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Q&A collection

Financial results for the Three Months Ended May 31, 2025 (Updated on August 4, 2025)

This Q&A collection is a compilation of anticipated questions regarding the financial results for the three months ended May 31, 2025, which were announced on July 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 | How do you evaluate the financial results for the 1Q?

We consider the first-quarter results to be strong. Both net sales and operating profit grew by over 10%, surpassing the high benchmark set by the strong performance in the same period of the previous fiscal year. A key driver was the strong performance of existing store sales, which reached 104.4% of the previous year's sales, exceeding our plan of 102%. In particular, apparel, our main category, drove sales.

Q | What are the trends at existing stores and what are the future prospects?

Existing store sales growth was driven primarily by an increase in customer traffic. The acquisition of new customers is continuing, and the increase in app members is contributing. The average transaction value remained nearly flat, as stabilized demand for high-priced items led to a higher sales mix of lower-priced products.

Full-year comparable store growth is forecast to be 102%. As the external environment shifts, we expect the recent high growth rate of 110% to converge toward a more stable level.

Q | What is the reason for the decline in consolidated gross profit margin?

The primary reason was an increase in the sales contribution from our subsidiary, Kindal, which has a relatively lower gross margin because it handles high-priced brand used clothing. By store format, however, some, like Treasure Factory Style, saw improved gross margins thanks to more effective markdown management.

Looking ahead, we expect the consolidated gross margin to trend upwards, supported by an increased sales mix of lower-priced products and the stabilization of inbound demand.

Q | What are the reasons for the increase in SG&A expenses?

The primary factor was an increase in personnel expenses. This includes new graduate hiring, base salary increases, and additional staffing in corporate divisions, but the overall increase has been in line with our projections.

Other factors include costs associated with opening new stores and an overall increase in rent.

Q | What are the pillars of our future growth strategy?

As existing store sales growth stabilizes, new store openings will again be the primary driver of our growth. Based on its medium-term management plan, the company plans to continue opening stores for the year, targeting around 10% of the total number of stores in the group. We will continue to reinvest generated cash into new store openings as our top priority.

Q | What is the progress of the store opening plan for the current fiscal year?

We are making excellent progress. Against our full-year target of 30-35 new stores, we have already secured locations for 26. We are confident that we will open at least 30 new stores, partly due to the recent expansion of our store development team.

Q | What are the trends in inbound demand and how is it affecting business performance?

Inbound sales were strong in Q1; however, partly due to the high growth that continued through the previous fiscal year, we have observed a slowdown across the reuse industry beginning around June.

The impact on our business is relatively limited, as our product mix includes a lower ratio of high-end bags and watches, which are sensitive to currency fluctuations, compared to our competitors. The slowdown in inbound demand is a factor lowering the average spend per customer; however, we believe the corresponding sales growth of high-margin products for the domestic market could positively impact our overall profit margin.

Q | What are your strategies for each product category?

Our basic policy is to cater to a wide range of customer needs in a balanced manner, rather than specializing in a single category.

Apparel, which is one of our strengths, continues to be a pillar of growth. When high-priced products are difficult to sell, we aim to stabilize sales by capturing demand in the low-price range, such as fast fashion.

Demand for high-priced brand products such as watches and bags has been stabilizing, partly due to the slowdown in inbound demand. In anticipation of this trend, our policy this fiscal year is to focus on strong sales of products in the mid- and low-price ranges.

We believe there is still significant potential to grow our hobby goods category, which includes sports equipment, outdoor gear, and musical instruments. We aim for further growth by enhancing expertise. On July 29, the company opened a specialty musical instrument store, Trefac Musical Instruments.

Q | What are your thoughts on M&A and overseas expansion?

We are considering M&A based on a two-pronged approach: 'regional expansion' (entering new domestic markets) and 'product portfolio expansion' (strengthening currently underrepresented genres).

We view our overseas expansion as a long-term investment for future growth. Currently, our operation in Thailand has achieved profitability, and our operation in Taiwan is achieving profitability on a monthly basis. The Company plans to expand at a pace of 1 to 2 stores per year in the future.

Q | How do you view competition from CtoC platforms?

While there were times when we felt a direct impact from them in the past, we now believe we serve different customer segments. Customers who prefer to sell many items at once, want a hassle-free cash transaction, and value the security of trading with an established business continue to use our stores.