



Financial Report for the Fiscal Year Ended February 29, 2020 **(Japanese Accounting Standards) (Consolidated)**

April 14, 2020

Company name Treasure Factory Co., Ltd.
 Securities code 3093
 Representative President & CEO, Eigo Nosaka
 Contact Director & Manager-Corporate Planning, Eiji Kobayashi
 Telephone +81-3-3880-8822

Listings The First Section of the Tokyo Stock Exchange
 URL <https://www.treasurefactory.co.jp/>

Scheduled dates:
 Regular general shareholders' meeting: May 26, 2020
 Commencement of dividend payments: May 27, 2020
 Submission of securities report: May 26, 2020
 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 29, 2020 (March 1, 2019 to February 29, 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	%
Fiscal year ended Feb. 29, 2020	19,123	7.8	939	3.7	993	4.6	515	-8.7
Feb. 28, 2019	17,737	7.9	905	45.6	949	42.0	564	63.3

(Note) Comprehensive income: Fiscal year ended February 29, 2020: 515 million yen (-9.1%)
 Fiscal year ended February 28, 2019: 566 million yen (64.4%)

	Profit per share	Diluted profit per share	Return on equity	Return on assets	Operating profit to net sales
	yen	yen	%	%	%
Fiscal year ended Feb. 29, 2020	45.59	—	11.6	10.9	4.9
Feb. 28, 2019	49.79	—	13.8	11.4	5.1

(Reference) Equity in earnings of affiliates Fiscal year ended February 29, 2020: — million yen
 Fiscal year ended February 28, 2019: — million yen

(2) Financial position

	Total assets	Net assets	Equity capital ratio	Net assets per share
	million yen	million yen	%	yen
As of Feb. 29, 2020	9,379	4,644	49.1	407.13
As of Feb. 28, 2019	8,838	4,298	48.5	378.68

(Reference) Shareholders' equity: As of February 29, 2020: 4,606 million yen As of February 28, 2019: 4,285 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. 29, 2020	638	-576	-193	1,618
Feb. 28, 2019	848	-724	139	1,606

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, 2019	—	8.00	—	8.00	16.00	181	32.1	4.5
Feb. 29, 2020	—	9.00	—	8.00	17.00	192	37.2	4.3
Year ending Feb. 28, 2021 (forecast)	—	—	—	—	—		—	

(Note 1) The year-end dividend per share for the fiscal year ended February 29, 2020 has been changed to 8 yen from 9 yen. For details, refer to "Treasure Factory Revises Dividends Forecast" published on April 14, 2020.

(Note 2) The dividends forecast for the fiscal year ending February 28, 2021 has yet to be determined.

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

The spread of COVID-19 coronavirus led to a reduction in business hours at Company stores and is adversely affecting both the number of customers visiting the stores and sales. Because there are many unidentified factors that affect the Company's results, the Company has determined that it is difficult to logically forecast the consolidated results in the fiscal year ending February 28, 2021. The results forecast is thus yet to be determined. The Company will announce the results forecast promptly when it is able to calculate it.

* 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: None
 [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 stock)
 [1] Number of shares issued at period-end (including treasury shares)
 As of Feb. 29, 2020: 11,598,800 shares As of Feb. 28, 2019: 11,598,800 shares
 [2] Treasury shares at period-end
 As of Feb. 29, 2020: 283,031 shares As of Feb. 28, 2019: 283,031 shares
 [3] Average number of shares issued
 Year ended Feb. 29, 2020: 11,315,769 shares Year ended Feb. 28, 2019: 11,344,386 shares

Ref.: Overview of non-consolidated financial results

Non-consolidated financial results for the fiscal year ended February 29, 2020 (March 1, 2019 to February 29, 2020)

(1) Non-consolidated operating results (Percentage figures represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit	
Fiscal year ended	million yen	%	million yen	%	million yen	%	million yen	%
Feb. 29, 2020	15,801	6.5	912	13.1	922	8.4	501	0.4
Feb. 28, 2019	14,835	7.9	807	34.9	851	37.1	499	113.9

	Profit per share	Diluted profit per share
Fiscal year ended	yen	yen
Feb. 29, 2020	44.30	—
Feb. 28, 2019	44.00	—

(2) Non-consolidated financial position

	Total assets	Net assets	Equity capital ratio	Net assets per share
	million yen	million yen	%	yen
As of Feb. 29, 2020	8,246	4,460	54.0	393.59
As of Feb. 28, 2019	7,812	4,144	53.1	366.30

(Reference) Shareholders' equity: As of February 29, 2020: 4,453 million yen As of February 28, 2019: 4,144 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.

Accompanying Materials — Contents

1. Overview of Operating Results, etc.	2
(1) Overview of Operating Results for the Fiscal Year Ended February 29, 2020	2
(2) Overview of Financial Position during the Fiscal Year Ended February 29, 2020	4
(3) Overview of Cash Flow during the Fiscal Year Ended February 29, 2020	4
(4) Future Outlook.	5
2. Policy on the Choice of Accounting Standards	6
3. Consolidated Financial Statements and Major Notes	7
(1) Consolidated Balance Sheets	7
(2) Consolidated Statement of Income and Consolidated Statement of Comprehensive Income	9
Consolidated Statement of Income.....	9
Consolidated Statement of Comprehensive Income	10
(3) Consolidated Statement of Changes in Equity	11
(4) Consolidated Statement of Cash Flows	13
(5) Notes on Consolidated Financial Statements	15
(Notes on the going concern assumption)	15
(Change in presentation)	15
(Segment information)	16
(Per share information)	19
(Significant subsequent events).....	19

1. Overview of Operating Results, etc.

(1) Overview of Operating Results for the Fiscal Year Ended February 29, 2020

In the consolidated fiscal year ended February 29, 2020, the Japanese economy maintained a moderate recovery based on improved employment and income conditions and corporate earnings, but due to the COVID-19 coronavirus pandemic, the future of the economy is uncertain.

The second-hand goods retail industry remains on an expansionary trend due to the multi-store development of reuse store chains and the spread of flea market apps. Meanwhile, events that affected the retail industry occurred, such as large typhoons that hit the Tokyo area from September and the consumption tax hike in October.

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.

The consolidated operating results for fiscal year under review include net sales of 19,123,188 thousand yen (up 7.8% year-on-year), operating profit of 939,045 thousand yen (up 3.7% year-on-year), ordinary profit of 993,554 thousand yen (up 4.6% year-on-year), and profit attributable to owners of parent of 515,928 thousand yen (down 8.7% year-on-year).

Looking at profit ratios, the gross profit-net ratio stood at 61.8% (up 0.1 pts year on year). The selling, general, and administration expenses ratio came to 56.9% (up 0.3 pts year on year). The operating profit ratio was 4.9% (down 0.2 pts year on year) and the ordinary profit ratio was 5.2% (down 0.2 pts year on year).

Operating results by segment are as follows:

Reuse business

Purchases were strong in the entire Company, and non-consolidated purchases rose 4.6% year on year. By purchase channel, home-visit purchases and home-delivery purchases were particularly strong, rising 31.4% and 26.0%, respectively. The consolidated cost of purchased items increased 5.1%.

Non-consolidated net sales climbed 5.8% year on year, and non-consolidated net sales for the existing stores increased 1.0% year on year. Net sales of apparel and home appliances, the mainstay categories, were strong, reflecting rises in unit prices. Net sales of branded items increased chiefly due to the opening of the Brand Collect Omotesando store. Net sales of sporting and outdoor goods also rose due to sports store openings and strong sales at the existing Treasure Factory Sports stores. Net sales were strong in the first half of the fiscal year chiefly due to rises in unit prices but were sluggish from the third quarter as sales of autumn and winter apparel and home appliances for the seasons struggled due to high temperatures. The Company increased the number of items posted on its own e-commerce website, and non-consolidated e-commerce sales from the Company’s website rose 63.4% year on year.

In the fiscal year under review, 13 new stores opened in the entire Group, 9 stores of the Company, 1 store of the Thai subsidiary, and 3 stores directly managed by Kindal, a Group company. Stores that opened in new areas are Treasure Factory Style Meguro and Treasure Factory Style Mejiro in central Tokyo and Treasure Factory Style Mallage Shobu in a large suburban mall. Brand Collect Omotesando was opened based on a new concept. It is dedicated to luxury brand items. Kindal, a Group company, opened three stores, including Kindal Nakameguro, in fashionable areas, targeting a new customer segment. Those new stores performed well overall and made a good contribution to consolidated sales. The total number of stores in the Group was 193 as of February 29, 2020, including 131 stores of the Company, of which 127 stores are directly managed and 4 stores are franchise stores.

Net sales in this segment were 18,556,217 thousand yen (up 5.5% compared to the same period a year ago), and segment profit was 1,997,649 thousand yen (up 8.1% compared to the same period a year ago).

Other

Cariru, the rental business, expanded items of dresses and other product lines for which there is strong demand and gained new customers using owned media. As a result, net sales in the rental business were strong, up 85.1% year on year.

In the system business, Digital Quest Corporation, a Group company, engaged in the development of systems related to an auction business that the Company plans to start.

Net sales were 590,392 thousand yen (up 314.5% compared to the same period a year ago), and segment profit was 70,699 thousand yen (up 140.7% compared to the same period a year ago).

(i) Reuse business Actual cost of purchases by product type

Item	Purchase Price (thousand yen)	Breakdown (%)	YoY Change (%)
Household items	427,601	5.8	96.3
Apparel	3,476,366	46.9	102.6
Fashion items	1,680,135	22.7	114.6
Electric appliances	757,848	10.2	96.5
Furniture	227,270	3.1	92.9
Hobby-related items	390,885	5.3	123.0
Other items	444,142	6.0	112.0
Total	7,404,250	100.0	105.1

(Notes) 1. The consumption tax is not included in the prices above.

2. Additional costs of purchase are included in Other items.

(ii) Reuse business Actual sales by product type

Item	Sales (thousand yen)	Breakdown (%)	YoY Change (%)
Household items	1,260,296	6.8	100.3
Apparel	9,132,829	49.2	106.4
Fashion items	3,495,902	18.8	107.9
Electric appliances	2,389,758	12.9	100.3
Furniture	1,000,968	5.4	99.6
Hobby-related items	1,005,326	5.4	114.8
Other items	271,135	1.5	109.1
Total	18,556,217	100.0	105.5

(Notes) 1. The consumption tax is not included in the prices above.

2. Sales of Other items include sales of other types of products and sales related to the moving (removal) business.

(2) Overview of Financial Position during the Fiscal Year Ended February 29, 2020

Status of assets, liabilities and net assets

Total assets as of the end of the fiscal year under review came to 9,379,103 thousand yen, an increase of 540,626 thousand yen from the end of the previous consolidated fiscal year, mainly reflecting an 113,248 thousand yen increase in accounts receivable - trade, a 319,985 thousand increase in merchandise, a 66,175 thousand yen increase in deferred tax assets, a 50,586 thousand yen in goodwill, and a 103,635 thousand yen increase in leasehold and guarantee deposits, partly offset by a 135,106 thousand yen decrease in investment securities.

Total liabilities as of the end of the fiscal year under review stood at 4,734,594 thousand yen, an increase of 194,517 thousand yen from the end of the previous consolidated fiscal year, largely due to an 82,532 thousand yen increase in short-term borrowings and an 82,186 thousand yen increase in current portion of long-term borrowings, partly offset by an 89,879 thousand yen decrease in long-term borrowings.

Net assets as of the end of the fiscal year under review totaled 4,644,509 thousand yen, an increase of 346,108 thousand yen from the end of the previous fiscal year, after recognizing 515,928 thousand yen in profit attributable to owners of parent, among other factors.

(3) Overview of Cash Flow during the Fiscal Year Ended February 29, 2020

Cash and cash equivalents as of the end of the fiscal year under review amounted to 1,618,631 thousand yen, including an increase of 144,066 thousand yen in cash and cash equivalents due to the new consolidation of Digital Quest Corporation, a decrease of 131,934 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 638,369 thousand yen. This chiefly reflects cash inflow of profit before income taxes of 756,042 thousand yen and depreciation of 302,995 thousand yen, which more than offset cash outflow, including income taxes paid of 350,702 thousand yen and an increase in inventories of 320,029 thousand yen.

(Cash flows from investing activities)

Net cash used in investing activities during the fiscal year under review stood at 576,115 thousand yen. This was primarily due to the purchase of investment securities of 53,130 thousand yen, the purchase of property, plant, and equipment of 330,860 thousand yen associated with new store openings, and the payments of leasehold and guarantee deposits of 126,862 thousand yen.

(Cash flows from financing activities)

Net cash used in financing activities during the fiscal year under review was 193,293 thousand yen. The main factors were repayments of long-term borrowings of 468,237 thousand yen and dividends paid of 192,594 thousand yen, which more than offset proceeds from long-term borrowings of 375,000 thousand yen and proceeds from short-term borrowings of 82,532 thousand yen.

(Reference) Changes in cash flow-related indicators

	Fiscal year ended February 28, 2019	Fiscal year ended February 29, 2020
Equity capital ratio (%)	48.5	49.1
Equity capital ratio based on market value (%)	99.8	83.9
Ratio of interest-bearing debt to cash flows (year)	3.0	4.1
Interest coverage ratio (x)	239.9	145.6

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

With the spread of coronavirus in Japan, stay-at-home requests by the government have been issued and business hours at commercial facilities have been changed, which led to a downward trend in domestic consumption. Therefore, uncertainty over trends in the domestic economy and consumer spending is increasing. The Company closed Brand Collect stores in central Tokyo on Saturdays and Sundays in late March, and business hours at stores have been shorter than usual from April. Those initiatives have been adversely affecting the number of customers visiting stores and sales at stores.

Meanwhile, in March, when many people begin new lives in Japan, there was sales demand for household articles, including home appliances and furniture, particularly at General Reuse Stores. As for purchases, home-visit purchases and home-delivery purchases as well as in-store purchases increased, which indicates strong demand for reuse items.

For some time to come, the Company will continue to operate stores, taking thorough countermeasures against coronavirus infection as well as necessary steps, including shortening business hours. Meanwhile, the Company will respond to demand for e-commerce sales and home-delivery purchases and will develop purchase systems for different purchase channels, the new store development system and the human resources development system.

Because there are too many unidentified factors to determine the impact of the spread of coronavirus on results, we have determined that it is difficult to logically forecast results in the fiscal year ending February 28, 2021. The results forecast is thus yet to be determined. The Company will announce the results forecast promptly when it is able to calculate it.

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, 2019)	Fiscal year under review (February 29, 2020)
Assets		
Current assets		
Cash and deposits	1,614,905	1,627,037
Accounts receivable - trade	367,765	481,014
Merchandise	3,042,162	3,362,147
Supplies	6,780	7,508
Other	331,285	390,706
Total current assets	5,362,898	5,868,413
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	1,026,731	941,539
Land	141,555	141,555
Construction in progress	5,833	232
Other, net	246,378	258,360
Total property, plant and equipment	1,420,499	1,341,688
Intangible assets		
Goodwill	143,402	193,988
Other	52,303	84,577
Total intangible assets	195,705	278,565
Investments and other assets		
Investment securities	188,236	53,130
Long-term loans receivable	1,737	3,387
Deferred tax assets	163,291	229,466
Leasehold and guarantee deposits	1,371,534	1,475,169
Other	134,572	129,280
Total investments and other assets	1,859,372	1,890,435
Total non-current assets	3,475,578	3,510,689
Total assets	8,838,477	9,379,103

(Thousand yen)

	Previous fiscal year (February 28, 2019)	Fiscal year under review (February 29, 2020)
Liabilities		
Current liabilities		
Accounts payable - trade	29,088	50,125
Short-term borrowings	1,104,904	1,187,436
Current portion of long-term borrowings	402,738	484,924
Income taxes payable	234,872	196,400
Provision for bonuses	244,663	244,237
Provision for shareholder benefit program	4,540	5,484
Provision for sales returns	20,713	20,076
Provision for point card certificates	34,910	37,824
Other	908,349	1,025,975
Total current liabilities	2,984,779	3,252,483
Non-current liabilities		
Long-term borrowings	1,032,496	942,617
Asset retirement obligations	479,758	503,911
Other	43,041	35,581
Total non-current liabilities	1,555,296	1,482,110
Total liabilities	4,540,076	4,734,594
Net assets		
Shareholders' equity		
Share capital	521,183	521,183
Capital surplus	456,183	456,183
Retained earnings	3,549,042	3,872,603
Treasury shares	-241,113	-241,113
Total shareholders' equity	4,285,296	4,608,857
Accumulated other comprehensive income		
Foreign currency translation adjustment	-256	-1,892
Total accumulated other comprehensive income	-256	-1,892
Share acquisition rights	—	6,619
Non-controlling interests	13,360	30,925
Total net assets	4,298,400	4,644,509
Total liabilities and net assets	8,838,477	9,379,103

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

(Thousand yen)

	Previous fiscal year (from March 1, 2018 to February 28, 2019)	Fiscal year under review (from March 1, 2019 to February 29, 2020)
Net sales	17,737,120	19,123,188
Cost of sales	6,794,723	7,300,462
Gross profit	10,942,397	11,822,725
Provision for sales returns	20,713	20,076
Reversal of provision for sales returns	21,125	20,713
Gross profit – net	10,942,809	11,823,362
Selling, general and administrative expenses	10,037,517	10,884,317
Operating profit	905,291	939,045
Non-operating income		
Interest income	263	608
Income from vending machines	12,690	11,629
Foreign exchange gains	4,654	–
Insurance premiums refunded cancellation	4,464	–
Subsidy income	6,976	4,852
Income from financial support received	–	23,069
Income from sales of disposable items	8,749	8,161
Other	10,720	15,105
Total non-operating income	48,517	63,426
Non-operating expenses		
Interest expenses	3,551	4,368
Foreign exchange losses	–	2,163
Other	475	2,386
Total non-operating expenses	4,027	8,918
Ordinary profit	949,782	993,554
Extraordinary income		
Gain on reversal of share acquisition rights	7,607	–
Compensation income	15,640	29,542
Total extraordinary income	23,247	29,542
Extraordinary losses		
Loss on retirement of non-current assets	1,899	2,153
Impairment loss	111,890	264,900
Loss on cancellation of rental contracts	5,500	–
Total extraordinary losses	119,289	267,053
Profit before income taxes	853,739	756,042
Income taxes - current	319,480	295,557
Income taxes - deferred	-30,538	-56,506
Total income taxes	288,941	239,051
Profit	564,797	516,990
Profit attributable to non-controlling interests	–	1,062
Profit attributable to owners of parent	564,797	515,928

(Consolidated Statement of Comprehensive Income)

(Thousand yen)

	Previous fiscal year (from March 1, 2018 to February 28, 2019)	Fiscal year under review (from March 1, 2019 to February 29, 2020)
Profit	564,797	516,990
Other comprehensive income		
Foreign currency translation adjustment	2,106	-1,636
Total other comprehensive income	2,106	-1,636
Comprehensive income	566,904	515,354
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	566,904	514,292
Comprehensive income attributable to non-controlling interests	—	1,062

(3) Consolidated Statement of Changes in Equity

Previous fiscal year (from March 1, 2018 to February 28, 2019)

(Thousand yen)

	Shareholders' equity				
	Share capital	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		Share acquisition rights	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

Fiscal year under review (from March 1, 2019 to February 29, 2020)

(Thousand yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at the beginning of period	521,183	456,183	3,549,042	-241,113	4,285,296
Changes of items during period					
Dividends of surplus			-192,368		-192,368
Profit attributable to owners of parent			515,928		515,928
Net changes of items other than shareholders' equity					
Total changes of items during period			323,560		323,560
Balance at the end of period	521,183	456,183	3,872,603	-241,113	4,608,857

	Accumulated other comprehensive income		Share acquisition rights	Non-controlling interests	Total net assets
	Foreign currency translation adjustment	Total accumulated other comprehensive income			
Balance at the beginning of period	-256	-256		13,360	4,298,400
Changes of items during period					
Dividends of surplus					-192,368
Profit attributable to owners of parent					515,928
Net changes of items other than shareholders' equity	-1,636	-1,636	6,619	17,564	22,547
Total changes of items during period	-1,636	-1,636	6,619	17,564	346,108
Balance at the end of period	-1,892	-1,892	6,619	30,925	4,644,509

(4) Consolidated Statement of Cash Flows

(Thousand yen)

	Previous fiscal year (from March 1, 2018 to February 28, 2019)	Fiscal year under review (from March 1, 2019 to February 29, 2020)
Cash flows from operating activities		
Profit before income taxes	853,739	756,042
Depreciation	288,865	302,995
Impairment loss	111,890	264,900
Amortization of goodwill	16,696	23,486
Increase (decrease) in provision for bonuses	28,798	-1,675
Increase (decrease) in provision for shareholder benefit program	2,613	943
Increase (decrease) in provision for point card certificates	1,043	2,914
Increase (decrease) in provision for sales returns	-411	-637
Interest and dividend income	-303	-648
Income from financial support received	—	-23,069
Interest expenses	3,551	4,368
Foreign exchange losses (gains)	-4,587	-741
Compensation income	-15,640	-29,542
Gain on reversal of share acquisition rights	-7,607	—
Loss (gain) on sales and retirement of non-current assets	1,899	2,153
Loss on cancellation of rental contracts	5,500	—
Decrease (increase) in notes and accounts receivable - trade	12,290	-64,491
Decrease (increase) in inventories	-305,956	-320,029
Increase (decrease) in notes and accounts payable - trade	-18,418	16,655
Other	104,425	29,640
Subtotal	1,078,391	963,265
Interest and dividend income received	303	648
Interest expenses paid	-3,537	-4,385
Proceeds from compensation	15,660	29,542
Income taxes paid	-242,157	-350,702
Net cash provided by (used in) operating activities	848,660	638,369
Cash flows from investing activities		
Purchase of investment securities	-123,724	-53,130
Purchase of property, plant and equipment	-313,059	-330,860
Purchase of intangible assets	-27,633	-28,578
Payments of leasehold and guarantee deposits	-110,450	-126,862
Proceeds from refund of leasehold and guarantee deposits	43,622	23,846
Purchase of shares of subsidiaries resulting in change in scope of consolidation	-153,919	—
Other	-38,946	-60,530
Net cash provided by (used in) investing activities	-724,111	-576,115

(Thousand yen)

	Previous fiscal year (from March 1, 2018 to February 28, 2019)	Fiscal year under review (from March 1, 2019 to February 29, 2020)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	199,005	82,532
Proceeds from long-term borrowings	530,688	375,000
Repayments of long-term borrowings	-320,736	-468,237
Proceeds from issuance of shares	88,350	—
Purchase of treasury shares	-181,283	—
Cash dividends paid	-181,236	-192,594
Proceeds from share issuance to non-controlling shareholders	3,344	—
Proceeds from issuance of share acquisition rights	—	6,619
Other	1,434	3,387
Net cash provided by (used in) financing activities	139,565	-193,293
Effect of exchange rate change on cash and cash equivalents	6,693	-894
Net increase (decrease) in cash and cash equivalents	270,808	-131,934
Cash and cash equivalents at beginning of period	1,335,690	1,606,499
Increase in cash and cash equivalents resulting from inclusion of subsidiaries in consolidation	—	144,066
Cash and cash equivalents at end of period	1,606,499	1,618,631

(5) Notes on Consolidated Financial Statements

(Notes on the going concern assumption)

Not applicable

(Change in presentation)

(Application of “Partial Amendments to Accounting Standard for Tax Effect Accounting”)

From the beginning of the fiscal year under review, the Company has applied the Partial Amendments to Accounting Standard for Tax Effect Accounting (ASBJ Statement No. 28, February 16, 2018), and Deferred tax assets is presented in Investments and other assets.

As a result, in the consolidated balance sheets for the previous fiscal year, Deferred tax assets in Current assets have decreased 159,532 thousand yen, and Deferred tax assets in Investments and other assets have increased 141,573 thousand yen. Deferred tax liabilities in Non-current liabilities have decreased 17,959 thousand yen.

Deferred tax assets are offset by Deferred tax liabilities for the same taxable entity, and as a result, total assets have decreased 17,959 thousand yen from those before the change.

(Segment information)

[Segment information]

1. Overview of reportable segments

The reportable segments of the Group are the constituent parts of the Group for which separate financial information is available and the Board of Directors regularly examines to determine the allocation of management resources and evaluate results. The Group operates eight categories of the reuse business, including General Reuse Stores, Treasure Factory, and Fashion Reuse Stores Treasure Factory Style. The Group also operates the rental business and the system business.

(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 low materiality. The conversion of Digital Quest Corporation into a consolidated subsidiary in the first quarter of the fiscal year, 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 previous fiscal year presented in this report has been prepared based on the reportable segment for the fiscal year under review.

2. Method of calculation of net sales, profit or loss, assets and other items for the reportable segment

The accounting method for the reportable segment is the same as the accounting method used for preparing consolidated financial statements. Segment profit is based on operating profit.

3. Information on net sales, profit or loss, assets and other items for the reportable segment

Previous fiscal year (from March 1, 2018 to February 28, 2019)

(Thousand yen)

	Reportable Segment	Other (Note 1)	Total	Adjustment (Note 2)	Amount on Consolidated Statement of Income (Note 3)
	Reuse Business				
Net sales					
Net sales to external customers	17,594,681	142,438	17,737,120	—	17,737,120
Inter-segment sales or transfers	—	—	—	—	—
Total	17,594,681	142,438	17,737,120	—	17,737,120
Segment profit	1,847,323	29,371	1,876,695	-971,403	905,291
Segment assets	7,335,002	41,843	7,376,846	1,461,630	8,838,477
Depreciation	248,040	23,127	271,167	17,697	288,865
Amortization of goodwill	16,696	—	16,696	—	16,696

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

(Note 2) Adjustment is as follows:

- (1) 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.
- (2) The adjustment of segment assets consists primarily of assets related to the administration division of the head office of the parent company that do not belong to the segment.
- (3) The adjustment of depreciation is the depreciation of assets related to the administration division that do not belong to the segment.

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

Fiscal year under review (from March 1, 2019 to February 29, 2020)

(Thousand yen)

	Reportable Segment	Other (Note 1)	Total	Adjustment (Note 2)	Amount on Consolidated Statement of Income (Note 3)
	Reuse Business				
Net sales					
Net sales to external customers	18,556,217	566,970	19,123,188	–	19,123,188
Inter-segment sales or transfers	–	23,421	23,421	-23,421	–
Total	18,556,217	590,392	19,146,610	-23,421	19,123,188
Segment profit	1,997,649	70,699	2,068,348	-1,129,302	939,045
Segment assets	7,808,211	171,841	7,980,052	1,399,050	9,379,103
Depreciation	247,612	39,937	287,550	15,445	302,995
Amortization of goodwill	16,696	6,789	23,486	–	23,486

(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) Adjustment is as follows:

- (1) 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.
- (2) The adjustment of segment assets consists primarily of assets related to the administration division of the head office of the parent company that do not belong to the segment.
- (3) The adjustment of depreciation is the depreciation of assets related to the administration division that do not belong to the segment.

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

[Information on impairment loss on non-current assets in the reportable segment]

Previous fiscal year (from March 1, 2018 to February 28, 2019)

(Thousand yen)

	Reportable Segment	Other	Total	Adjustment	Total
	Reuse Business				
Impairment loss	111,890	–	111,890	–	111,890

Fiscal year under review (from March 1, 2019 to February 29, 2020)

(Thousand yen)

	Reportable Segment	Other	Total	Adjustment	Total
	Reuse Business				
Impairment loss	264,900	–	264,900	–	264,900

[Information on amortization of goodwill and unamortized balance in the reportable segment]

Previous fiscal year (from March 1, 2018 to February 28, 2019)

(Thousand yen)

	Reportable Segment	Other	Total	Adjustment	Total
	Reuse Business				
Balance at the end of period	143,402	–	143,402	–	143,402

(Note) Amortization of goodwill is disclosed in the Segment information and is not stated here.

Fiscal year under review (from March 1, 2019 to February 29, 2020)

(Thousand yen)

	Reportable Segment	Other	Total	Adjustment	Total
	Reuse Business				
Balance at the end of period	126,706	67,282	193,988	–	193,988

(Note) Amortization of goodwill is disclosed in the Segment information and is not stated here.

(Per share information)

	Previous Fiscal year (from March 1, 2018 to February 28, 2019)	Fiscal year under review (from March 1, 2019 to February 29, 2020)
Net asset per share	378.68 yen	407.13 yen
Profit per share	49.79 yen	45.59 yen
Diluted profit per share	– yen	– yen

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

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

	Previous Fiscal year (February 28, 2019)	Fiscal year under review (February 29, 2020)
Total net assets (thousand yen)	4,298,400	4,644,509
Amount deducted from the total net assets (thousand yen)	13,360	37,544
(of which the amount of subscription rights to shares (thousand yen))	(–)	(6,619)
(of which the amount of non-controlling interests (thousand yen))	(13,360)	(30,925)
Net assets associated with common shares at the end of the fiscal year (thousand yen)	4,285,040	4,606,965
Number of common shares at the end of the fiscal year used to calculate net asset per share (shares)	11,315,769	11,315,769

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

	Previous Fiscal year (from March 1, 2018 to February 28, 2019)	Fiscal year under review (from March 1, 2019 to February 29, 2020)
Profit per share		
Amount of profit attributable to owners of parent (thousand yen)	564,797	515,928
Amount not attributable to common shareholders (thousand yen)	–	–
Amount of profit attributable to owners of parent associated with common shares (thousand yen)	564,797	515,928
Average number of common shares during the fiscal year (shares)	11,344,386	11,315,769

(Significant subsequent events)

Not applicable