November 1, 2023

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Notice of Revision of Medium-Term Management Plan

On April 12, 2023, we announced a medium-term management plan covering the fiscal year ending February 2026. This plan has been updated at the Board of Directors meeting today.

1.Details of the Medium-Term Management Plan

The contents of the revised Medium-Term Management Plan are as described in the attached Medium-Term Management Plan (FY2024 to FY2026) revised on November 1, 2023.

TSE prime security code: :3093

Mid-Term Management Plan

FY2024 to FY2026

Treasure Factory Co., Ltd.

Revised November 1, 2023

※This material has been revised from the medium-term management plan announced on April 12, 2023.

Most recent consolidated results

Consolidated sales continued to grow at around 20% every fiscal year, and the ordinary income margin improved significantly.
Achieved ordinary income margin in the 9% range for the most recent consecutive year, and ROE exceeded 25% for the full year.

	Net sales	Sales growth rate	Ordinary profit	Ordinary profit Growth rate	Ordinary profit ratio	ROE
FY2022 Full-year results	23.3 billion yen	24.4%	1.05 billion yen	502.6%(※)	4.5%	15.6%
FY2023 Full-year results	28.2 billion yen	21.0%	2.62 billion yen	148.7%	9.3%	29.8%
FY2024 **Cumulative 2Q Results**	15.8 billion yen	23.7%	1.46 billion yen	42.3%	9.3%	13.2%
FY2024 Full-year latest forecast	33.5 billion yen	19.0%	3.17 billion yen	21.1%	9.5%	26.9%

※In the period of Year ended February 28, 2021, the effect of the corona malady caused a significant decrease in the usual benefits, and its reaction resulted in a high growth rate.

Main reason for the most recent growth

Thanks to external factors, the results of internal measures that the Company has been continuously implementing since the period of the Corona calamity have yielded results in the form of growth of more than 10% at existing stores, leading to sustainable growth.

External factors

①Demand for apparel recovered in March 2022 (at the beginning of the fiscal year ended February 28, 2023) as corona regulations were completely lifted and demand for going out increased

②In 2022, reuse and used goods are attracting full attention against the backdrop of high prices that began in early spring

Internal factors (due to our measures)

①Expansion of items handled

- ✓ Expansion of hobbies such as sports outdoors and musical instruments

②Expansion of high-priced products

- ✓ Expand high-priced products in luxury items and other genres

③Strengthen EC channels

- ✓ Taking advantage of the Corona outbreak to improve EC sales operations and establish a combined sales system for stores and EC

Competitive Advantages Supporting Our Growth

Achieve sustainable growth by constantly expanding the types of products and price ranges handled through the development of 12 business formats of total reuse and specialist reuse

In addition to in-store as a sales channel, it is strengthening its own EC and in-house auctions to enhance its ability to sell out.

Multiple-store operation in diverse business formats

• By possessing diverse business formats, the Group has established a multiple-store operation system which allows opening of new stores in various locations
• By handling different formats, different types of Group stores can be located close to each other

Purchasing in multiple categories through multiple channels

・It has a variety of purchasing channels, including in-store, home-visit, home-delivery purchases, corporate purchases, purchases in moving & removal, and purchases through auctions.
・ It is possible to purchase all genres by having a cross-company assessment mechanism as General reuse.

Building a distribution network based on centers and stores

・By having a logistics network that supports home-visit purchases and corporate purchases, and distribution centers with multiple locations in the Kanto and Kansai regions, it is possible to continuously expand purchases except for in-store purchases.
・By stocking inventory at the center at all times, it is possible to supply inventory to new stores without affecting the performance of existing stores.

System development and data analysis capabilities

• With its in-house systems development division and subsidiary for system development, the Group will develop its own systems, apps, and online sales systems to make improvements quickly
• Established a system in which data is updated on a real time basis, data of all bases are shared, and the PDCA cycle based on data analysis is rapidly reflected

Management Policies to Achieve the Medium-Term Management Plan

Policy 1	**Development of reuse business** (1) Open 25 to 35 new stores per year, mainly in the Kanto, Kansai, Chubu, and Kyushu regions, to expand the reuse network. These stores will serve as physical purchase and sales locations and also as hubs for online sales. (2) Through recovery of earnings of the Group’s reuse companies, achieve continuous contribution to consolidated profit.
Policy 2	**Investment in new businesses** (1) Expand the distribution bases in Kanto and Kansai regions for full-scale deployment of the B2B auction business. (2) Accelerate growth by offering our original moving and removal business plus purchasing services at the same time. In addition to partnering with moving companies, the Company will have its own moving and removal division to provide moving services. (3) Continue investing in the rapidly growing rental business to create a new pillar of business.
Policy 3	**Growth in overseas markets** (1) The Thailand business turned a single-year profit in the fiscal period ended November 2021 and will establish a stable profit structure and promote the opening of new stores going forward. (2) In Taiwan, which the Company newly entered, we aim for early opening of the first store to establish a reuse business model and achieve a single-year profit.
Policy 4	**Growth through M&A** Continue to aggressively conduct M&A such as reuse companies that can realize synergies with us, such as complementing our expertise and complementing regions..
Policy 5	**Growth through investments in digital transformation** Utilize the development capabilities of the Company’s systems division and the system developer subsidiary to streamline operation using AI, improve the efficiency of appraisals, and create opportunities for new purchases and sales through digital investments to increase the Group’s revenue.

Modified medium term income plan (February 2024-February 2026)

**Due to the upward revision of the full-year earnings forecast for the fiscal year ending February 2024 announced on October 11,
Upward revisions to the earnings and dividend forecasts for the fiscal years ended February 2025 and February 2026
Sales for the fiscal year ended February 2026 are expected to be 42.8 billion yen and ordinary profit to be 4 billion yen.**

(Unit: 100 million yen)		FY2024	FY2025		FY2026		Three-year average of annual growth rates (CAGR)	
	FY2023 results	Forcast disclosed in October	Forcast before revision	Revised forcast	Forcast before revision	Revised forcast	Forcast before revision	Revised forcast
Net sales	282	335	354	386	393	428	11.7%	14.9%
Ordinary profit	26.2	31.7	32.5	36.3	36.7	40.2	11.9%	15.3%
Ordinary profit ratio	9.3%	9.5%	9.2%	9.4%	9.3%	9.4%	-	-
Profit attributable to owners of parent	17.1	20.1	21.5	23.6	24.3	26.1	12.4%	15.1%
Stores to be opened per year	20	25-30	25-30	25-30	30-35	30-35	-	-

Premises and Points to Consider in the Plan

- Since M&A is highly uncertain, we do not anticipate expenses such as revenue expansion through M&A or brokerage commissions for M&A.
- If we are unable to secure properties for new store openings as anticipated, our plans may be impacted.
- Contingencies such as the spread of a new type of coronavirus infectious disease could have a significant impact on the plan.
- The medium-term management plan may be revised as appropriate.

Main Assumptions for Revisions to the Medium-Term Profit and Loss Plan

■FY2025

・Non-consolidated comparable stores: Comparable store sales growth rate of 105% for the past 4 fiscal years, plus the possibility of fluctuations in the external environment, forecast 103% YoY; gross profit margin unchanged from the previous fiscal year

・Non-consolidated SG&A expenses: SG&A expenses were also revised upward due to ongoing base pay increases (personnel expenses) and center expansion to strengthen home delivery purchases and business trip purchases, etc.

・Group companies: Expect higher sales and profits at major companies such as Kindal and PickUP JAPAN due to new store openings. ACUO, which incorporates PL into its 4Q in the fiscal year ended February 2024, is expected to contribute approximately ¥1 billion to annual sales, and 30 million yen to annual operating profit after including the depreciation of goodwill.

■FY2026

・Non-consolidated comparable stores: Comparable store sales growth rate of 105% for the past 4 fiscal years, plus the possibility of fluctuations in the external environment, forecast 102% YoY; gross profit margin unchanged from the previous fiscal year

・Non-consolidated SG&A expenses: SG&A expenses were also revised upward in anticipation of an increase in expenses to continuously strengthen each function.

・Group companies: Expect moderate increases in sales and profits at major companies such as Kindal and PickUP JAPAN

Capital Policy and Shareholder Return Policy

※There is no change in this revision.

● Capital policy

• Increase capital through exercise of share acquisition rights: Raise up to approximately 190 million yen from March 2023 to May 2024; dispose 360,000 treasury shares.

・Purchase of treasury shares: Place emphasis on comprehensive shareholder returns that combine dividends and share buyback. Purchase of treasury shares will be conducted in a timely manner based on trends in stock price and status of funds on hand.

・The Company will determine the use of treasury shares it holds, such as the disposal of its treasury shares in order to exercise its share acquisition rights, or use as compensation for M&A. If such utilization is not practical, the Company will cancel the treasury shares in a timely manner.

● Dividend policy and target payout ratio

Continuously pay out dividends in line with earnings by taking into consideration the balance between shareholder returns and the need to strengthen the financial foundation by bolstering internal reserves

・Target dividend payout ratio of 30% or higher

・Dividend outlook: the Company plans to increase dividends in line with the continuous growth of net income

Outlook for Net Income per Share, Dividends, and Dividend Payout Ratio

※In the current revision, only the red frame has been revised, and the fiscal year ended February 2024 has been revised to October 11.

		FY2024	FY2025	FY2026
Profit attricutable to owners of parent (hundred milliom yen)	Before revision	18.6	21.5	24.3
	After revision	20.1	23.6	26.1
Earnings per share (yen)	Before revision	80.7	92.8	104.9
	After revision	86.3	100.8	111.7
Expected dividends Dividend per share (yen)	Before revision	23.0	25.0	30.0
	After revision	25.0	30.0	34.0
Dividend payout ratio	Before revision	28.5%	26.9%	28.6%
	After revision	29.0%	29.8%	30.5%

※Net income per share is also subject to change depending on the status of the exercise of subscription rights to shares in the future and trends in share repurchases.
※The dividend forecast is subject to change due to the status of business performance and other factors

Financial planning FY2024 to FY2026

※In this revision, only red letters were revised.

● Funding plan

• Operating cash flows expected to hover between 1,700 million to 2,000 million yen per year

• Bank loans: net increase of 500-600 million yen in accumulated total over 3 years

• Procure funds of about 6,000 million yen in accumulated total over 3 years

● Capital investment plan

• Investments in new stores: 1,000-1,300 million yen per year

• Investments of approximately 3,300-3,400 million yen in accumulated total expected to be made over 3 years (including investments in store facilities and security deposits for new stores)

● Shareholder return plan

• Outlook for total dividends for each fiscal year based on dividend forecast
FY2024: approximately 590 million yen (approximately ¥500 million before revision)
FY2025: approximately 700 million yen (approximately ¥600 million before revision)
FY2026: approximately 800 million yen (approximately ¥700 million before revision)

Three years total: approximately 2.09 billion yen

• Purchase of treasury shares will be conducted in a timely manner based on trends in stock price and status of funds on hand