



TSI HOLDINGS

TSI HOLDINGS CO., LTD.

Q2 Financial Results Briefing for the Fiscal Year Ending February 2027

October 15, 2026

Event Summary

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[Participants]	72	
[Number of Speakers]	3	
	Tsuyoshi Shimoji	Representative Director, President and CEO
	Masanori Maekawa	Director and COO
	Mitsuru Naito	Director and CFO

Question & Answer

Moderator [M]: We will now begin the question-and-answer session.

Daiwa Securities [Q]: I believe that addressing market contraction and rising costs has been an ongoing challenge. Could you explain what led to the decision to merge with World at this particular time?

Naito [A]: Thank you for your question. I will address the timing of the business integration.

TSI HOLDINGS is currently in the final year of its three-year structural reform program, during which we have implemented various measures, including cost reductions. While there is still room for improvement, we believe we have strengthened our earnings structure and brand portfolio in various ways.

As we complete the final year of these reforms, we also need to begin preparing for the next phase of growth starting in the following fiscal year. We recognize that simply continuing our past efforts will not be sufficient. We need to further improve our cost structure and accelerate growth.

Meanwhile, World has announced its medium-term management plan, VISION-W, which targets sales of approximately JPY 330 billion over three years, with longer-term ambitions of reaching JPY 500 billion to JPY 1 trillion.

We believe that economies of scale can deliver significant benefits in terms of cost structure. By improving cost efficiency across both companies, we can free up resources for growth and reinvest them in business development and human capital. We began discussions around June of this year and have now reached an agreement.

We believe that a key factor behind the decision to pursue this integration at this time was the alignment between TSI's readiness to move into its next phase of growth and World's efforts to achieve the goals of its newly announced medium-term management plan.

That concludes my response.

Shimoji [A]: Thank you for your question.

One of the key priorities is developing talent and passing on technical skills and expertise while adapting to changes across the industry. We also need to nurture people who can bring fashion to the next generation.

Together, World and TSI HOLDINGS have a workforce of more than 10,000 people. We see great potential in leveraging this combined talent pool to develop people and build the capabilities needed to communicate our creativity to the world.

Daiwa Securities [Q]: It's been a year since Daytona International joined the TSI Group. At the time of the acquisition, I believe Daytona was expected to help attract younger customers and strengthen

in-store sales capabilities by sharing its expertise. Could you review the progress made so far and share your outlook for the future?

Maekawa [A]: Thank you for your question.

We believe Daytona's addition to the Group has helped us strengthen our ability to attract younger customers, a challenge TSI had faced.

We are currently focusing on driving customer traffic between our brands, primarily through e-commerce. Some of our brands have already launched stores on Daytona Park, and we plan to continue strengthening these efforts.

We are also exploring ways to align our operations as much as possible in areas such as legal compliance, budget management, and quality control processes.

As for branding and product development, these are areas that underpin Daytona's unique identity. We intend to carefully consider how best to collaborate while preserving that uniqueness and pursuing further synergies.

That concludes my response.

Shimoji [A]: Daytona's strengths in sales, planning, and concept development are already having an impact across the Group, and there is growing momentum for collaboration.

We expect that closer cooperation with Daytona and FREAK'S STORE will generate new and exciting synergies, and we are already beginning to see this take shape.

Daiwa Securities [M]: Thank you very much. We look forward to your continued success.

SMBC Nikko Securities [Q]: Regarding systems and logistics, do you plan to adopt either company's existing system following the business integration?

Also, regarding workforce restructuring, is there a possibility of reviewing personnel assignments or reducing headcount as a result of the integration?

Both TSI HOLDINGS and World have extensive brand portfolios. What is your strategy for these brands following integration, including any potential consolidation or discontinuation?

Naito [A]: Thank you for your questions. I will address the two main areas.

First, regarding systems and personnel, the two companies plan to establish a joint integration committee to examine these matters individually.

Both management teams have agreed to make decisions based on what is most reasonable and appropriate, rather than automatically adopting either company's existing systems. We will carefully evaluate each area and determine the optimal approach. The specific details will be discussed going forward.

Regarding personnel, both companies have agreed that there will be no layoffs as a result of the business integration.

As we reinvest in growth areas, some reassignment of personnel may be necessary to make better use of our workforce. However, both companies have clearly agreed that the integration will not involve workforce reductions through restructuring.

Turning to brand strategy, our shared vision is to create a company in which a diverse range of businesses and brands can thrive. We have no intention of reducing the number of brands simply because our combined portfolio is large.

Instead, we aim to establish a common, efficient platform that improves the profitability of individual brands and enables more of them to remain viable. In principle, we do not plan to consolidate or discontinue brands solely because of the integration.

That said, individual brands are at different stages of development, from growth to decline. We will continue to carefully evaluate brands that are no longer supported by the market and make decisions on a case-by-case basis, regardless of the integration.

Our focus is not on reducing the overall number of brands, but on evaluating each brand on its own merits and creating a platform where a diverse range of brands can thrive.

That concludes my response.

Shimoji [A]: Thank you for your question.

First and foremost, I want to emphasize that we will not reduce our workforce as a result of the integration. Our focus is on developing people and enhancing our sales capabilities, particularly by improving hospitality in our stores.

We intend to invest the benefits generated by bringing two companies together in human resource development. By combining our infrastructure and other operations, we expect to achieve significant cost efficiencies. We plan to reinvest these benefits in further improving the quality of our customer service and strengthening our product development capabilities.

Nikkei [Q]: Based on a simple combination of two companies' forecasts for the current fiscal year, the new company would have net sales of JPY500 billion and an operating income of JPY25 billion. Do you have any medium- to long-term sales or profit targets, or specific plans you hope to achieve through the business integration?

Naito [A]: Thank you for your question.

As you pointed out, simply combining the two companies' forecasts for the current fiscal year would result in net sales of approximately JPY500 billion and operating income of approximately JPY25 billion. We view these figures as a starting point for the new company, rather than the level we ultimately aim to achieve.

The two companies will discuss specific plans for how much we intend to grow the business going forward.

At this stage, we have not yet established specific sales and profit targets. Once these plans have been formulated, both companies will arrange an opportunity to explain them to you in detail.

Nikkei [Q]: Sales of apparel, the core business of both companies, appear to be weakening. How do you plan to strengthen your product development and sales capabilities through the business integration?

How do you plan to strengthen your ability to create value and compete with major retailers and low-priced vertically integrated apparel brands? Could you also explain your current position, the challenges you face, and how you intend to address them going forward?

Shimoji [A]: Thank you for your question.

People play a crucial role in developing strong products. As I mentioned earlier, developing our talent and analyzing current market trends are both extremely important.

We plan to establish programs such as workshops and joint training sessions, where employees can learn together and share knowledge. By bringing together our technical expertise and sharing information across the Group, we aim to strengthen each brand's unique identity while enhancing our collective ability to communicate its value.

The same applies to our sales capabilities. We intend to invest in training and education to raise sales skills to a consistently high standard. By improving employees' expertise and hospitality, we aim to strengthen sales capabilities within each brand.

We also want to establish a system in which sales staff can support one another across stores within the same area, ensuring that each store is properly staffed and supported. By combining vertical and horizontal collaboration, we aim to create an organizational structure that facilitates effective communication among employees.

We believe that establishing this foundation is one of our most important priorities.

To compete with major retailers and low-priced vertically integrated apparel brands, we believe our strength lies in creating excitement and enjoyment through fashion. It is important for us to convey the joy of fashion and the excitement of dressing up in something new.

B2B systems that support these efforts behind the scenes will be an important part of our collaboration with World. Our goal is to establish a framework that fundamentally transforms the Group's profit structure.

By establishing such a framework, we aim to create opportunities to share the benefits of improved profitability. At the same time, we want to continue operating as a company where employees think independently and take initiative, enabling us to respond to the needs and expectations of our customers.

That concludes my response.

Nikkei [Q]: Thank you. Just one final follow-up on my previous question. Could you elaborate on how you view your current position in the market?

Shimoji [A]: Thank you.

Looking at the industry as a whole, we are seeing a contraction in the mid-market segment. At the high end, luxury brands continue to perform strongly, while the lower-priced mass-market segment, particularly retailers offering affordable basic apparel, also enjoys strong consumer support.

Our concern is that the mid-market segment, where we primarily operate, has not been sufficiently revitalized. I believe it is widely recognized that this segment is currently shrinking.

We cannot simply allow this trend to continue. The key is to create an environment in which we can earn stronger customer support, communicate the value of our brands more effectively, and introduce exciting new initiatives.

We intend to actively pursue initiatives that enable both new and existing brands to express their unique identities in more engaging and creative ways. I hope you will look forward to what we achieve.

Thank you.

Nikkei [M]: Thank you very much for your detailed response.

Toyo Keizai [Q]: When did you begin considering the business integration with World? Could you share any specific events or circumstances that led to the discussions? Also, given that mix.tokyo was launched only last year, do you plan to integrate your e-commerce platforms with World's in the future?

Naito [A]: Thank you for your questions.

As I mentioned earlier, we began more in-depth discussions around June. There was no particular event or interesting episode that triggered the discussions. Since we operate in the same industry, our presidents, CFOs, and other executives had been in contact for some time.

Through these interactions, we exchanged views on the challenging environment facing the industry and developed a shared understanding of the issues. Both companies were considering how best to move forward, while World was also working toward the goals of its newly announced medium-term management plan. Against this backdrop, the possibility of a business integration was raised more concretely around June, and discussions began in earnest.

The period from June, when discussions began, to the announcement in October was exceptionally short for a business integration of this scale. There were concerns that completing the integration in March would be difficult given the tight schedule. However, both companies agreed that, if we were going to proceed, we should move as quickly as possible. We continued discussions with a full understanding of the challenges involved and were ultimately able to make the announcement in October.

I believe we were able to move faster than usual because of our longstanding communication, shared awareness of the challenges facing both companies, and the alignment of our timing.

Regarding e-commerce integration, we launched mix.tokyo only last year. As with the integration of other systems, this is something the two companies will discuss going forward.

As explained in the organizational structure, three intermediate holding companies will operate under the new joint holding company: TSI Inc., World Solutions Co., Ltd., and World Brands Co., Ltd.

It would be difficult to integrate all operations immediately. In addition, platforms such as mix.tokyo and Daytona Park play a significant role in our businesses.

Our current approach is therefore to focus first on strengthening each platform individually and then discussing how they might be integrated in the future.

That concludes my response.

Shimoji [A]: We intend to take a step-by-step approach to integrating major business operations. Our goal is to create an environment where customers can enjoy a convenient and engaging shopping experience as quickly as possible.

We will begin developing a plan, including a timeline, for bringing these operations together on a meaningful scale and creating an attractive shopping platform for our customers.

Toyo Keizai [M]: Thank you very much. I understand.

Senken Shimbun [Q]: One of the objectives of the business integration is to establish the new company as the fashion industry's "Third Pole." Do you envision other companies joining this platform in the future?

Shimoji [A]: Thank you for your question.

I believe there is certainly room to consider this possibility if we share a common vision and see opportunities to generate significant synergies that would help revitalize the industry, including the domestic market.

One particularly important consideration is sustainability. Decarbonization has become a major issue for society as a whole, so it is essential that we share not only a sound business rationale but also a common understanding of these challenges and the values needed to address them.

We would consider the possibility of other companies joining us through discussions that take these factors into account.

I believe this could develop into a major movement across the industry, and we would like to pursue opportunities for collaboration.

Senken Shimbun [Q]: TSI primarily sources its products from three major suppliers, while World has MC Fashion, which it acquired, within its Group. Could you explain the new company's approach to product sourcing?

Maekawa [A]: Thank you for your question.

First, I would like to emphasize that our future product sourcing policy has yet to be determined and will be discussed going forward.

That said, TSI had already worked with MC Fashion as a supplier before it became part of the World Group. We therefore view the possibility of working more closely with MC Fashion positively.

More broadly, we intend to consider how best to leverage not only TSI's existing sourcing channels but also World's platforms and capabilities as we develop our future sourcing policy.

That concludes my response.

Senken Shimbun [M]: Thank you very much.

Moderator [M]: Thank you very much. That concludes all the questions we have received.

At this point, neither company has scheduled a press conference or similar event. We will discuss the matter with World and inform you once the details have been finalized.

This concludes today's financial results briefing. Thank you all for joining us.

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