



Financial Report for the Fiscal Year Ended February 28, 2019 **(Japanese Accounting Standards) (Consolidated)**

April 10, 2019

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Listings The First Section of the Tokyo Stock Exchange
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Scheduled dates:

Regular general shareholders' meeting: May 29, 2019
 Commencement of dividend payments: May 30, 2019
 Submission of securities report: May 29, 2019
 Supplementary documents for financial results: Yes
 Results briefing: Yes (for investors and analysts)

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

1. Results for the fiscal year ended February 28, 2019 (March 1, 2018 to February 28, 2019)

(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	%
Fiscal year ended Feb. 28, 2019	17,737	7.9	905	45.6	949	42.0	564	63.3
Fiscal year ended Feb. 28, 2018	16,431	23.3	621	-15.4	668	-11.8	345	-28.7

(Note) Comprehensive income: Fiscal year ended February 28, 2019: 566 million yen (64.4%)
 Fiscal year ended February 28, 2018: 344 million yen (-28.8%)

	Profit per share	Diluted profit per share	Return on equity	Return on assets	Operating profit to net sales
	yen	yen	%	%	%
Fiscal year ended Feb. 28, 2019	49.79	—	13.8	11.4	5.1
Fiscal year ended Feb. 28, 2018	31.11	30.56	9.1	8.7	3.8

(Reference) Equity in earnings of affiliates Fiscal year ended February 28, 2019: — million yen
 Fiscal year ended February 28, 2018: — million yen

(2) Financial position

	Total assets	Net assets	Equity capital ratio	Net assets per share
	million yen	million yen	%	yen
As of Feb. 28, 2019	8,856	4,298	48.4	378.68
As of Feb. 28, 2018	7,865	3,945	49.9	348.09

(Reference) Shareholders' equity: As of February 28, 2019: 4,285 million yen As of February 28, 2018: 3,926 million yen

(3) Cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at year end
	million yen	million yen	million yen	million yen
Fiscal year ended Feb. 28, 2019	848	-724	139	1,606
Fiscal year ended Feb. 28, 2018	790	-517	-277	1,335

2. Dividends

	Dividend per share					Total dividend	Dividend payout ratio	Dividend on equity
	End of 1st quarter	End of 2nd quarter	End of 3rd quarter	Fiscal year end	Total			
	yen	yen	yen	yen	yen	million yen	%	%
Year ended Feb. 28, 2018	—	8.00	—	8.00	16.00	179	51.4	4.6
Year ended Feb. 28, 2019	—	8.00	—	8.00	16.00	181	32.1	4.4
Year ending Feb. 28, 2020 (forecast)	—	8.00	—	8.00	16.00		28.9	

3. Results forecast for the fiscal year ending February 28, 2020 (March 1, 2019 to February 29, 2020)

(Percentage figures represent changes from the corresponding period of the previous fiscal year)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Profit per share
	million yen	%	million yen	%	million yen	%	million yen	%	yen
First half	9,122	9.8	197	-19.2	216	-17.2	138	-16.0	12.20
Full year	19,741	11.3	909	0.4	948	-0.2	626	10.8	55.32

* Notes

(1) Changes in important subsidiaries during the fiscal year 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) Changes to accounting policies, changes of accounting estimates, and revisions and restatements

[1] Changes in accounting policies in accordance with changes in accounting principles: Yes

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

[3] Changes in accounting estimates: None

[4] Revisions and restatements: None

(3) Number of shares issued and outstanding (common shares)

[1] Number of shares issued at period-end (including treasury shares)

As of Feb. 28, 2019: 11,598,800 shares As of Feb. 28, 2018: 11,516,800 shares

[2] Treasury shares at period-end

As of Feb. 28, 2019: 283,031 shares As of Feb. 28, 2018: 237,731 shares

[3] Average number of shares issued

Year ended Feb. 28, 2019: 11,344,386 shares Year ended Feb. 28, 2018: 11,116,992 shares

Ref.: Overview of non-consolidated financial results

Non-consolidated financial results for the fiscal year ended February 28, 2019 (March 1, 2018 to February 28, 2019)

(1) Non-consolidated 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	%
Fiscal year ended								
Feb. 28, 2019	14,835	7.9	807	34.9	851	37.1	499	113.9
Feb. 28, 2018	13,744	8.9	598	-24.5	620	-24.1	233	-55.4

	Profit per share	Diluted profit per share
	yen	yen
Fiscal year ended		
Feb. 28, 2019	44.00	—
Feb. 28, 2018	20.99	20.61

(2) Non-consolidated financial position

	Total assets	Net assets	Equity capital ratio	Net assets per share
	million yen	million yen	%	yen
As of Feb. 28, 2019	7,830	4,144	52.9	366.30
As of Feb. 28, 2018	6,858	3,862	56.2	341.68

(Reference) Shareholders' equity: As of February 28, 2019: 4,144 million yen As of February 28, 2018: 3,853 million yen

* This Financial Report is not subject to audit procedures performed by a certified public accountant or audit corporation.

* Explanation on the proper use of the results forecast and additional information

Information on forecasts stated in this material was based on information available at the time of publication of this financial summary. Actual results may differ materially from the forecast due to a range of factors. For further information on the results forecast, please refer to 1. Overview of Operating Results, etc., (4) Future Outlook on page 5 of the accompanying materials.

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1. Overview of Operating Results, etc.

(1) Overview of Operating Results for the Fiscal Year Ended February 28, 2019

In the consolidated fiscal year ended February 28, 2019, the Japanese economy maintained a moderate recovery based on improved employment and income conditions and corporate earnings, despite the impact of labor shortages.

In the second-hand goods retail industry in which the Company operates, the second-hand goods market continued to grow along with the expansion of distribution channels such as physical stores, e-commerce websites, and flea market apps.

In this business environment, the Treasure Factory companies (the “Group”) proceeded with operations with the aim of increasing the profitability of existing stores, opening 10 or more stores in Japan, and improving the earnings of Treasure Factory’s subsidiaries as the key operating targets.

Consolidated net sales for the fiscal year under review rose 7.9% year on year. Non-consolidated net sales for Treasure Factory as a whole increased 7.9% year on year, and net sales for the existing stores (stores that had opened on or before February 28, 2017; the same applies hereinafter) grew 1.1% year on year. By product category, net sales of apparel, electric appliances, hobby-related items, and household items climbed 17.7%, 4.1%, 28.5%, and 3.9% year on year, respectively. The cost of purchased items rose 8.9% year on year and non-consolidated purchases from general customers at existing stores increased 2.1%, reflecting steady progress.

In-store purchases grew thanks to an increase in the number of purchases and the number of items purchased through the growing number of mobile app users and other members, and home-visit purchases of large items such as home appliances and furniture and home-delivery purchases of fashion and other items from across Japan also grew significantly, which contributed to an increase in purchases.

The operating profit of Kindal, a consolidated subsidiary, improved substantially thanks to an increase in the profit margin.

New non-consolidated stores opened included 12 directly managed stores, while three Treasure Factory stores as General Reuse Stores were closed. By form of business, these consist of 11 Treasure Factory Style stores as Fashion Reuse Stores and one Treasure Factory Sports store as a Sports and Outdoor Reuse Store.

As a result, the non-consolidated number of stores as of the end of the fiscal year under review totaled 122, comprising 118 directly managed stores and four franchise stores. The number of stores by form of business included directly managed stores comprising 57 Treasure Factory stores as General Reuse Stores, 50 Treasure Factory Style stores as Fashion Reuse Stores, two Brand Collect stores as Brand-name Fashion Reuse Stores, four Treasure Factory Sports stores as Sports and Outdoor Reuse Stores, four UseLet stores as Fashion Outlet Reuse Stores, and one Treasure Factory Market as a Suburban Large-scale Reuse Store, and franchise stores consisting of four Treasure Factory Stores as General Reuse Stores.

In addition, Kindal closed one franchise store, making the total number of stores at the end of the fiscal year under review 39, comprising 19 directly managed stores and 20 franchise stores. Golf Kids opened one franchise store and closed one store, making the total number of stores at the end of the fiscal year under review 21, comprising one directly managed store and 20 franchise stores.

In Thailand, Treasure Factory opened its third General Reuse Store in January of the fiscal year under review. As a result, the total number of stores in the Group as a whole stood at 185 as of the end of the fiscal year under review.

Looking at profits, the consolidated gross profit ratio was 61.7%, rising 0.2% year on year. A year-on-year increase of 0.4% in the non-consolidated gross profit ratio of existing stores and a year-on-year increase of 0.9% in the gross profit ratio of the subsidiary Kindal contributed to this growth.

The selling, general, and administration expenses ratio stood at 56.6%, decreasing 1.2% year on year, thanks to the reduced personnel expense ratio, recruitment expense ratio, etc. The non-consolidated selling, general, and administration expenses ratio decreased 1.1% year on year. The consolidated operating profit ratio came to 5.1%, up 1.3% from a year earlier, and the consolidated ordinary profit ratio came to 5.4%, rising 1.3%.

As a result, consolidated net sales rose 7.9% year on year, to 17,737,120 thousand yen, consolidated operating profit rose 45.6% year on year, to 905,291 thousand yen, consolidated ordinary profit rose 42.0% year on year, to 949,782 thousand yen, and consolidated profit attributable to owners of parent increased 63.3% year on year, to 564,797 thousand yen.

(i) Actual cost of purchases by product type

Item	Purchase Price (thousand yen)	Breakdown (%)	YoY Change (%)
Household items	444,088	6.3	103.2
Apparel	3,389,604	48.1	124.1
Fashion items	1,466,154	20.8	91.6
Electric appliances	785,127	11.2	94.6
Furniture	244,552	3.5	97.3
Hobby-related items	317,872	4.5	128.1
Other	396,563	5.6	105.9
Total	7,043,963	100.0	108.9

- (Notes)
1. The consumption tax is not included in the prices above.
 2. Products categorized into apparel and fashion items differ partially between the fiscal year under review and the previous fiscal year due to a change in the calculation method implemented by the subsidiary.
 3. Additional costs of purchase are included in Other items.

(ii) Actual sales by business and product type

Business	Item	Sales (thousand yen)	Breakdown (%)	YoY Change (%)
Directly-managed businesses	Household items	1,256,499	7.1	103.9
	Apparel	8,586,865	48.4	117.7
	Fashion items	3,239,910	18.3	88.5
	Electric appliances	2,381,998	13.4	104.1
	Furniture	1,005,168	5.7	99.8
	Hobby-related items	875,744	4.9	128.5
	Other items	20,208	0.1	178.2
	Subtotal	17,366,397	97.9	107.5
Franchise business		132,981	0.7	101.5
Other businesses		237,741	1.4	167.5
Total		17,737,120	100.0	107.9

- (Notes)
1. The consumption tax is not included in the prices above.
 2. Products categorized into apparel and fashion items differ partially between the fiscal year under review and the previous fiscal year due to a change in the calculation method implemented by the subsidiary.
 3. The Franchise business includes product sales, membership/consultation fees, royalties, etc.
 4. Other businesses include rental, software, and Treasure Factory moving service sales.

(2) Overview of Financial Position during the Fiscal Year Ended February 28, 2019

Status of assets, liabilities and net assets

Total assets as of the end of the fiscal year under review came to 8,856,436 thousand yen, an increase of 990,602 thousand yen from the end of the previous fiscal year, due primarily to growth of 345,799 thousand yen in merchandise, 95,360 thousand yen in goodwill, 188,236 thousand yen in investment securities, and 77,388 thousand yen in lease and guarantee deposits.

Total liabilities as of the end of the fiscal year under review stood at 4,558,035 thousand yen, an increase of 637,504 thousand yen from the end of the previous fiscal year, largely as a result of a rise of 200,004 thousand yen in short-term loans payable and 115,549 thousand yen in long-term loans payable.

Net assets as of the end of the fiscal year under review totaled 4,298,400 thousand yen, an increase of 353,098 thousand yen from the end of the previous fiscal year, after recognizing 564,797 thousand yen in profit attributable to owners of parent, among other factors.

(3) Overview of Cash Flow during the Fiscal Year Ended February 28, 2019

Cash and cash equivalents as of the end of the fiscal year under review amounted to 1,606,499 thousand yen, an increase of 270,808 thousand yen from the end of the previous fiscal year. The status of each of the cash flow segments and contributing factors for the fiscal year under review are as follows.

(Cash flows from operating activities)

Net cash provided by operating activities during the fiscal year under review stood at 848,660 thousand yen. This chiefly reflects cash inflow of profit before income taxes of 853,739 thousand yen and depreciation of 288,865 thousand yen, which more than offset cash outflow, including income taxes paid of 242,157 thousand yen and an increase in inventories of 305,956 thousand yen.

(Cash flows from investing activities)

Net cash used in investing activities during the fiscal year under review stood at 724,111 thousand yen. This was primarily due to the purchase of investment securities of 123,724 thousand yen, the purchase of property, plant, and equipment of 313,059 thousand yen associated with new store openings, and the purchase of shares of subsidiaries resulting in change in scope of consolidation of 153,919 thousand yen.

(Cash flows from financing activities)

Net cash used in financing activities during the fiscal year under review was 139,565 thousand yen. The main factors were repayments of long-term loans payable of 320,736 thousand yen, cash dividends paid of 181,236 thousand yen, and the purchase of treasury shares of 181,283 thousand yen, which more than offset proceeds from long-term loans payable of 530,688 thousand yen and proceeds from short-term loans payable of 199,005 thousand yen.

(Reference) Changes in cash flow-related indicators

	Fiscal year ended February 28, 2018	Fiscal year ended February 28, 2019
Equity capital ratio (%)	49.9	48.4
Equity capital ratio based on market value (%)	119.4	99.8
Ratio of interest-bearing debt to cash flows (year)	2.7	3.0
Interest coverage ratio (x)	221.9	239.9

Equity capital ratio: Shareholders' equity/total assets

Equity capital ratio based on market value: Market capitalization/total assets

Ratio of interest-bearing debt to cash flows: Interest-bearing debt/operating cash flows

Interest coverage ratio: Operating cash flows/interest payments

(Note 1) All figures are calculated based on the consolidated financial results.

(Note 2) Market capitalization is calculated based on the number of shares issued excluding treasury shares.

(Note 3) The calculation of the operating cash flow and interest payments used the cash flow from operating activities and interest expenses paid stated in the Consolidated Statement of Cash Flows.

(Note 4) Interest-bearing debt includes all liabilities on the consolidated balance sheet, of which interest payments have been made.

(4) Future Outlook

In the next fiscal year, while the existing stores are expected to grow, new investments such as an extension of the distribution center and around 15 new store openings for continuous growth will reduce the profit. Operating profit and ordinary profit are therefore expected to be at the level of the fiscal year under review.

As for the full-year forecast for consolidated results for the fiscal year ending February 29, 2020, the projections are net sales of 19,741 million yen (up 11.3% year on year), operating profit of 909 million yen (up 0.4% year on year), ordinary profit of 948 million yen (down 0.2% year on year), and profit attributable to owners of parent of 626 million yen (up 10.8% year on year).

2. Policy on the Choice of Accounting Standards

The Group has adopted the Japanese standards. The Company will take conditions in Japan and overseas into consideration to make an appropriate decision as to whether to adopt IFRS (International Financial Reporting Standards).

3. Consolidated Financial Statements and Major Notes

(1) Consolidated Balance Sheets

(Thousand yen)

	Previous Fiscal year (February 28, 2018)	Fiscal year under review (February 28, 2019)
Assets		
Current assets		
Cash and deposits	1,344,096	1,614,905
Accounts receivable - trade	372,662	367,765
Merchandise	2,696,362	3,042,162
Supplies	6,783	6,780
Deferred tax assets	148,618	159,532
Other	311,949	331,285
Total current assets	4,880,473	5,522,431
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	983,655	1,026,731
Land	141,555	141,555
Construction in progress	13,536	5,833
Other, net	290,695	246,378
Total property, plant and equipment	1,429,442	1,420,499
Intangible assets		
Goodwill	48,041	143,402
Other	45,907	52,303
Total intangible assets	93,948	195,705
Investments and other assets		
Investment securities	—	188,236
Long-term loans receivable	3,172	1,737
Deferred tax assets	26,659	21,718
Lease and guarantee deposits	1,294,146	1,371,534
Other	137,990	134,572
Total investments and other assets	1,461,968	1,717,799
Total non-current assets	2,985,360	3,334,005
Total assets	7,865,833	8,856,436

(Thousand yen)

	Previous Fiscal year (February 28, 2018)	Fiscal year under review (February 28, 2019)
Liabilities		
Current liabilities		
Accounts payable - trade	37,264	29,088
Short-term loans payable	904,900	1,104,904
Current portion of long-term loans payable	306,983	402,738
Income taxes payable	163,889	234,872
Provision for bonuses	214,914	244,663
Provision for shareholder benefit program	1,927	4,540
Provision for sales returns	21,125	20,713
Provision for point card certificates	33,866	34,910
Other	804,971	908,349
Total current liabilities	2,489,840	2,984,779
Non-current liabilities		
Long-term loans payable	916,947	1,032,496
Deferred tax liabilities	43,688	17,959
Asset retirement obligations	445,811	479,758
Other	24,242	43,041
Total non-current liabilities	1,430,689	1,573,255
Total liabilities	3,920,530	4,558,035
Net assets		
Shareholders' equity		
Capital stock	476,224	521,183
Capital surplus	411,224	456,183
Retained earnings	3,276,234	3,549,042
Treasury shares	-235,209	-241,113
Total shareholders' equity	3,928,473	4,285,296
Accumulated other comprehensive income		
Foreign currency translation adjustment	-2,362	-256
Total accumulated other comprehensive income	-2,362	-256
Subscription rights to shares	9,174	—
Non-controlling interests	10,016	13,360
Total net assets	3,945,302	4,298,400
Total liabilities and net assets	7,865,833	8,856,436

(2) Consolidated Statement of Income and Consolidated Statement of Comprehensive Income
(Consolidated Statement of Income)

(Thousand yen)

	Previous Fiscal year (from March 1, 2017 to February 28, 2018)	Fiscal year under review (from March 1, 2018 to February 28, 2019)
Net sales	16,431,810	17,737,120
Cost of sales	6,321,979	6,794,723
Gross profit	10,109,830	10,942,397
Provision for sales returns	21,125	20,713
Reversal of provision for sales returns	22,686	21,125
Gross profit - net	10,111,391	10,942,809
Selling, general and administrative expenses	9,489,666	10,037,517
Operating profit	621,725	905,291
Non-operating income		
Interest income	257	263
Income from vending machines	13,483	12,690
Foreign exchange gains	4,355	4,654
Insurance premiums refunded cancellation	8,000	4,464
Subsidy income	7,180	6,976
Income from sales of disposable items	6,702	8,749
Other	11,782	10,720
Total non-operating income	51,760	48,517
Non-operating expenses		
Interest expenses	3,609	3,551
Other	1,008	475
Total non-operating expenses	4,618	4,027
Ordinary profit	668,867	949,782
Extraordinary income		
Gain on reversal of share acquisition rights	—	7,607
Compensation income	78,772	15,640
Total extraordinary income	78,772	23,247
Extraordinary losses		
Loss on retirement of non-current assets	11,831	1,899
Impairment loss	79,095	111,890
Loss on cancellation of rental contracts	—	5,500
Total extraordinary losses	90,926	119,289
Profit before income taxes	656,713	853,739
Income taxes - current	249,566	319,480
Income taxes - deferred	61,278	-30,538
Total income taxes	310,845	288,941
Profit	345,868	564,797
Profit attributable to non-controlling interests	—	—
Profit attributable to owners of parent	345,868	564,797

(Consolidated Statement of Comprehensive Income)

(Thousand yen)

	Previous Fiscal year (from March 1, 2017 to February 28, 2018)	Fiscal year under review (from March 1, 2018 to February 28, 2019)
Profit	345,868	564,797
Other comprehensive income		
Foreign currency translation adjustment	-1,085	2,106
Total other comprehensive income	-1,085	2,106
Comprehensive income	344,782	566,904
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	344,782	566,904
Comprehensive income attributable to non-controlling interests	—	—

(3) Consolidated Statement of Changes in Equity

Previous Fiscal year (from March 1, 2017 to February 28, 2018)

(Thousand yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at the beginning of period	390,093	325,093	3,232,300	-261,921	3,685,565
Changes of items during period					
Issuance of new shares	86,131	86,131			172,263
Dividends of surplus			-177,194		-177,194
Profit attributable to owners of parent			345,868		345,868
Purchase of treasury shares				-98,028	-98,028
Retirement of treasury shares			-124,740	124,740	—
Net changes of items other than shareholders' equity					
Total changes of items during period	86,131	86,131	43,933	26,712	242,908
Balance at the end of period	476,224	411,224	3,276,234	-235,209	3,928,473

	Accumulated other comprehensive income		Subscription rights to shares	Non-controlling interests	Total net assets
	Foreign currency translation adjustment	Total accumulated other comprehensive income			
Balance at the beginning of period	-1,277	-1,277	4,570	10,016	3,698,874
Changes of items during period					
Issuance of new shares					172,263
Dividends of surplus					-177,194
Profit attributable to owners of parent					345,868
Purchase of treasury shares					-98,028
Retirement of treasury shares					—
Net changes of items other than shareholders' equity	-1,085	-1,085	4,604	—	3,518
Total changes of items during period	-1,085	-1,085	4,604	—	246,427
Balance at the end of period	-2,362	-2,362	9,174	10,016	3,945,302

Fiscal year under review (from March 1, 2018 to February 28, 2019)

(Thousand yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at the beginning of period	476,224	411,224	3,276,234	-235,209	3,928,473
Changes of items during period					
Issuance of new shares	44,958	44,958			89,917
Dividends of surplus			-181,121		-181,121
Profit attributable to owners of parent			564,797		564,797
Purchase of treasury shares				-181,283	-181,283
Retirement of treasury shares			-98,604	98,604	—
Disposal of treasury shares		-12,264		76,776	64,512
Transfer of loss on disposal of treasury shares		12,264	-12,264		—
Net changes of items other than shareholders' equity					
Total changes of items during period	44,958	44,958	272,808	-5,903	356,822
Balance at the end of period	521,183	456,183	3,549,042	-241,113	4,285,296

	Accumulated other comprehensive income		Subscription rights to shares	Non-controlling interests	Total net assets
	Foreign currency translation adjustment	Total accumulated other comprehensive income			
Balance at the beginning of period	-2,362	-2,362	9,174	10,016	3,945,302
Changes of items during period					
Issuance of new shares					89,917
Dividends of surplus					-181,121
Profit attributable to owners of parent					564,797
Purchase of treasury shares					-181,283
Retirement of treasury shares					—
Disposal of treasury shares					64,512
Transfer of loss on disposal of treasury shares					—
Net changes of items other than shareholders' equity	2,106	2,106	-9,174	3,344	-3,724
Total changes of items during period	2,106	2,106	-9,174	3,344	353,098
Balance at the end of period	-256	-256	—	13,360	4,298,400

(4) Consolidated Statement of Cash Flows

(Thousand yen)

	Previous Fiscal year (from March 1, 2017 to February 28, 2018)	Fiscal year under review (from March 1, 2018 to February 28, 2019)
Cash flows from operating activities		
Profit before income taxes	656,713	656,713
Depreciation	266,059	266,059
Impairment loss	79,095	79,095
Amortization of goodwill	5,490	
Increase (decrease) in provision for bonuses	26,214	26,214
Increase (decrease) in provision for shareholder benefit program	-11,272	-11,272
Increase (decrease) in provision for point card certificates	-4,132	-4,132
Increase (decrease) in provision for sales returns	-1,561	-1,561
Interest and dividend income	-297	-297
Interest expenses	3,609	3,609
Foreign exchange losses (gains)	-4,449	-4,449
Compensation income	-78,772	-78,772
Gain on reversal of share acquisition rights	—	
Loss (gain) on sales and retirement of non-current assets	11,831	11,831
Loss on cancellation of rental contracts	—	
Decrease (increase) in notes and accounts receivable - trade	-32,298	-32,298
Decrease (increase) in inventories	-144,703	-144,703
Increase (decrease) in notes and accounts payable - trade	4,924	4,924
Other	109,311	114,802
Subtotal	885,764	885,764
Interest and dividend income received	298	298
Interest expenses paid	-3,563	-3,563
Proceeds from compensation	84,000	84,000
Income taxes paid	-175,808	-175,808
Cash flows from operating activities	790,690	790,690
Cash flows from investing activities		
Purchase of investment securities	—	
Purchase of property, plant and equipment	-357,338	-357,338
Purchase of intangible assets	-24,114	-24,114
Payments for lease and guarantee deposits	-132,237	-132,237
Proceeds from collection of lease and guarantee deposits	20,869	20,869
Purchase of shares of subsidiaries resulting in change in scope of consolidation	—	—
Other	-24,829	-24,829
Cash flows from investing activities	-517,649	-517,649
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	-65,100	-65,100
Proceeds from long-term loans payable	200,000	200,000
Repayments of long-term loans payable	-315,253	-315,253
Proceeds from issuance of common shares	169,260	169,260
Purchase of treasury shares	-98,028	-98,028
Cash dividends paid	-177,149	-177,149
Proceeds from share issuance to non-controlling shareholders	—	—
Other	9,041	9,041
Cash flows from financing activities	-277,228	-277,228
Effect of exchange rate change on cash and cash equivalents	3,363	3,363
Net increase (decrease) in cash and cash equivalents	-824	-824
Cash and cash equivalents at beginning of period	1,336,514	1,336,514
Cash and cash equivalents at end of period	1,336,514	1,335,690

(5) Notes on Consolidated Financial Statements

(Notes on the going concern assumption)

Not applicable

(Change in accounting policy)

(Application of Practical Solution on Transactions Granting Employees and Others Stock Acquisition Rights that Involve Considerations with Vesting Conditions)

The Company has decided to adopt the Practical Solution on Transactions Granting Employees and Others Stock Acquisition Rights, which Involve Considerations, with Vesting Conditions, etc. (Practical Issues Task Force No. 36, January 12, 2018; hereinafter “Practical Issues Task Force No. 36”), etc. effective as of April 1, 2018, and apply the accounting process conforming to the Accounting Standard for Share-based Payment (ASBJ Statement No. 8, December 27, 2005) to transactions granting employees and others stock acquisition rights that involve considerations with vesting conditions.

However, the application of Practical Issues Task Force No. 36 follows the transitional treatment specified in Item 10 (3) of Practical Issues Task Force No. 36, and the conventional accounting process applies to transactions that granted employees and others stock acquisition rights that involved considerations with vesting conditions prior to the date of the application of Practical Issues Task Force No. 36.

(Segment information)

[Segment information]

The Company operates a reuse business and information on other business segments has been omitted as it has little importance.

(Per share information)

	Previous Fiscal year (from March 1, 2017 to February 28, 2018)	Fiscal year under review (from March 1, 2018 to February 28, 2019)
Net asset per share	348.09 yen	378.68 yen
Profit per share	31.11 yen	49.79 yen
Diluted profit per share	30.56 yen	– yen

(Notes) 1. Diluted profit per share in the fiscal year under review is not presented because there are no potentially dilutive shares.

2. The basis for calculating net asset per share is as shown below.

	Previous Fiscal year (February 28, 2018)	Fiscal year under review (February 28, 2019)
Total net assets (thousand yen)	3,945,302	4,298,400
Amount deducted from the total net assets (thousand yen)	19,191	13,360
(of which the amount of subscription rights to shares (thousand yen))	(9,174)	(–)
(of which the amount of non-controlling interests (thousand yen))	(10,016)	(13,360)
Net assets associated with common shares at the end of the fiscal year (thousand yen)	3,926,111	4,285,040
Number of common shares at the end of the fiscal year used to calculate net asset per share (shares)	11,279,069	11,315,769

3. The basis for calculating profit per share and diluted profit per share is shown below.

	Previous Fiscal year (from March 1, 2017 to February 28, 2018)	Fiscal year under review (from March 1, 2018 to February 28, 2019)
Total net assets		
Amount of profit attributable to owners of parent (thousand yen)	345,868	564,797
Amount not attributable to common shareholders (thousand yen)	–	–
Amount of profit attributable to owners of parent associated with common stock (thousand yen)	345,868	564,797
Average number of shares outstanding during the fiscal year (shares)	11,116,992	11,344,386
Amount of diluted profit per share		
Amount of profit attributable to owners of parent (thousand yen)	–	–
Increase in the number of common shares (shares)	201,894	–
(of which the number of subscription rights to shares (shares))	(201,894)	(–)
Descriptions of potentially dilutive common shares that were not included in the computation of diluted profit per share because it does not have a dilutive effect.	–	–

(Significant subsequent events)

Purchase of a company, etc. through share acquisition

Treasure Factory's Board of Directors passed a resolution at the meeting held on December 14, 2018 to acquire the shares of Digital Quest Corporation and make it a subsidiary, and the shares of the said company were purchased on January 17, 2019. Accordingly, Treasure Factory set March 31, 2019 as the deemed date of acquisition and made Digital Quest Corporation a consolidated subsidiary.

(1) Purpose of share acquisition

The Group's policy is to expand its merchandise lines, customer segments, and selling and purchasing channels to offer its reuse services in a broader range in the reuse retail industry. Meanwhile, Digital Quest Corporation, whose philosophy is business development through the exploration of the digital world and social contribution through business, specializes in contract development in a seamless process from planning for the upstream process of a system to development and operation and has developed numerous native applications and online services. The company has an innovative corporate culture of actively taking in the latest technologies such as blockchains that arise every day and constantly developing plans for new businesses.

By inviting Digital Quest Corporation into the Group, Treasure Factory will work jointly to create new customer value using its big data through the development of a new appraisal system using AI based on the data from more than one million purchases every year and new services using the data of hundreds of thousands of members.

(2) Name of the counterparty to the share acquisition

The counterparty to the share acquisition is a private person whose name is not disclosed in this notification. There are no capital, business or personal relationships required to be disclosed between the said private shareholder and Treasure Factory.

(3) Overview of the company acquired

Name:	Digital Quest Corporation
Location:	3-4-21 Roppongi, Minato-ku, Tokyo
Representative:	Hiroyuki Samejima
Business line:	Planning, operation, and entrusted development of websites and applications
Capital:	35,000 thousand yen
Date of establishment:	January 6, 2014

(4) Date of business combination

March 31, 2019

(5) Legal form of business combination

Acquisition of shares with cash and treasury shares as consideration

(6) Number of shares acquired

Number of shares acquired: 372 (ratio of voting rights: 87.1%)

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

Type of consideration	Cash	120,983 thousand yen
	<u>Treasury shares</u>	<u>64,512 thousand yen</u>
Acquisition cost		185,495 thousand yen

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

Remuneration, commission, etc. paid to outside advisor 2,740 thousand yen

(9) Method of funding the payment

Treasure Factory borrowed 100,000 thousand yen from MUFG Bank, Ltd. on January 17, 2019.

(10) Main reason for reaching the decision on the acquired company

Because the Company acquired 87.1% of voting rights as a result of acquiring the shares.