & Answer

Moderator [M]: Now, we will begin the Q&A session.

FASHIONSNAP [Q]: The slide said sales capabilities are showing encouraging signs of improvement. Could you please explain what those sales capabilities entail specifically?

Maekawa [A]: Good morning. I am Maekawa. Thank you for the question.

We are implementing various initiatives to improve our sales capabilities. Among these, the one we consider most important is strengthening our ability to sell the products. Two years ago, we established the Sales Headquarters. Starting with customer service guidelines, we created a manual outlining how to enhance customer engagement at every point of contact, and we have been implementing it thoroughly and consistently across our stores.

In addition to that, while improving product quality naturally contributes to greater customer satisfaction, we are taking a comprehensive approach focused primarily on strengthening our sales capabilities and customer service, as I mentioned earlier.

That's all from me.

Tsukamoto [A]: I am Tsukamoto from the Sales Headquarters. Thank you very much for the question.

As Maekawa just mentioned, we have established detailed role requirements for each position. In the past, the roles of store managers and other managers varied significantly from brand to brand. Therefore, we standardized these roles at a consistently high standard. As a result, it has become clear exactly what store managers and other managers are expected to do. These standards are thoroughly implemented in each store, which is one of the factors contributing to our improved sales capabilities.

Also, while we used to assign staff to stores on a brand-by-brand basis, we've now launched a new cross-brand. We look at the overall situation and allocate the appropriate number of staff to each brand during periods of high sales. In that regard, I think our sales capabilities have improved significantly.

That is all from me.

Participant [Q]: What specific structural factors are causing the low gross profit margin in the new businesses acquired through M&As? Also, is that gross profit margin expected to improve going forward?

Naito [A]: I will answer these questions. The two newly consolidated companies, Daytona International and Waterfront, differ in size and business model. However, they both have lower gross profit margins than our existing businesses.

For Waterfront, this is because its business is primarily wholesale. For Daytona International, it is because a relatively high proportion of its sales comes from externally sourced products rather than proprietary brands. As a result, both companies have business structures with lower gross profit margins.

Wholesale businesses naturally have lower gross profit margins, but they also operate with lower SG&A expense ratios, allowing them to maintain profitability. At Daytona International, profitability is also lower in the first half of the fiscal year because light apparel accounts for a large share of sales during this period, which is reflected in its gross profit margin.

On the other hand, as I explained earlier, these businesses also have lower SG&A expense ratios. Therefore, while the newly consolidated businesses lowered our overall gross profit margin, they also contributed to lowering our overall SG&A expense ratio. I hope this helps explain the impact of the newly consolidated businesses.

That is all from me.

Moderator [M]: Next question. I received two from Tokai Tokyo Intelligence Laboratory.

Tokai Tokyo Intelligence Laboratory Co., Ltd. ("Tokai Tokyo") [Q]: First, regarding the improvement in the Company's e-commerce sales following last year's struggles. Could you please explain the improvements relative to an existing business basis, excluding M&A?

The second question concerns rising costs in H2. Could you please tell us about the impact of rising production costs and the risks associated with exchange rates and the weakening of the yen? If there are any deviations from the original plan, please let us know.

Onoda [A]: Thank you for your questions. I am Onoda, Director of the Digital Business Headquarters. I will answer your questions.

Regarding our owned e-commerce business, after struggling last year, we have spent the past year making a variety of improvements, and we are finally beginning to see the business return to normal.

In addition, reflecting on last year's challenges, we have been very aggressive in acquiring new members and expanding brand awareness, and we believe those efforts are beginning to produce results. As a result, first-quarter sales of our owned e-commerce business increased 22.9% YoY, and our membership base also grew to approximately 1.17 million, both showing very strong performance.

That is all from me.

Yamamoto [A]: I am Yamamoto, Director of Production Headquarters. Thank you for your questions.

Regarding your question about rising costs, due to the situation in the Middle East, prices of petroleum-based materials such as polyester, nylon, and padding have risen by around 10%.

However, the impact on overall product costs is approximately 3%. We are currently moving forward with production for the fall/winter season while mitigating this impact through the structural reform measures we have been implementing, such as consolidating suppliers.

That said, I believe the impact of exchange rates is greater than that of the situation in the Middle East. We expect exchange-rate movements to create deviations from our plan in the second half of the fiscal year. As exchange rates have been quite volatile recently, we are currently assessing their impact, particularly on the latter part of the fall/winter season and on next year's spring/summer merchandise.

That is all from me.

Shimoji [A]: Regarding rising costs, given the environment in which product costs are inevitably increasing, we intend to focus our company-wide efforts on creating higher-quality products and strengthening our manufacturing capabilities, with the aim of enhancing our brand value.

By improving the appeal and quality of our products, we aim to build brands that are strong enough to withstand the current market environment.

That is all from me.

Tokai Tokyo [M]: Thank you for your answers. That's all from me. Thank you for taking my questions.

Toyo Securities [Q]: Could you tell us about the sustainability of sales starting in Q2?

Toyo Keizai [Q]: The question is about the situation of the better-than-expected Q1 financial results. Isn't there a possibility that sales conditions in Q2, starting in June, could become more challenging?

I get the impression that the Q1 results were very strong. Could you please tell us how Q1 net sales and operating income compared to the Company's targets?

Given the poor weather in June, there are concerns that Q2 sales may be challenging. I believe that, in terms of the Company's financial performance, a decline in operating income is generally expected for the three months of Q2. What are your projections for Q2, H1, and the full fiscal year?

Maekawa [A]: I will answer both questions.

We believe the first quarter performed very well. As I mentioned earlier, operating income exceeded our plan by approximately JPY 1 billion.

For June, sales increased 37.7% YoY. However, this figure includes Daytona International and Waterfront. Excluding these newly consolidated companies, sales at existing businesses were 98.9% YoY.

As for June overall, while I don't want to attribute the results solely to the weather, it is true that weather conditions had a significant impact and that the market as a whole was challenging. As a result, June sales fell short of our budget.

Because the first quarter performed so well, we believe we are on track to achieve our first-half plan. Looking ahead to the second half, our priority will be to secure top-line growth, gross profit, and operating income during the key selling season from September through November. That concludes my answer.

Naito [A]: Let me add a few comments. Since we have not disclosed our sales and profit plan for the first quarter, I'd appreciate your understanding that I cannot provide the detailed figures. However, speaking in terms of trends, sales in our existing businesses were slightly above both the previous year and our plan.

As for profits, as I explained on page 6, several factors contributing to the year-on-year increase in operating income—such as cost control, the impact of newly consolidated businesses, and business withdrawals—had already been incorporated into our plan.

The improvement in profitability from our existing businesses came not so much from stronger sales themselves, but from improvements in the quality of sales, such as full-price sales exceeding our expectations. As a result, profits exceeded our initial plan.

As for your second question regarding June and beyond, my answer is the same as I explained earlier. Given the weaker-than-expected sales in June, although first-quarter results exceeded our plan, we have not revised our full-year earnings forecast.

Toyo Securities [M]: Thank you. I have no more questions.

Toyo Keizai [M]: Thank you. That is all from me. I understand.

Amundi Japan [Q]: The Company used to give the impression of having a very strong cash position. Would it be fair to say that the current level of cash and deposits is appropriate?

Naito [A]: I will explain the cash position.

As you pointed out, our cash and deposits temporarily increased the year before last following the sale of real estate. However, under normal circumstances, we consider the mid-JPY 20 billion range to be our appropriate operating level of cash and deposits.

With annual sales in the range of the high JPY 100 billion to around JPY 200 billion, this corresponds to roughly one and a half months of sales. As you know, we are primarily a retail business, and our business model does not require us to maintain a particularly large cash balance. Therefore, we believe that maintaining cash and deposits at around the mid-JPY 20 billion level enables us to operate our business in a stable manner.

In addition, we have committed credit lines in place and investment securities that are planned for sale. Therefore, I hope you understand that we have no particular concerns regarding our funding position.

Amundi Japan [M]: Thank you for taking my question.

Participant [Q]: Could you give us an overview of your overseas business? While the impact of the partial withdrawal from the U.S. business still remains, you have also expanded into Taiwan with brands such as FREAK'S STORE and JILL by JILL STUART.

Against this backdrop of new developments, how do you position your overseas business within the Group's overall growth strategy? In addition, could you share your strategy for restructuring and future growth, including any specific initiatives such as priority regions, key brands, and store expansion plans?

Maekawa [A]: Thank you for your questions. Given Japan’s declining population and the outlook for the domestic apparel market, we believe expanding our overseas business is essential to the Company’s future growth.

In the past, each brand expanded individually into markets such as China, South Korea, and the United States. However, because we have a diverse portfolio of brands, we now want to pursue overseas expansion in a more integrated manner.

As we continue to build our organization, we aim to establish a stronger structure that can compete effectively in overseas markets and further strengthen our existing businesses in the United States, Europe, and Taiwan. At the same time, we believe there are still many brands with the potential to create synergies, and we intend to accelerate store expansion by leveraging those synergies across our brand portfolio.

With this stronger foundation, we will continue to promote our overseas expansion. In addition to East Asia, Europe, and the United States, we will also explore opportunities in Southeast Asia.

That’s all from me.

Daiwa Securities [Q]: Please tell us about the roadmap for the recovery of the brands such as NANO universe and PEARLY GATES.

Kamiya [A]: I am Kamiya from the Operations Headquarters. Thank you very much for the question. First, regarding NANO universe, sales declined in the first quarter due to store closures. However, at existing stores, both customer traffic and average spending per customer are showing signs of improvement. Gross profit margins declined at outlet stores and in e-commerce due to significant markdowns. However, as we have made progress in improving the brand's financial position, we expect further improvement in full-price sales and at existing stores.

As for PEARLY GATES, sales exceeded JPY 13 billion during the COVID-19 pandemic but have since declined to the mid-JPY 9 billion range. Nevertheless, the brand still accounts for approximately 10% of the overall golf market, which is estimated at around JPY 100 billion, so we believe it continues to perform steadily. We have also worked to normalize inventory levels, and inventory is now at an appropriate level. Going forward, we intend to grow sales while continuing to reform our merchandising.

That is all from me.

Daiwa Securities [M]: Thank you.

SMBC Nikko Securities [Q]: First, I understand that FREAK’S STORE is opening a standalone store in Taiwan. What do you think is driving the brand's appeal in that market? Also, are there any local Taiwanese or Japanese brands already operating in Taiwan that you consider key competitors?

My second question is about this winter. There are forecasts of a possible super El Niño and a warmer-than-usual winter. What measures are you taking to prepare for those conditions?

Takahashi [A]: I’m Takahashi, and I’m in charge of Daytona. Thank you for your questions.

FREAK’S STORE is scheduled to open a standalone store in Taiwan. We are planning to open in late autumn, from late October to November. We plan to continue actively opening new stores in Taiwan.

We believe the reason FREAK'S STORE has been so well received is that we offer more than just clothing. We also create community-based activities and propose a lifestyle and culture that resonate with local customers.

As I mentioned earlier, we participated in a food and travel event in Taiwan this past May. Even though it wasn't a fashion event, our booth attracted the longest lines, which gave us confidence that our approach to culture and lifestyle is resonating with Taiwanese consumers. We also have many customers from Taiwan who shop at FREAK'S STORE when they visit Japan.

In fact, visitors from Taiwan account for about 30% of our inbound customers. At the event, many people came wearing our original products, carrying FREAK'S STORE shopping bags, or taking photos in our FREAK'S STORE photo booth. Although we have not yet opened a store there, we believe brand awareness is already quite high. Even on Google searches, FREAK'S STORE ranks among the leading Japanese select shops despite not yet entering the market, so we believe there are many reasons why the brand will be well received.

In addition, we have been invited to participate in a GQ Taiwan event this August. We're even producing FREAK'S STORE T-shirts because the GQ staff want to wear them at the event. That also gives us the sense that they have a deep appreciation for our culture. We're excited to move forward with our launch in Taiwan and take this first step in expanding our overseas business.

As for Japanese brands already operating in Taiwan, we understand that many brands, including BEAMS, United Arrows, BAYCREW'S, and *andST*, have established a strong presence and enjoy a high level of popularity.

That is all from me.

Maekawa [M]: Thank you for your question. You're absolutely right to point that out. However, this isn't something that has just started this year. Over the past several years, we've experienced increasingly long summers and mild winters almost every year. Rather than treating this as an unusual event, we see it as an ongoing trend.

Based on that assumption, we began implementing measures about two years ago, including changes to our merchandising strategy and initiatives to improve profitability. Going forward, we will continue to strengthen our ability to respond in a timely and appropriate manner to changing market conditions.

That is all from me.

SMBC Nikko Securities [M]: Thank you very much. That is all from me.

Participant [Q]: Please explain the factors behind the strong sales in existing businesses during Q1. Please also tell us about the growth drivers for your existing businesses.

Maekawa [M]: Thank you for your question. There are several factors behind the results, but on the men's side, our American casual brands continue to perform well. We also have a very high level of customer engagement with those brands, and we intend to build on that momentum going forward.

On the women's side, FREE'S MART continues to perform well, but the biggest factor has been the recovery of NATURAL BEAUTY BASIC. We believe this reflects the fact that our product strategy and merchandising initiatives have become better aligned with customer needs. We remain optimistic about the brand's performance and will continue to manage the business with that expectation in mind as we move into the second quarter and beyond.

That is all from me.

Moderator [M]: Thank you. That concludes our Q1 financial results briefing.

Thank you very much.

[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.*
4. *This document has been translated by SCRIPTS Asia.*

Disclaimer

JPX Market Innovation & Research, Inc. (“JPXI”) reserves the right to edit or modify, at its sole discretion and at any time, the contents of this document and any related materials, and in such case JPXI shall have no obligation to provide notification of such edits or modifications to any party. This event transcript is based on sources JPXI believes to be reliable, but the accuracy of this transcript is not guaranteed by us and this transcript does not purport to be a complete or error-free statement or summary of the available data. Accordingly, JPXI does not warrant, endorse or guarantee the completeness, accuracy, integrity, or timeliness of the information contained in this event transcript. This event transcript is published solely for information purposes, and is not to be construed as financial or other advice or as an offer to sell or the solicitation of an offer to buy any security in any jurisdiction where such an offer or solicitation would be illegal.

In the public meetings and conference calls upon which JPXI’s event transcripts are based, companies may make projections or other forward-looking statements regarding a variety of matters. Such forward-looking statements are based upon current expectations and involve risks and uncertainties. Actual results may differ materially from those stated in any forward-looking statement based on a number of important factors and risks, which are more specifically identified in the applicable company’s most recent public securities filings. Although the companies may indicate and believe that the assumptions underlying the forward-looking statements are accurate and reasonable, any of the assumptions could prove inaccurate or incorrect and, therefore, there can be no assurance that the anticipated outcome described in any forward-looking statements will be realized.

THE INFORMATION CONTAINED IN EVENT TRANSCRIPTS IS A TEXTUAL REPRESENTATION OF THE APPLICABLE PUBLIC MEETING OR CONFERENCE CALL. ALTHOUGH JPXI ENDEAVORS TO PROVIDE ACCURATE TRANSCRIPTIONS, THERE MAY BE MATERIAL ERRORS, OMISSIONS, OR INACCURACIES IN THE TRANSCRIPTIONS. IN NO WAY DOES JPXI OR THE APPLICABLE COMPANY ASSUME ANY RESPONSIBILITY FOR ANY INVESTMENT OR OTHER DECISIONS MADE BY ANY PARTY BASED UPON ANY EVENT TRANSCRIPT OR OTHER CONTENT PROVIDED BY JPXI. USERS ARE ADVISED TO REVIEW THE APPLICABLE COMPANY’S PUBLIC SECURITIES FILINGS BEFORE MAKING ANY INVESTMENT OR OTHER DECISIONS. THIS EVENT TRANSCRIPT IS PROVIDED ON AN "AS IS" BASIS. JPXI DISCLAIMS ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE, FREEDOM FROM BUGS, SOFTWARE ERRORS OR DEFECTS, AND ACCURACY, COMPLETENESS, AND NON-INFRINGEMENT.

None of JPXI’s content (including event transcript content) or any part thereof may be modified, reproduced or distributed in any form by any means, or stored in a database or retrieval system, without the prior written permission of JPXI. JPXI’s content may not be used for any unlawful or unauthorized purposes.

The content of this document may be edited or revised by JPXI at any time without notice.