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Q&A collection

Financial results for the Fiscal Year Ended February 28, 2025 (Updated on April 11, 2025)

This Q&A collection is a compilation of anticipated questions regarding the financial results for the fiscal year ended February 28, 2025, which were announced on April 9, 2025, as well as excerpts of inquiries from investors and their responses. We have added and revised some content to make it easier to understand.

Q | What is the image of the number of new store openings, which is seen at this point in time?

Preparations for new store openings have been progressing steadily since the second half of the previous fiscal year.

During the fiscal year ended February 2026, we plan to open 30 to 35 stores throughout the Group. At the moment, however, as candidates for new stores have been steadily determined, we believe there is a high prospect that we will be able to achieve this goal for the 30 stores with the lower limit.

Q | In some industries, there are signs of a slowdown in inbound tourism, but what are the factors behind the sustainability of strong inbound sales?

Treasure Factory Co., Ltd. (the “Company”) continue to see strong inbound demand and have not slowed down. Currently, the yen is appreciating, but the impact is not significant. Unless there is a significant decline in the number of tourists visiting Japan, such as the Corona disaster, inbound tourists are expected to remain firm.

Q | Is the current inventory level sufficient and is it necessary to build up further considering continuous store openings? Also, what are the factors behind the growth of home delivery purchases and business trip purchases in the purchasing channel? Have you made any efforts?

The current inventory level is appropriate, and the necessary inventory is secured in line with the increase in sales.

In order to open new stores in the future, it will be necessary to accumulate inventories, but for this reason it has made upfront investments, such as expanding its centers in the previous fiscal year. The effects of upfront investment have already appeared, and purchases are trending favorably.

Q | What is the reason for the SG&A-to-sales ratio to increase in this fiscal year's forecast?

The increase in the SG&A-to-sales ratio is considered in combination with the increase in the gross profit margin.

Among new store openings, general business formats (Treasure Factory) and fashion business formats (Treasure Factory Style) are expected to account for the majority. However, as the composition of both business formats increases, the product mix on a consolidated basis will change, and the gross margin will rise, and the SG&A-to-sales ratio is expected to rise.

Both business formats have a relatively high gross profit margin and a high SG&A-to-sales ratio among the Group's businesses, and we expect the aforementioned changes in the profit margin due to a relatively large increase in the number of stores in these 2 business formats.

Q | What are the factors behind the decline in the operating profit margin in the first half of the fiscal year.

In February 2025, the first quarter was very good, and the full-term expectation was upgraded at the time of publication of the first quarter results. Although profits declined YoY in Q2, it was a very good outcome for the entire First Half.

In the first half of the fiscal year ended February 2026, it is not expected to be a factor in particularly large declines in earnings, but the result is a somewhat conservative outlook compared to the previous fiscal year, when it was very strong.

**Q | What about the outlook for the reuse market, which is a prerequisite for the medium-term management plan, the company's share, and the assumptions for the inbound ratio?
Moreover, the ordinary profit margin has been in the latter half of 9%, but can we expect a further improvement in the profit margin?**

The prospect of the reuse market is that the demand continues to expand, and the market forecast for 2025 is 3.25 trillion yen.

Although the company has not estimated the size of the market related to our business, the company recognizes that its share is still small, and by growing while maintaining profitability, the company intends to acquire a share in line with the expansion of reuse demand.

Although the company has not made any assumptions regarding the inbound ratio, the company does not currently anticipate significant fluctuations.

The recurring profit margin is expected to be in the second half of 9%, as it aims to achieve both profitability and growth, although it can improve if the pace of store openings falls significantly, as the costs of store openings decline.

Q | What are the assumptions for the earnings forecasts for the year ending February 2026?

The comparable store growth rate is set at 102%. While it may seem conservative with respect to trends in recent years, the setting is based on the fact that the external environment is uncertain and the hurdles are rising as comparable store sales continue to grow above the previous fiscal year for the 42nd consecutive month. However, the Company is prepared to exceed the forecast by, for example, strengthening the purchasing and purchasing aspects in advance, which will lead to solid results.

The gross profit margin is set at 59.9%. The company expects 0.8pt to improve from 59.1% in February 2025. On the other hand, the SG&A-to-sales ratio is also expected to 0.9pt increase from 49.5% in the fiscal year ended February 2025. As the composition of new store openings is centered on the opening of general business formats (Treasure Factory) and fashion business formats (Treasure Factory Style), the composition of Brand Collect and Kindal, which handle high-priced merchandise, will decline. As a result, the company expects its product mix to change, gross profit margin to increase, and the SG&A-to-sales ratio to increase.

As in the past, the company expects fixed costs to increase due to increases in variable costs and wage increases associated with business expansion, but does not expect a particularly large increase or decrease in SG&A expenses.