



# **Financial Report for the First Quarter of the Fiscal Year Ending February 29, 2020** **(Japanese Accounting Standards) (Consolidated)**

July 10, 2019

Company name	Treasure Factory Co., Ltd.	Listings	The First Section of the Tokyo Stock Exchange
Securities code	3093	URL	<a href="http://www.treasurefactory.co.jp/">http://www.treasurefactory.co.jp/</a>
Representative	President & CEO, Eigo Nosaka		
Contact	Director & Manager-Corporate Planning, Eiji Kobayashi		
Telephone	+81-3-3880-8822		
Scheduled dates:			
Submission of statutory quarterly financial report	July 10, 2019		
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 quarter of the fiscal year ending February 29, 2020 (March 1, 2019 to May 31, 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	%
First quarter ended May 31, 2019	4,746	9.0	387	26.5	398	26.4	265	36.2
First quarter ended May 31, 2018	4,354	8.6	306	28.4	315	24.0	195	12.5

(Note) Comprehensive income: First quarter ended May 31, 2019: 265 million yen (36.2%)  
First quarter ended May 31, 2018: 195 million yen (11.9%)

	Profit per share	Diluted profit per share
	yen	yen
First quarter ended May 31, 2019	23.50	—
First quarter ended May 31, 2018	17.27	—

### (2) Financial position

	Total assets	Net assets	Equity capital ratio
	million yen	million yen	%
As of May 31, 2019	9,079	4,490	49.1
As of February 28, 2019	8,838	4,298	48.5

(Reference) Shareholders' equity: As of May 31, 2019: 4,460 million yen As of February 28, 2019: 4,285 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. 28, 2019	—	8.00	—	8.00	16.00
Year ending Feb. 29, 2020	—	—	—	—	—
Year ending Feb. 29, 2020 (forecast)	—	8.00	—	8.00	16.00

(Note) Revisions to dividend projection published most recently: None

## 3. Results forecast for the fiscal year ending February 29, 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	9,163	10.3	298	22.2	318	21.8	205	24.8	18.12
Full year	19,741	11.3	909	0.4	948	-0.2	626	10.8	55.32

(Note) Revisions to results forecast published most recently: Yes

For the revision to the consolidated financial results forecast, please see "Treasure Factory Revises Forecast for the First Two Quarters of Fiscal

2020” published today (July 10, 2019).

\* Notes

(1) Changes in important subsidiaries during the first quarter 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 the 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 May 31, 2019: 11,598,800 shares

As of Feb. 28, 2019:

11,598,800 shares

[2] Treasury shares at period-end

As of May 31, 2019: 283,031 shares

As of Feb. 28, 2019:

283,031 shares

[3] Average number of shares issued

First quarter ended May 31, 2019: 11,315,769 shares

First quarter ended May 31, 2018: 11,309,182 shares

\* 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 (3) Explanation of Future Prospects Including Consolidated Results Forecasts in 1. Qualitative Information on the Financial Results for the First Quarter of the Fiscal Year Ending February 29, 2020 on page 2 of the accompanying materials.

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# 1. Qualitative Information on the Financial Results for the First Quarter of the Fiscal Year Ending February 29, 2020

## (1) Description of Operating Results

The second-hand goods retail industry remains in an expansionary trend due to the multi-store development of reuse store chains and the spread of flea market apps.

In this business environment, the Treasure Factory companies (the “Group”) have established four pillars for growth: growth through the reuse business, growth through M&A, growth in overseas markets, and investments in new businesses. We have worked to achieve the business growth of the Group as a whole.

During the first quarter under review, purchases remained strong, including in-store purchases, home-visit purchases, and home-delivery purchases via the Internet, resulting in growth in both consolidated sales and profits. Sports and Outdoor Reuse Stores and Brand Collect Stores with growing sales to inbound customers showed stronger growth in addition to the mainstay General Reuse Stores and Fashion Reuse Stores. EC sales we focus mainly on in-house e-commerce site grew over 30% from the previous quarter.

Consolidated net sales for the first quarter under review rose 9.0% year on year, while non-consolidated net sales increased 8.3%. By product category, net sales of apparel increased 13.2% year on year, hobby-related items climbed 14.8%, registering strong growth, and fashion items rose 4.2% year on year. The cost of purchased items remained steady, rising 6.2% year on year. Although net sales at the Company’s existing stores (stores that opened before February 28, 2018; the same applies hereinafter) showed strong growth, standing at 3.7% year on year, the gross profit ratio improved 0.3% and gross profit rose 4.1% year on year. Purchases also grew 1.4%, progressing steadily.

As part of its store-opening measures, the Company opened one directly managed Treasure Factory store as a General Reuse Store, one Treasure Factory Sports store as a Sports and Outdoor Reuse Store, and one UseLet store as a Fashion Outlet Reuse Store. As a result, the Company operated a total of 125 stores as of May 31, 2019, consisting of 121 directly managed stores and four franchise stores. The number of stores by form of business included directly managed stores comprising 58 Treasure Factory stores as General Reuse Stores, 50 Treasure Factory Style stores as Fashion Reuse Stores, five Treasure Factory Sports stores as Sports and Outdoor Reuse Stores, five UseLet stores as Fashion Outlet Reuse Stores, two Brand Collect stores as High Brand-name Fashion 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. Our subsidiary Kindal, a Brand-name Fashion Reuse Store, now has 19 directly managed stores and 20 franchise stores for a total of 39. Golf Kids, as Golf Reuse Stores, now operates one directly managed store and 19 franchise stores for a total of 20. In Thailand, there are three General Reuse Stores. As a result, the total number of stores in the Group as a whole stood at 187 as of the end of the first quarter under review.

Looking at profits, the consolidated gross profit ratio was 64.0%, rising 0.5% year on year. The non-consolidated gross profit ratio was 66.1%, increasing 0.5% year on year.

The selling, general, and administration expenses ratio stood at 55.8%, decreasing 0.6% year on year. The consolidated operating profit ratio came to 8.2%, up 1.1% from a year earlier, and the consolidated ordinary profit ratio came to 8.4%, rising 1.1%.

As a result, consolidated net sales rose 9.0% year on year, to 4,746,989 thousand yen, consolidated operating profit rose 26.5%, to 387,741 thousand yen, consolidated ordinary profit rose 26.4%, to 398,320 thousand yen, and consolidated profit attributable to owners of parent increased 36.2%, to 265,893 thousand yen.

Operating results by segment are as follows:

The main business of the Group was the Reuse business, and the other business segments were of little importance, so the statement on segment information was omitted in the past. However, the importance of disclosure increased associated with making Digital Quest Corporation into our consolidated subsidiary during the first quarter under review. Accordingly, we have decided to state segment information with the Reuse business as a reportable segment.

### i) Reuse business

Net sales were 4,637,493 thousand yen (up 7.5% compared to the same period a year ago), and segment profit was 666,341 thousand yen (up 22.4% compared to the same period a year ago).

### ii) Other

The “Other” segment is a business segment that is not included in the reportable segment and includes the system business from the first quarter under review in addition to the rental business. Net sales were 109,496 thousand yen (up 179.9% compared to the same period a year ago), and segment profit was 11,787 thousand yen (down 13.4% compared to the same period a year ago).

## (2) Description of Financial Position

Total assets as of the end of the first quarter under review increased 241,470 thousand yen compared to the end of the previous fiscal year, to 9,079,947 thousand yen, due primarily to growth of 208,055 thousand yen in merchandise and increases of 12,905 thousand yen in buildings and structures and 68,663 thousand yen in goodwill.

Total liabilities as of the end of the first quarter under review stood at 4,589,583 thousand yen, a rise of 49,507 thousand yen compared to the end of the previous fiscal year due to an increase of 208,430 thousand yen in short-term borrowings and decreases of 39,997 thousand yen in long-term borrowings and 110,877 thousand yen in provision for bonuses.

Net assets as of the end of the first quarter under review rose 191,962 thousand compared to the end of the previous fiscal year, to 4,490,363 thousand yen, primarily due to the recording of profit attributable to owners of parent of 265,893 thousand yen.

## (3) Explanation of Future Prospects Including Consolidated Results Forecasts

In the first quarter of the fiscal year ending February 29, 2020, net sales of non-consolidated existing stores grew 3% compared to the same period a year ago due to a rise in prices, and new stores opened in the previous period and the current period contributed to net sales as well. In addition, operating profit and ordinary profit were more than 25% higher than the same period a year ago, reflecting a rise in the gross profit ratio and a fall in the selling, general and administration expenses ratio. As a result, the consolidated half-year results forecasts for the fiscal year ending February 29, 2020 are expected to exceed the previous forecast for operating profit, ordinary profit, and profit attributable to owners of parent. Accordingly, the financial results forecast announced on April 10, 2019 has been revised. For details, please see “Treasure Factory Revises Forecast for the First Two Quarters of Fiscal 2020” published today.

Consolidated full-year results forecasts for the fiscal year ending February 29, 2020 remain unchanged from the figures released by the Company on April 10, 2019.

## 2. Quarterly Consolidated Financial Statements and Primary Notes

### (1) Quarterly Consolidated Balance Sheet

(Thousand yen)

	Previous consolidated fiscal year (February 28, 2019)	First quarter under review (May 31, 2019)
Assets		
Current assets		
Cash and deposits	1,614,905	1,569,385
Accounts receivable - trade	367,765	458,768
Merchandise	3,042,162	3,250,217
Other	338,066	397,791
Total current assets	5,362,898	5,676,163
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	1,026,731	1,039,636
Land	141,555	141,555
Other, net	252,212	279,637
Total property, plant and equipment	1,420,499	1,460,829
Intangible assets		
Goodwill	143,402	212,066
Other	52,303	65,904
Total intangible assets	195,705	277,970
Investments and other assets		
Leasehold and guarantee deposits	1,371,534	1,400,339
Other	487,838	264,644
Total investments and other assets	1,859,372	1,664,983
Total non-current assets	3,475,578	3,403,783
Total assets	8,838,477	9,079,947

(Thousand yen)

	Previous consolidated fiscal year (February 28, 2019)	First quarter under review (May 31, 2019)
Liabilities		
Current liabilities		
Accounts payable - trade	29,088	65,223
Short-term borrowings	1,104,904	1,313,334
Current portion of long-term borrowings	402,738	421,494
Income taxes payable	234,872	103,268
Provision for bonuses	244,663	133,785
Provision for sales returns	20,713	21,904
Provision for point card certificates	34,910	34,960
Other	912,890	970,386
Total current liabilities	2,984,779	3,064,355
Non-current liabilities		
Long-term borrowings	1,032,496	992,499
Asset retirement obligations	479,758	490,187
Other	43,041	42,541
Total non-current liabilities	1,555,296	1,525,228
Total liabilities	4,540,076	4,589,583
Net assets		
Shareholders' equity		
Share capital	521,183	521,183
Capital surplus	456,183	456,183
Retained earnings	3,549,042	3,724,410
Treasury shares	-241,113	-241,113
Total shareholders' equity	4,285,296	4,460,664
Accumulated other comprehensive income		
Foreign currency translation adjustment	-256	-606
Total accumulated other comprehensive income	-256	-606
Non-controlling interests	13,360	30,305
Total net assets	4,298,400	4,490,363
Total liabilities and net assets	8,838,477	9,079,947



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

(Thousand yen)

	First quarter of previous consolidated fiscal year (from March 1, 2018 to May 31, 2018)	First quarter under review (from March 1, 2019 to May 31, 2019)
Net sales	4,354,704	4,746,989
Cost of sales	1,589,096	1,709,159
Gross profit	2,765,608	3,037,830
Provision for sales returns	21,125	20,713
Reversal of provision for sales returns	21,995	21,904
Gross profit - net	2,764,738	3,036,639
Selling, general and administrative expenses	2,458,107	2,648,898
Operating profit	306,630	387,741
Non-operating income		
Interest income	64	160
Income from vending machines	2,758	2,763
Subsidy income	2,530	4,987
Other	4,693	8,136
Total non-operating income	10,046	16,047
Non-operating expenses		
Interest expenses	866	1,032
Foreign exchange losses	533	4,183
Other	137	251
Total non-operating expenses	1,537	5,468
Ordinary profit	315,139	398,320
Extraordinary losses		
Loss on retirement of non-current assets	0	58
Loss on cancellation of rental contracts	5,500	—
Total extraordinary losses	5,500	58
Profit before income taxes	309,639	398,262
Income taxes - current	55,543	74,666
Income taxes - deferred	58,834	57,259
Total income taxes	114,378	131,926
Profit	195,260	266,336
Profit attributable to non-controlling interests	—	442
Profit attributable to owners of parent	195,260	265,893

## (Consolidated Statement of Comprehensive Income)

(Thousand yen)

	First quarter of previous consolidated fiscal year (from March 1, 2018 to May 31, 2018)	First quarter under review (from March 1, 2019 to May 31, 2019)
Profit	195,260	266,336
Other comprehensive income		
Foreign currency translation adjustment	58	-350
Total other comprehensive income	58	-350
Comprehensive income	195,319	265,986
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	195,319	265,543
Comprehensive income attributable to non-controlling interests	—	442

(3) Notes on Quarterly Consolidated Financial Statements

(Notes on the going concern assumption)

Not applicable

(Notes if there is a significant change in the amount of shareholders' equity)

Not applicable

(Segment information)

(Segment information, etc.)

[Segment information]

I. First quarter of previous consolidated fiscal year (from March 1, 2018 to May 31, 2018)

1. Information on net sales and profit or loss of each reportable segment

(Thousand yen)

	Reportable Segment	Other (Note 1)	Total	Adjustment (Note 2)	Amount on Quarterly Consolidated Statement of Income (Note 3)
	Reuse Business				
Net sales					
Net sales to external customers	4,315,587	39,117	4,354,704	—	4,354,704
Inter-segment sales or transfers	—	—	—	—	—
Total	4,315,587	39,117	4,354,704	—	4,354,704
Segment profit	544,421	13,613	558,034	-251,403	306,630

(Note 1) The "Other" segment comprises the rental business and other businesses that are not included in the reportable segment.

(Note 2) The adjustment of segment profit is the amount of company-wide expenses, which consists primarily of selling, general, and administrative expenses that do not belong to the segment.

(Note 3) Segment profit is adjusted with operating profit in the quarterly consolidated statement of income.

2. Information on impairment loss on non-current assets or goodwill of each reportable segment

(Important impairment loss on non-current assets)

Not applicable

(Significant changes in the amount of goodwill)

In the reuse business segment, Golf Kids Co., Ltd. has been included in the scope of consolidation through the acquisition of its shares, with March 31, 2018 as the deemed date of acquisition. This has resulted in goodwill of 112,056 thousand yen.

## II. First quarter under review (from March 1, 2019 to May 31, 2019)

### 1. Information on net sales and profit or loss of each reportable segment

(Thousand yen)

	Reportable Segment	Other (Note 1)	Total	Adjustment (Note 2)	Amount on Quarterly Consolidated Statement of Income (Note 3)
	Reuse Business				
Net sales					
Net sales to external customers	4,637,493	109,496	4,746,989	—	4,746,989
Inter-segment sales or transfers	—	—	—	—	—
Total	4,637,493	109,496	4,746,989	—	4,746,989
Segment profit	666,341	11,787	678,129	-290,388	387,741

(Note 1) The “Other” segment comprises the rental business, the system business, and other businesses that are not included in the reportable segment.

(Note 2) The adjustment of segment profit is the amount of company-wide expenses, which consists primarily of selling, general, and administrative expenses that do not belong to the segment.

(Note 3) Segment profit is adjusted with operating profit in the quarterly consolidated statement of income.

### 2. Information on impairment loss on non-current assets or goodwill of each reportable segment

(Important impairment loss on non-current assets)

Not applicable

(Significant changes in the amount of goodwill)

In the “Other” segment, Digital Quest Corporation has been included in the scope of consolidation through the acquisition of its shares, with March 31, 2019 as the deemed date of acquisition. This has resulted in goodwill of 74,072 thousand yen.

The amount of goodwill is a provisional calculation due to the allocation of the acquisition cost that is incomplete as of the end of the first quarter of the fiscal year under review.

### 3. Matters concerning changes in the reportable segment

The Group primarily operates the reuse business and has omitted information on other business segments in the past due to their low materiality. The conversion of Digital Quest Corporation to a consolidated subsidiary in the first quarter of the fiscal year under review, however, resulted in an increase in the significance of Digital Quest’s information subject to disclosure. The Group therefore discloses segment information, including the reuse business as a reportable segment.

The segment information for the first quarter of the previous fiscal year presented in this report has been prepared based on the reportable segment after the change.

(Significant subsequent events)

Granting share acquisition rights (paid stock options)

The Company granted share acquisition rights (paid stock options) issued to Directors and employees of the Company and its affiliates on June 18, 2019 as described below, for which the resolution was passed at the Board of Directors' meeting held on May 29, 2019.

(1) Recipients and number of share acquisition rights

Directors of Treasure Factory Co., Ltd.	4	2,450 shares
Employees of Treasure Factory Co., Ltd. and its affiliates	33	910 shares

(2) Type and number of shares to be issued or transferred upon exercise of share acquisition rights

Common shares of Treasure Factory Co., Ltd. (The total number of shares to be issued or transferred upon the exercise of the share acquisition rights is 336,000.)

(3) Total number of share acquisition rights to be issued: 3,360

(4) Amount to be paid upon allotment of share acquisition rights (issue price)

Total amount of share acquisition rights: 6,619,200 yen  
Issue price: 1,970 yen per share acquisition right

(5) Amount of assets to be contributed upon exercise of share acquisition rights

Total amount of strike price: 242,256,000 yen  
Strike price: 72,100 yen per share acquisition right (721 yen per share)

(6) Period for exercising rights: From June 1, 2020 to May 31, 2022

(7) Conditions for exercising the rights

- i) The holders of share acquisition rights may exercise the number of rights in the specified percentage of share acquisition rights allotted to each holder (the "Exercisable Proportion") on or after the first day of the month following the date of the submission of the securities report for the fiscal year ending February 29, 2020 only if the reference index (the amount resulting from adding the depreciation and amortization of goodwill in the consolidated statement of cash flow to the operating profit in the audited consolidated statement of income of the Company; the same applies hereinafter) for the fiscal year ending February 29, 2020 satisfies conditions (a) through (c) below. If share-based remuneration expenses related to the share acquisition rights are to be posted in the assessment of the above reference index, a revised reference index before the deduction of share-based remuneration expenses that excludes the impact of such expenses is used for the assessment. If a material change has been made to the concept of the index used as a reference due to changes such as the adoption of the International Financial Reporting Standards, the Board of Directors will establish a different index that should be used as a reference. Any fraction of an exercisable share acquisition right will be rounded down.
  - (a) If the reference index for the fiscal year ending February 29, 2020 is 1,331 million yen or above, the Exercisable Proportion will be 40%.
  - (b) If the reference index for the fiscal year ending February 29, 2020 is 1,452 million yen or above, the Exercisable Proportion will be 40%.
  - (c) If the reference index for the fiscal year ending February 29, 2020 is 1,573 million yen or above, the Exercisable Proportion will be 20%.
- ii) Regardless of whether or not condition i) above has been achieved, the holders of the share acquisition rights may not exercise such rights if the average closing price in the regular transactions of the Company's common shares at a financial instrument exchange has fallen below 75% of the strike price even once during any 21 consecutive trading days between the date of the allotment of the share acquisition rights and the first day of the exercise of the rights.
- iii) The holders of the share acquisition rights must be a director, auditor, or employee of the Company or its affiliates (companies specified in the Regulation on Terminology, Forms, and Preparation Methods of Financial Statements) when exercising their share acquisition rights unless they have retired from such positions due to the expiration of the term of office or mandatory retirement or there are other legitimate reasons.
- iv) An heir of a holder of the share acquisition rights may not exercise the rights.
- v) If the total number of the Company's shares outstanding would exceed the number of authorized shares at the time as a result of exercising the share acquisition rights, the holders of the share acquisition rights may not exercise the rights.
- vi) The holders of the share acquisition rights may not exercise any fraction of such a right.

(8) Matters concerning capital and capital reserves to be increased

- i) The amount of the increase in capital due to the issuance of shares by exercising the share acquisition rights will be 50% of the maximum amount of the increase in the stated capital calculated pursuant to paragraph (1), Article 17 of the Rules of Corporate Accounting. Any fraction of one yen resulting from the calculation will be rounded up.
- ii) The amount of the increase in the capital reserve due to the issuance of shares by exercising the share acquisition rights will be the amount remaining after subtracting the amount of the increase in stated capital specified in paragraph i) above from the maximum amount of the increase in stated capital in paragraph i) above.