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Q&A collection
Financial Results for the Six Months Ended August 31, 2026
(Updated on October 28, 2026)

This Q&A collection is a compilation of anticipated questions regarding the financial results for the six months ended August 31, 2026, which were announced on October 14, 2026, as well as excerpts of inquiries from investors and their responses. Some content has been edited for clarity.

Q | You had forecast a decrease in profit for the second quarter (June–August), but profit increased. What were the factors behind this?

At the time of the first-quarter financial results, we had forecast a decrease in profit for the second quarter (June–August), taking into account that demand for summer items had been brought forward into the first quarter, and anticipating a reactionary decline from the initiatives commemorating our 30th anniversary in August of the previous year.

In reality, although growth slowed in June, sales at existing stores recovered from July onward. In August as well, measures to encourage customers to visit multiple stores performed well, driven by synergies between the customer base that had expanded following the previous year's anniversary initiatives and our dominant-area store openings. Sales exceeded the previous year's strong results, and in the second quarter both net sales and operating profit grew by more than 10% year on year (operating profit: +12.5%).

TREASURE FACTORY

Q | Why have you kept the full-year financial results forecast and the dividends forecast unchanged despite the strong performance in the first half?

Operating profit for the first half was 2,330 million yen (+21.5% year on year), exceeding the plan. However, we did not revise the forecast upward because our second-half forecast (+5.1% year on year) factors in the following three points.

(1) The effect of improved pricing resulting from the change in the purchase coupon program implemented in the third quarter of FY2026 will have lapped, and conditions will be the same as in the previous year

(2) Costs will be incurred in connection with the relocation of the logistics center and the opening of new bases for home-visit purchases

(3) New store openings will be concentrated in November–December, temporarily increasing store opening costs

Regarding dividends, we have set the interim dividend at 24 yen, an increase of 5 yen from the previous fiscal year. The year-end dividend forecast of 22 yen (annual total of 46 yen, an increase of 6 yen from the previous fiscal year) remains unchanged, but we will consider revising it based on performance trends in the second half. Our immediate target payout ratio is 30% or higher, and we will continue to pay dividends in line with earnings.

We aim to reliably achieve the current forecasts while working to ensure that our initiatives involving upfront investments deliver results at an early stage.

Q | Please tell us the background to the slowdown in the growth rate of sales at non-consolidated existing stores compared with the first 3 months, and the future outlook.

Sales came to 105.2% year on year in the first 6 months (103.7% for the second quarter alone), compared with 106.6% in the first 3 months. In June, growth slowed due to demand for summer items being brought forward into May and the impact of the rainy season, with sales at 100.4% year on year, but sales recovered to 106.8% in July and 103.9% in August.

The 105.2% for the first 6 months is significantly above the planned assumption at the beginning of the fiscal year (102% year on year). For the second half, we assume 103% year on year, but recent customer traffic and purchase momentum remain strong. Over the medium to long term, we expect annual growth of approximately 2–3% as a baseline.

To sustain growth at existing stores, we are working to acquire new and repeat customers by encouraging store visits through measures such as improving our Google Maps review ratings, as well as through initiatives and coupon distribution using our own app. In addition, we sell store inventory concurrently on our own e-commerce site to maximize sales opportunities.

Q | Please tell us about the impact of the change in the purchase coupon program and why the increase in the consolidated gross profit ratio was limited.

In some business categories, fewer high-priced items had been brought in by customers following the change in the purchase coupon program, but the number of such items being brought in is now recovering, and non-consolidated in-store purchases have remained strong at +11.1% year on year. The change in the program improved pricing, and the gross profit ratio of non-consolidated existing stores rose significantly to 65.9% (up 1.0 percentage points year on year) while inventory turnover was maintained.

On the other hand, on a consolidated basis, the gross profit ratio rose only slightly to 60.2% (up 0.2 percentage points year on year) due to mix factors, as sales of high-priced items with relatively low gross profit ratios remained steady. For example, sales of fashion items such as bags, wallets, and wristwatches grew 18.5% year on year, outpacing overall sales (up 15.4%).

We expect a similar trend to continue through the third quarter of FY2027, by which point the effect of improved pricing will have lapped.

Q | Inventories increased and cash and deposits decreased at the end of the second quarter. Is there any risk of slow-moving inventory? Also, please tell us why operating cash flows remained flat.

In FY2026, customers rushed to sell items to us ahead of the change in the purchase coupon program at the end of August, resulting in a temporary increase in purchases. While there were no such temporary factors in FY2027, purchase demand remained as high as in the same period of FY2026, and inventory was built up to a similar extent.

There are no problems with inventory turnover, and we have been able to procure high-quality inventory. We view the build-up as the result of systematically securing seasonal items for autumn and winter as well as inventory for new stores.

As a result, operating cash flows were at the same level as in the same period of FY2026. However, this was planned, as we aim to convert inventory into sales from the third quarter onward, and we expect to generate operating cash flows in the second half. The decrease in free cash flows was due to an increase in capital expenditures associated with steady new store openings.

Q | How does management view the personal information leakage at a subsidiary, and what measures are you taking to prevent recurrence?

We deeply apologize to our shareholders and customers for the great concern and inconvenience caused. We take this incident very seriously as a governance issue for the Group as a whole.

The direct cause was unauthorized access resulting from a third party obtaining, through phishing e-mails, the authentication credentials of a staff account on the e-commerce platform used for the online store. However, this was made possible by insufficient authentication management, including two-factor authentication, and inadequate control of account permissions. Through an internal investigation, we identified the cause and the scope of impact, and after submitting the final report to the Personal Information Protection Commission on October 6, we announced the findings in our third report on October 13.

In response to this incident, in September we reviewed the status of account management, permissions, and authentication for approximately 1,000 IT tools used within the Group, and we are taking corrective action, starting with those assessed as high risk. We will continue to conduct such reviews on a regular basis. In addition, starting in October, we will hold a Group-wide "Information Security Liaison Council" once a quarter to detect information security risks at each company at an early stage and resolve issues. We have put in place a structure under which management reviews the council's activities and important matters are reported to the Board of Directors so that countermeasures can be considered.

As the spread of AI agents has dramatically increased cybersecurity risks, we will continue to update our countermeasures. Although we are incurring costs for our response, such as operating a dedicated contact point for inquiries, the impact on consolidated results is minor, and there is no change to the full-year consolidated financial results forecast.

Q | Please tell us why the number of finalized new store openings has exceeded the annual target, and how you are addressing the risks associated with expanding store openings.

As of the end of the second quarter, the opening of 37 stores had been finalized, exceeding the annual target (30–35 stores). We were able to surpass the target thanks to more staff in the store development department and a wider range of areas and properties eligible for store openings as a result of diversifying our business categories.

In opening stores, securing "properties, inventory, and human resources" continues to be a constraint. With regard to inventory, we are investing in home-delivery purchases, home-visit purchases, and other channels, and have been able to grow them faster than in-store purchases. With regard to human resources, we have been able to hire more than 200 people per year, including both new graduates and mid-career hires.

If we were to sharply accelerate the pace of store openings, there is a risk that human resource development and inventory supply for new stores would fail to keep up, lowering overall profitability. Therefore, our policy is to continue opening stores at a rate of approximately 10% of the number of existing stores while managing the profitability of each store based on criteria such as a payback period of 48 months or less.

In addition, while in recent years there have also been store closures for reasons on the lessor's side due to rising market rents and the rebuilding of properties, we are taking measures such as identifying risks based on contract terms and market rents in the vicinity, and searching for candidate properties for relocation. We formulate our store opening plans by factoring in a certain number of closures.

Q | You are actively investing in human capital. Is there any concern that the increase in personnel expenses will push down profit margins?

We continue to invest in human capital, welcoming 144 new employees in April 2026, but the growth in personnel expenses in the first half (+13.9% year on year) remained below the growth in net sales (+15.3%). As a result, the ratio of personnel expenses to net sales decreased by 0.3 percentage points year on year.

Going forward, we will absorb the rise in personnel expenses by increasing added value and by improving productivity, including through the use of AI.

Q | We understand that you have begun a trial of using AI in appraisals. What results have you seen so far?

We established the "DX Assessment & Authenticity Office" and, as a first step, began a trial of "Streamlining data entry & search tasks during assessment." By using AI, we aim to achieve a 70–80% reduction in working time for appraisal operations, and we are currently seeing tangible results in reducing the work hours required for data entry.

By improving work efficiency, we will be able to focus more than ever on creating sales floors, developing human resources at stores, and serving customers during appraisals. Explaining the basis for appraised prices and speaking to customers in ways that encourage repeat visits will help us strengthen purchasing.

We believe that once this initiative is rolled out to all stores, we can expect dramatic improvements in both labor productivity and customer satisfaction.

Q | Please tell us about the response to Treasure Factory Anime Lab, which you opened in FY2027, and your plans for future expansion.

Treasure Factory Anime Lab is a new business category handling anime and character goods, and we opened its first store in Tachikawa City, Tokyo, in June 2026. Thanks to the opening of stores under this business category and purchase initiatives, among other factors, purchases of hobby-related items rose 9.7% year on year and sales rose 20.5% in the first 6 months, and we are seeing a solid response. A second store is scheduled to open in the fourth quarter.

Going forward, by developing specialty business categories such as Treasure Factory Anime Lab, we aim to deepen our expertise in specific product categories and broaden our customer base, while feeding the know-how gained through these specialty businesses back into our existing operations to elevate the performance of the Group as a whole.

Q | Our impression is that expanding the store network in the U.S. business will be challenging because obtaining visas is difficult. What measures are you considering in terms of human resources?

In the U.S. business, we are dispatching executive-level staff from Japan for the launch, but operations will be run by locally hired personnel. We believe that dispatching personnel from Japan has significant disadvantages in terms of visas and expatriate costs.

We plan to open the first store in spring 2027. We are already preparing for recruitment and have received applications from candidates for core operational positions. Securing a store property took longer than expected, but over the past year we have been developing store operation manuals and training programs, and the outlook for an early launch is becoming clearer.