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Q&A collection

Financial Results for the Fiscal Year Ended February 28, 2026

(Updated on May 27, 2026)

This Q&A collection is a compilation of anticipated questions regarding the financial results for the fiscal year ended February 28, 2026, which were announced on April 9, 2026, as well as excerpts of inquiries from investors and their responses. Some content has been edited for clarity.

Q | Please tell us about the impact of crude oil supply constraints on your business performance.

While there are concerns about rising logistics and store facility costs due to crude oil supply constraints, we view this as a major growth opportunity for our company. Specifically, if a shortage of naphtha causes delays in the supply of new home appliances and other products, it will boost the expansion of secondhand demand, acting as a positive factor for us. Furthermore, growing budget-consciousness, such as a stronger desire to save money, is also providing a tailwind, leading us to determine that further profit growth is achievable.

Q | Regarding inbound tourism, please tell us the impact of the decline in Chinese tourists in particular.

Overall inbound sales continue to be strong, supported by the benefits of the weak yen, remaining above the previous year's level. The anticipated decrease in sales to Chinese tourists since December has been sufficiently absorbed by the overall business due to increased demand from other regions. Specifically, in addition to the United States and Asian countries outside of China, usage by customers from Australia and Europe is growing. Recently, sales to Chinese tourists have also shown a recovery trend, and we perceive the progressing depreciation of the yen as a positive factor.

Currently, our tax-free sales ratio remains above 10%, but we recognize that the growth rate itself is moderating. Our company's strength lies in our ability to handle a wide range of reuse products in response to the demand at any given time. Therefore, we have not set specific numerical targets for inbound sales, but we intend to grow both domestic and tax-free sales in a well-balanced manner while responding agilely to future changes in demand.

Q | Please tell us the specific factors behind the improvement in the gross profit margin of non-consolidated existing stores.

There are three main factors behind the improvement in the gross profit margin. The first is an improvement in the markup rate resulting from the change in the buyback coupon system in the third quarter. The second is a sales mix factor driven by strong sales of lower-priced items. Lower-priced items tend to have higher gross margins because the competitive environment for procurement is milder. The third factor is our successful price control of winter inventory. Based on temperature changes and demand forecasts, we successfully achieved solid inventory turnover while refraining from excessive discounting and sales.

We expect the improvement in the gross profit margin resulting from the change in the buyback coupon system to continue trending similarly until the second quarter of the fiscal year ending February 2027, when the measures will have run their full course.

Q | You mentioned that lower-priced items are performing well, but are there concerns about sluggish growth in the gross profit amount? Please tell us why the company views this trend positively.

For example, while lower-priced items such as apparel merchandise ranging from 300 to 3,000 yen have a small gross profit amount per item, their gross margin is extremely high, creating a structure where we can generate a sufficient profit amount by increasing the number of items sold. Our strength lies in our operations that reliably monetize lower-priced items. By utilizing data, we appropriately control inventory and pricing, enabling us to sell out products while maintaining a high profit margin. Since the need for lower-priced items is high, we believe that firmly growing the sales volume will contribute to our earnings. Moving forward, we will continue to capture demand across a wide price range, from lower-priced to high-priced items, striving to maximize our gross profit amount.

Q | The strong performance of Kindal is having a negative impact on the consolidated gross profit margin. Do you expect the consolidated gross margin to continue trending downward in a similar manner?

In recent years, Kindal has been performing well due to capturing inbound tourism demand and the tailwind of the vintage clothing boom. In phases where Kindal's sales composition ratio increases like this, the consolidated gross margin tends to be pushed down due to the sales mix factor. However, while the high-priced apparel merchandise handled by Kindal has a relatively lower gross margin, its operational load is light and sales efficiency is high, allowing us to suppress the SG&A-to-sales ratio. As a result, even if the gross margin declines, we are able to secure sufficient earnings in terms of the operating profit margin.

Going forward, we plan to continue deploying appropriate business models tailored to merchandise characteristics, flexibly controlling the balance between the gross profit margin and the SG&A-to-sales ratio, and expanding the absolute amount of operating profit for the entire group.

Q | In the Medium-Term Management Plan, it is assumed that the operating profit margin will gradually decline. What are the main factors behind this?

The decline in the operating profit margin in the Medium-Term Management Plan is due to upfront investments for future growth. The first point is investment in AI and DX. By streamlining authenticity verification using AI and improving the accuracy and speed of appraisals, we will eliminate dependency on individual skills and dramatically increase employees' labor productivity. The second point is strengthening procurement channels outside of stores. We will expand and relocate logistics hubs and increase personnel. We position this as an important investment to stably secure inventory for new stores in order to support our future store opening strategy. The third point is our expansion into the United States. Fixed costs such as personnel expenses are high in the U.S., so to absorb headquarters costs, we aim to rapidly roll out stores, targeting a scale of 6 to 10 stores within three years.

On the other hand, for existing stores, we anticipate a full-year sales growth of 2% and an increase in the gross profit margin, projecting that the operating profit margin will rise by absorbing the increase in fixed costs.

Q | Personnel expenses are increasing; will this trend continue in the next fiscal year and beyond?

The increase in personnel expenses is due to continuous base pay increases to secure personnel and upfront investments for sustainable growth. In particular, we are increasing headcount in the AI/DX fields and procurement channels outside of stores.

For the fiscal year ended February 28, 2026, the growth in sales absorbed the cost increases, resulting in a lower SG&A-to-sales ratio. We will continue making growth investments within a range premised on profit growth. In addition, by further enhancing labor productivity through the utilization of AI and DX investments, and appropriately managing SG&A expenses, we plan to realize continuous improvements in profitability.

Q | Your sales growth and procurement growth are at similar levels. Are there any concerns about inventory shortages?

We have no concerns about inventory shortages, and we recognize that an appropriate inventory level balanced with sales is being maintained. In the reuse business, if either sales or procurement becomes too prominent, it leads to risks of excess or insufficient inventory, making this equilibrium crucial. Currently, a healthy cycle of purchasing appropriately and selling appropriately is operating smoothly.

In the fiscal year ended February 2025, procurement grew significantly due to the opening of two large-scale Kindal stores. For the fiscal year ended February 28, 2026, since mid-to-small-sized store openings were the main focus, the growth rate of procurement may appear to have slowed down. However, we have secured a sufficient volume of inventory to meet current sales demand.

Q | From a long-term perspective, what scale of domestic store network do you envision?

From a long-term perspective, we believe there is room to open between 800 and 1,000 stores domestically. Since major peers have already established networks of that scale nationwide, we believe we also have the potential to open stores up to a similar scale.

Reuse shops tend to be viable even when competing stores exist in the same trade area; in fact, the buying and selling of secondhand goods can be stimulated, leading to improved performance. Due to the nature of handling one-of-a-kind items that can only be bought there, we consider areas where peers are already operating as having potential for our own store openings.

Q | Market rents are rising; what is the impact on fixed costs?

We are receiving requests for rent increases at some stores, and there are cases where we choose to close the store because we cannot reach an agreement on the conditions. However, when a store closure occurs due to mismatched rent negotiation conditions, we are taking measures to mitigate the negative impact, such as relocating to nearby areas.

Q | Please tell us about the timeframe required for the process leading up to opening a new store, and how many years ahead you are currently working on store openings. Also, is the pace of just under 40 store openings per year in the Medium-Term Management Plan the upper limit?

The average timeframe required to open a store is about six months. Currently, we are primarily focusing on securing properties for store openings from this summer through autumn, while simultaneously working on projects scheduled for one to one and a half years ahead.

Regarding the pace of store openings, we target approximately 10% of our existing total number of stores. We have set this as a benchmark for business growth while maintaining the quality of existing stores within the resource constraints of "securing reuse inventory" and "securing human resources." Since our capacity to supply inventory and human resources will also increase as our business scale expands, we do not consider 40 stores to be a hard upper limit; we believe it is possible to increase the number of store openings in the future.

Q | Please tell us about the status of your overseas business.

Regarding the situation in Thailand, we operate five general reuse business format stores, mainly in Bangkok, and plan to open a sixth store during the current fiscal year. With inflation progressing even more than in Japan, creating a tailwind for the reuse business, and Japanese reuse products gaining strong support, the ratio of profit contribution to the consolidated results is also increasing.

In Taiwan, we currently operate three stores, primarily in the suburbs of Taipei. In December 2025, we opened our first overseas apparel-specialized format, "TreFac Style." On a PL basis excluding new store costs, we have achieved profitability, and moving forward, our policy is to proceed with store openings centered on the TreFac Style format in a way that adapts to local property characteristics.

In the U.S. market, the culture of donation and flea markets is well-rooted, leading to a low resistance to reuse; however, the difference from Japan is that a business culture surrounding reuse has not yet taken root. We are currently preparing to open our first store during the fiscal year ending February 2027.

Q | Please tell us about your characteristics and differentiating factors compared to your peers.

Our company has three major characteristics and differentiating factors.

The first is "flexibility in store openings and product assortment" through multiple business formats. By having more than 10 business formats within the group, we can open stores in the most optimal format tailored to the location and property type. Because of this, we can open multiple stores even within the same trade area. Furthermore, we can accumulate know-how in handling diverse merchandise, allowing us to flexibly change our product assortment according to demand. By handling a wide range of items from time-consuming lower-priced merchandise that competitors are reluctant to touch, to high-priced items, we have built a stable earnings foundation that is not easily swayed by the market environment.

The second is our high-quality operations supported by a high ratio of regular (full-time) employees. We maintain a high ratio of regular employees and give significant discretion to each store. This enables us to achieve product assortments that reflect regional characteristics. In addition, polite customer service and appraisal handling generate high customer satisfaction, realizing "high-quality purchases (procurement)," which is the lifeline of the reuse industry.

The third is our "ability to sell out" through data utilization. We have accumulated massive volumes of buying and selling data in our proprietary systems over many years, building data-utilization know-how at each site. Through appropriate pricing for each individual item and precise inventory control, we reliably sell out everything from lower-priced goods to high-priced items at a high turnover rate, achieving a high gross profit margin standard even within the industry.

Q | You have assumed a growth rate of 102% for existing store sales for the fiscal year ending February 2027. Isn't this a conservative setting compared to the previous fiscal year's actual result of 104.6%?

Existing store sales have continued to grow for over four and a half years, and the hurdle of the previous year's results is becoming higher year by year. In addition, considering the uncertainty of the external environment, such as inflation trends and global affairs, we have set the growth rate assumption at 102%. As for the recent situation in March, the year-on-year rate is 101.6%, but excluding the impact of factors such as the number of holidays, the real growth rate exceeds 2%, and it is progressing smoothly and generally as expected.

Q | Regarding the store opening plan for the current fiscal year (30 to 35 stores), are there any changes in the store opening policy from the previous fiscal year?

While we were able to open the targeted number of stores in the previous fiscal year, store openings were skewed toward regional suburbs, which led to a delay in the first-year ramp-up of new stores, a point of reflection for us. We will maintain the store opening pace itself this fiscal year, but our policy is to proceed with store openings while emphasizing a balance between the number of stores in urban areas—which tend to contribute more readily to profits—and regional areas.

Q | Regarding the AI and DX investments planned for this fiscal year, please tell us the specific details of the initiatives and when they will contribute to earnings.

The primary purpose is to improve efficiency in the product purchasing (appraisal) process. Specifically, we are considering creating systems such as using AI to verify the authenticity of branded products and calculate selling prices. Through this, we aim to eliminate dependency on individual skills in appraisal operations, reduce human costs, and improve labor productivity. However, we anticipate that costs will precede any visible effects for at least one to two years, and we will work on this from a medium- to long-term perspective.

Q | Regarding the increase in SG&A expenses for the fiscal year ending February 2027, you have cited investments in AI and DX, strengthening procurement channels outside of stores, and expansion into the United States. Are there any other notable factors besides these?

We are planning to expand and relocate our logistics center. In order to support our future business scale expansion and store opening strategy, it is essential to develop a base that stably supplies inventory for new stores—acquired through non-store procurement channels (such as home-visit purchases, mail-in purchases, and corporate purchases)—to each store. Therefore, we plan to consolidate our currently dispersed logistics bases in the Kanto region and execute an expansion and relocation. Along with this, we anticipate an increase in SG&A expenses, primarily in the second half, including rent, relocation costs, and personnel expenses.

(Updated on May 27, 2026)

Q | How do you analyze the factors behind the sluggish stock price despite your steady business performance? Also, are there any changes to your shareholder return policy?

We sincerely acknowledge the current situation where our stock price is lagging relative to our business performance, even while our peers are being well-evaluated in the market.

We analyze that the main factor is the temporary decline in the operating profit margin outlined in the Medium-Term Management Plan, which is being perceived as a concern for a slowdown in growth.

However, in the Medium-Term Management Plan, we project that the operating profit margin for existing stores will rise, meaning this is by no means a stagnation in growth. The profit margin is temporarily declining as a result of strategic investments made precisely because we are confident in further growth opportunities. Specifically, the factors pushing down the profit margin are: 1) the expansion and relocation of our logistics center, 2) an increase in personnel for mail-in purchases and home-visit purchases, 3) investments in AI and DX, and 4) initial investments for our U.S. business.

Furthermore, we believe that the current stock price level presents a highly attractive investment opportunity in our own shares as a capital allocation option alongside growth investments and M&A. Therefore, we recognize that we are now in a phase to proceed with concrete considerations for agile share repurchases.