

Financial Report for the First Three Quarters of the Fiscal Year Ending February 28, 2021

(Japanese Accounting Standards) (Consolidated)

January 13, 2021

Company name	Treasure Factory Co., Ltd.	Listings	The First Section of the Tokyo Stock Exchange
Securities code	3093	URL:	https://www.treasurefactory.co.jp/
Representative	President & CEO, Eigo Nosaka		
Contact	Director & Manager-Corporate Planning, Eiji Kobayashi		
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Scheduled dates:			

Submission of statutory quarterly financial report:	January 13, 2021
Commencement of dividend payments:	—
Supplementary documents for quarterly results:	Yes
Quarterly results briefing:	No

(Amounts in millions of yen rounded down to the nearest million yen)

1. Results for the first three quarters of the fiscal year ending February 28, 2021 (March 1, 2020 to November 30, 2020)

(1) Operating results

(Percentage figures represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	million yen	%	million yen	%	million yen	%	million yen	%
First three quarters ended Nov. 30, 2020	13,428	(4.5)	1	(99.9)	62	(91.8)	(75)	—
First three quarters ended Nov. 30, 2019	14,061	8.1	715	11.1	771	14.7	527	19.2

(Note) Comprehensive income: First three quarters ended November 30, 2020: (75) million yen(-%)
First three quarters ended November 30, 2019: 528 million yen(18.9%)

	Profit per share	Diluted profit per share
	yen	yen
First three quarters ended Nov. 30, 2020	(6.64)	—
First three quarters ended Nov. 30, 2019	46.61	—

(2) Financial position

	Total assets	Net assets	Equity capital ratio
	million yen	million yen	%
First three quarters ended Nov. 30, 2020	9,802	4,449	45.1
Year ended Feb. 29, 2020	9,379	4,644	49.1

(Reference) Shareholders' equity: First three quarters ended November 30, 2020: 4,421 million yen Year ended February 29, 2020: 4,606 million yen

2. Dividends

	Dividend per share				
	End of 1st quarter	End of 2nd quarter	End of 3rd quarter	Fiscal year end	Total
	yen	yen	yen	yen	yen
Year ended Feb. 29, 2020	—	9.00	—	8.00	17.00
Year ending Feb. 28, 2021	—	2.00	—		
Year ending Feb. 28, 2021 (forecast)				8.00	10.00

(Note) Revisions to dividend forecast published most recently: No

3. Results forecast for the fiscal year ending February 28, 2021 (March 1, 2020 to February 28, 2021)

(Percentage figures represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Profit per share
	million yen	%	million yen	%	million yen	%	million yen	%	yen
Full year	18,308	(4.3)	111	(88.2)	159	(84.0)	5	(99.0)	0.44

(Note) Revisions to results forecast published most recently: No

* Notes

(1) Changes in important subsidiaries during the first three quarters under review (changes in specified subsidiaries that caused changes in the scope of consolidation): None

Number of new companies (their names): Number of excluded companies (their names):

(2) Adoption of accounting unique to the preparation of quarterly consolidated financial statements: None

(3) Changes to accounting policies, changes of accounting estimates, and revisions and restatements

[1] Changes in accounting policies in accordance with changes in accounting principles: None

[2] Changes in accounting policies other than [1] above: None

[3] Changes in accounting estimates: None

[4] Revisions and restatements: None

(4) Number of shares issued and outstanding (common stock)

[1] Number of shares issued at period-end (including treasury shares)	As of Nov. 30, 2020:	11,598,800 shares	As of Feb. 29, 2020:	11,598,800 shares
[2] Treasury shares at period-end	As of Nov. 30, 2020:	283,031 shares	As of Feb. 29, 2020:	283,031 shares
[3] Average number of shares issued during the period	As of Nov. 30, 2020:	11,315,769 shares	As of Nov. 30, 2019:	11,315,769 shares

* These quarterly financial results are outside the scope of quarterly review procedures conducted by a certified public accountant or audit corporation.

* Explanation of the proper use of financial results forecast and other notes

Information relating to forecasts stated in this document was based on information available at the time of publication of the document. Actual results may differ materially from the forecasts due to a range of factors. For further information about the results forecast, please refer to (3) Explanation regarding the Information on Forecast including Consolidated Forecasts in 1. Qualitative Information about the Quarterly Financial Results on Page 3 of the attached material.

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1. Qualitative Information about the Quarterly Financial Results

(1) Explanation regarding the Non-consolidated Results of Operations

During the first three quarters of the current consolidated cumulative period, Japan's economy had a tough time due to the spread of the coronavirus. Nevertheless, consumer spending showed signs of recovery with the reopening of the economy. The risk of resurgence, however, remains a concern.

A business that runs reuse stores, the Treasure Factory Group purchases used items from consumers and converts them into cash, as well as offering highly affordable goods for daily use. To continue fulfilling this role as part of the social infrastructure in the face of this situation, we kept our stores operating while temporarily closing some of our shops and shortening store hours during the stay-at-home period from March to May, and taking measures to prevent the spread of infections at the stores after the State of Emergency was lifted in late May.

When we look at the figures by accounting period, operation under the State of Emergency resulted in operating loss of ¥221,663 thousand for the months from March to May; the operating loss was reduced to ¥41,715 thousand as customers returned to the stores during the months from June to August after the State of Emergency was lifted; and the third quarter of the accounting period from September to November saw ordinary profit of ¥285,146 thousand as consumers went out more and customers returned to the stores, apparel and fashion items enjoyed strong non-consolidated sales, and home appliances, furniture, and hobby-related items remained in demand owing to the need for staying home.

The rate of selling, general and administrative expenses increased to 61.4 percent, 3.9 points up from the same period last year, due to our personnel expenses being maintained to keep our employees employed amid the coronavirus pandemic, along with expense increases at the stores that opened during the previous period. We also had subsidy income, which is granted to businesses that have temporarily closed due to the pandemic, and recorded the amount of ¥36,052 thousand as non-operating income.

Consequently, the non-consolidated results of operations for the first three quarters of the current consolidated cumulative period show net sales of ¥13,428,879 thousand (down 4.5 percent year on year), operating profit of ¥1,047 thousand (down 99.9 percent year on year), ordinary profit of ¥62,967 thousand (down 91.8 percent year on year), and quarterly loss of ¥75,083 thousand attributable to owners of the parent (the same period of the previous year saw quarterly profit of ¥527,413 thousand attributable to owners of the parent).

The non-consolidated results of operations sorted by segment are as stated below.

(Reuse Business)

In regard to purchases, non-consolidated purchases dropped 6.1 percent year on year during the first three quarters of the current cumulative period, whereas non-consolidated in-store purchases at existing stores picked up and increased 0.9 percent year on year during the third quarter of the accounting period. As for purchases by channel, non-consolidated in-store purchases decreased 8.3 percent year on year due to the effects of the drop during the first quarter, while home-delivery purchases steadily rose from March, resulting in a year-on-year increase of 25.1 percent owing to consumers' greater need for selling used items without leaving their homes. As a result, the consolidated turnover of purchased goods for the current period dropped 11.9 percent year on year.

In regard to sales, consolidated sales picked up and increased 1.1 percent year on year during the third quarter of the accounting period, and recovered to a year-on-year decrease of 4.5 percent during the first three quarters of the cumulative period. Non-consolidated sales during the first three quarters of the current cumulative period dropped 1.3 percent year on year, and non-consolidated sales at existing stores decreased 5.8 percent year on year. The apparel and branded item categories picked up, enjoying increases of 6.0 percent year on year and 3.3 percent year on year, respectively, in non-consolidated sales across all stores during the third quarter of the accounting period. As for e-commerce sales, we continued to expand offerings on our e-commerce site as the demand for shopping from home grew, thereby increasing non-consolidated e-commerce sales on our website by 91.2 percent year on year.

During the first three quarters of the current consolidated cumulative period, we resumed opening stores in July. We opened two Treasure Factory stores, which are directly-managed general reuse stores; two Treasure Factory Style stores, which are fashion reuse stores; one Treasure Factory Sports store, which is a sports and outdoor reuse store; and one UseLet store, which is a fashion outlet reuse store. The number of stores at the end of the consolidated fiscal year under review is as follows: 133 directly-managed stores and 4 franchise stores, the non-consolidated total being 137.

These results added up to net sales of ¥13,089,674 thousand (down 4.1 percent year on year) and the segment's profit of ¥982,928 thousand (down 34.0 percent year on year).

(Other)

Cariru, our rental business that rents formal dresses as its mainstay, was affected by wedding cancellations or postponements due to the pandemic. Yet it met the demand that rose when weddings, entrance ceremonies, and commencements that had been

postponed were held, and the rental business ended up seeing a 61.6-percent decrease in sales year on year.

As for our information system business, our Group company Digital Quest worked on the development and maintenance of a system connected to our newly launched auction business.

These results added up to net sales of ¥371,035 thousand (down 12.8 percent year on year) and the segment's loss of ¥45,629 thousand (the same period of the previous year saw ¥56,470 thousand in profit).

(2) Explanation regarding the Non-consolidated Financial Position

Total assets at the end of the third quarter of the current consolidated accounting period increased by ¥423,110 thousand year on year to ¥9,802,214 thousand because of a decrease of ¥49,416 thousand in merchandise, an increase of ¥33,710 thousand in buildings and structures (net), a decrease of ¥18,077 thousand in goodwill, a decrease of ¥110,524 thousand in cash and deposits, and an increase of ¥488,191 thousand in investment securities that are included in “other” in investments and other assets, among other reasons.

Total liabilities at the end of the third quarter of the current consolidated accounting period increased by ¥618,215 thousand year on year to ¥5,352,809 thousand because of an increase of ¥462,564 thousand in short-term borrowings, among other reasons.

Total net assets at the end of the third quarter of the current consolidated accounting period decreased by ¥195,104 thousand year on year to ¥4,449,404 thousand because a quarterly loss of ¥75,083 thousand attributable to owners of the parent was recorded, among other reasons.

(3) Explanation regarding the Information on Forecast including Consolidated Forecasts

Consolidated forecasts for the full fiscal year ending February 28, 2021 are the same as the consolidated forecasts published on October 13, 2020.

2. Quarterly Consolidated Financial Statements and Main Notes

(1) Quarterly Consolidated Balance Sheet

(Thousands of Yen)

	Previous Consolidated Fiscal Year (Ended February 29, 2020)	Third Quarter of the Current Consolidated Accounting Period (Ended November 30, 2020)
Assets		
Current assets		
Cash and deposits	1,627,037	1,516,512
Accounts receivable - trade	481,014	596,775
Merchandise	3,362,147	3,312,731
Other	398,214	499,205
Total current assets	5,868,413	5,925,225
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	941,539	975,250
Land	141,555	141,555
Other, net	258,593	223,100
Total property, plant and equipment	1,341,688	1,339,906
Intangible assets		
Goodwill	193,988	175,910
Other	84,577	124,247
Total intangible assets	278,565	300,158
Investments and other assets		
Leasehold and guarantee deposits	1,475,169	1,450,140
Other	415,265	786,783
Total investments and other assets	1,890,435	2,236,924
Total non-current assets	3,510,689	3,876,989
Total assets	9,379,103	9,802,214

(Thousands of Yen)

	Previous Consolidated Fiscal Year (Ended February 29, 2020)	Third Quarter of the Current Consolidated Accounting Period (Ended November 30, 2020)
Liabilities		
Current liabilities		
Accounts payable - trade	50,125	70,966
Short-term borrowings	1,187,436	1,650,000
Current portion of long-term borrowings	484,924	548,768
Income taxes payable	196,400	1,880
Provision for bonuses	244,237	129,788
Provision for sales returns	20,076	22,550
Provision for point card certificates	37,824	40,396
Other	1,031,459	1,049,827
Total current liabilities	3,252,483	3,514,178
Non-current liabilities		
Long-term borrowings	942,617	1,287,521
Asset retirement obligations	503,911	513,391
Other	35,581	37,718
Total non-current liabilities	1,482,110	1,838,630
Total liabilities	4,734,594	5,352,809
Net assets		
Shareholders' equity		
Share capital	521,183	521,183
Capital surplus	456,183	456,183
Retained earnings	3,872,603	3,684,362
Treasury shares	(241,113)	(241,113)
Total shareholders' equity	4,608,857	4,420,616
Cumulative amount of other comprehensive income		
Foreign currency translation adjustment	(1,892)	1,033
Total cumulative amount of other comprehensive income	(1,892)	1,033
Share acquisition rights	6,619	—
Non-controlling interests	30,925	27,755
Total net assets	4,644,509	4,449,404
Total liabilities and net assets	9,379,103	9,802,214

(2) Quarterly Consolidated Statement of Income and Quarterly Consolidated Statement of Comprehensive Income
(Quarterly consolidated statement of income)
(First three quarters of the consolidated cumulative period)

(Thousands of Yen)

	First Three Quarters of the Previous Consolidated Cumulative Period (from March 1, 2019 to November 30, 2019)	First Three Quarters of the Current Consolidated Cumulative Period (from March 1, 2020 to November 30, 2020)
Net sales	14,061,124	13,428,879
Cost of sales	5,264,840	5,177,868
Gross profit	8,796,283	8,251,011
Reversal of provision for sales returns	20,713	20,076
Provision for sales returns	22,360	22,550
Net gross profit	8,794,635	8,248,536
Selling, general and administrative expenses	8,079,006	8,247,489
Operating profit	715,629	1,047
Non-operating income		
Interest income	517	561
Foreign exchange gains	5,794	2,527
Vending machine income	9,794	8,317
Financial support income	23,069	—
Subsidy income	—	36,052
Other	20,793	19,241
Total non-operating income	59,969	66,701
Non-operating expenses		
Interest expenses	3,269	3,911
Other	504	869
Total non-operating expenses	3,774	4,781
Ordinary profit	771,824	62,967
Extraordinary income		
Compensation income	29,542	—
Gain on reversal of share acquisition rights	—	6,619
Total extraordinary income	29,542	6,619
Extraordinary losses		
Loss on retirement of non-current assets	1,010	3,423
Loss on cancellation of rental contracts	—	6,272
Total extraordinary losses	1,010	9,696
Net profit before taxes in the previous quarter	800,355	59,890
Income taxes - current	214,218	22,867
Income taxes - deferred	56,984	115,275
Total income taxes	271,203	138,143
Net quarterly profit (loss)	529,151	(78,252)
Quarterly profit (loss) attributable to non-controlling interests	1,738	(3,169)
Quarterly profit (loss) attributable to owners of the parent	527,413	(75,083)

(Quarterly consolidated statement of comprehensive income)
(First three quarters of the consolidated cumulative period)

(Thousands of Yen)

	First Three Quarters of the Previous Consolidated Cumulative Period (from March 1, 2019 to November 30, 2019)	First Three Quarters of the Current Consolidated Cumulative Period (from March 1, 2020 to November 30, 2020)
Net quarterly profit (loss)	529,151	(78,252)
Other comprehensive income		
Foreign currency translation adjustment	(163)	2,925
Total of other comprehensive income	(163)	2,925
Quarterly comprehensive income	528,988	(75,327)
(Comprehensive income attributable to)		
Quarterly comprehensive income attributable to owners of the parent	527,250	(72,157)
Quarterly comprehensive income attributable to non- controlling interests	1,738	(3,169)

(3) Notes on the Quarterly Consolidated Financial Statements

(Notes on Going Concern Assumption)

N/A

(Notes on Substantial Changes in the Amount of Shareholders' Equity)

N/A

(Segment Information, etc.)

[Segment Information]

I. Previous First Three Quarters of Consolidated Cumulative Period (from March 1, 2019 to November 30, 2019)

1. Information about the amounts of the net sales and profit or loss for each reporting segment

(Thousands of Yen)

	Reporting segment	Other (Note 1)	Total	Adjustment amount (Note 2)	Amount reported on the quarterly consolidated statement of income (Note 3)
	Reuse business				
Net sales					
Sales to external customers	13,643,765	417,359	14,061,124	—	14,061,124
Internal sales or transfer between segments	—	8,212	8,212	(8,212)	—
Total	13,643,765	425,571	14,069,336	(8,212)	14,061,124
Segment's profit	1,488,289	56,470	1,544,760	(829,130)	715,629

(Note 1) "Other" refers to the business segments not included in the reporting segments, such as the rental and information system businesses.

(Note 2) The adjustment amount for the segment's profit is a company-wide expense and primarily part of selling, general and administrative expenses not attributable to the segment.

(Note 3) The segment's profit has been adjusted according to the operating profit shown in the quarterly consolidated statement of income.

2. Information about the impairment loss on non-current assets or goodwill for each reporting segment

(Material Impairment Loss Pertaining to Non-current Assets)

N/A

(Material Change in the Amount of Goodwill)

We acquired shares in Digital Quest, with March 31, 2019 being the deemed acquisition date. Hence, "Other" includes Digital Quest in the scope of consolidation, which caused the goodwill of ¥74,072 thousand.

II. First Three Quarters of Current Consolidated Cumulative Period (from March 1, 2020 to November 30, 2020)

1. Information about the amounts of the net sales and profit or loss for each reporting segment

(Thousands of Yen)

	Reporting segment	Other (Note 1)	Total	Adjustment amount (Note 2)	Amount reported on the quarterly consolidated statement of income (Note 3)
	Reuse business				
Net sales					
Sales to external customers	13,089,674	339,204	13,428,879	—	13,428,879
Internal sales or transfer between segments	—	31,830	31,830	(31,830)	—
Total	13,089,674	371,035	13,460,709	(31,830)	13,428,879
Segment's profit (loss)	982,928	(45,629)	937,299	(936,252)	1,047

(Note 1) "Other" refers to the business segments not included in the reporting segments, such as the rental, information system, and real estate businesses.

(Note 2) The adjustment amount for the segment's profit or loss is a company-wide expense and primarily part of selling, general and administrative expenses not attributable to the segment.

(Note 3) The segment's profit or loss has been adjusted according to the operating profit shown in the quarterly consolidated statement of income.

2. Information about the impairment loss on non-current assets or goodwill for each reporting segment

(Material Impairment Loss Pertaining to Non-current Assets)

N/A

(Material Change in the Amount of Goodwill)

N/A

(Material Post-Balance Sheet Events)

Purchase of a company through share acquisition

At the Board of Directors' meeting held on October 19, 2020, we resolved to own K.K. Pick Up Japan as a subsidiary by acquiring shares in the company, and executed a share purchase agreement as of the same date. Upon execution, the company became our consolidated subsidiary, with December 31, 2020 being the deemed acquisition date.

(1) Purpose of the share acquisition

Under our corporate philosophy "Treasure Factory provides people with pleasures, discoveries, and excitement," we work toward our management vision of contributing to the establishment of a recycling society through business development centering on the reuse business. We decided to acquire Pick Up Japan's shares because we believe that Pick Up Japan, a well-known business with 12 directly-managed stores in Shizuoka Prefecture, has affinity with Treasure Factory, which will likely lead to business synergy in the course of our efforts toward the growth of our reuse business.

(2) Name of the person from whom shares were acquired

The person from whom we acquired the shares is an individual, and thus we omit to include the name. The individual shareholder has no capital ties, business relations, or personal relationships with Treasure Factory that should be specified in this report.

(3) Profile of the purchased company

Name: K.K. Pick Up Japan

Address: 3-4-2 Imanoura, Iwata-shi, Shizuoka

Representative: Katsushige Aoshima

Business description: Operation of general reuse stores and pawn shops

Share capital: ¥48,430 thousand

Established: April 1961

(4) Date of the business combination

December 31, 2020

(5) Legal form of the business combination

Share acquisition in consideration of cash

(6) Number of shares to be acquired

Number of acquired shares: 430,836 (share of voting rights: 100%)

(7) Acquisition cost for the acquired enterprise, and the breakdown by type of consideration

Type of consideration: ¥440,314 thousand in cash

(8) Details and amount of major expenses related to acquisition

Remuneration and fees for external advisory services: ¥47,877 thousand

(9) Sources and methods of raising funds for payment

We borrowed ¥440,000 thousand from MUFG Bank, Ltd. on October 19, 2020.

(10) Main grounds for the decision on the acquired enterprise

We made the decision because we obtained 100 percent of voting rights through share acquisition.

Purchase of treasury shares

At the Board of Directors' meeting held on January 13, 2021, we resolved on the items pertaining to the purchase of treasury shares as shown below in accordance with the provision of Article 156 of the Companies Act which is applied by replacing terms and phrases pursuant to the provision of Article 165, paragraph (3) of the same Act.

1. Reason for the purchase of treasury shares

We purchase treasury shares in light of pursuing flexible capital policy according to the business environment and of enhancing overall shareholder returns.

2. Details of the items pertaining to the purchase

(1) Type of shares to be purchased: Common shares

(2) Total number of shares that may be purchased: Up to 150,000

(1.3% of total outstanding shares (excluding treasury shares))

(3) Total acquisition value of the shares: Up to ¥100 million

(4) Period for purchase: January 14, 2021 - January 29, 2021

(5) Method of purchase: Purchase on the market through the Tokyo Stock Exchange