

Consolidated Financial Results for the Three Months Ended May 31, 2021 (Japanese Accounting Standards)

July 14, 2021

Company name	Treasure Factory Co., Ltd.	Listings	The First Section of the Tokyo Stock Exchange
Securities code	3093	URL:	https://www.treasurefactory.co.jp/
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Submission of statutory quarterly financial report:	July 14, 2021		
Commencement of dividend payments:	—		
Supplementary documents for quarterly results:	Yes		
Quarterly results briefing:	No		

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

1. Results for the three months ended May 31, 2021 (March 1, 2021 to May 31, 2021)

(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	%
FY2022 Q1	5,668	43.2	343	—	366	—	245	—
FY2021 Q1	3,959	(16.6)	(221)	—	(211)	—	(214)	—

(Note) Comprehensive income: FY2022 Q1 (three months ended May 31, 2021) 240 million yen (-%)
 FY2021 Q1 (three months ended May 31, 2020) (213) million yen (-%)

	Profit per share	Diluted profit per share
	yen	yen
FY2022 Q1	21.86	—
FY2021 Q1	(18.98)	—

(2) Financial position

	Total assets	Net assets	Equity capital ratio
	million yen	million yen	%
FY2022 Q1	10,882	4,481	40.8
FY2021	10,417	4,311	41.1

(Reference) Shareholders' equity: FY2022 Q1 (three months ended May 31, 2021) 4,436 million yen
 FY2021 (year ended February 28, 2021) 4,284 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
FY2021	—	2.00	—	8.00	10.00
FY2022	—	—	—	—	—
FY2022 (forecast)	—	8.00	—	8.00	16.00

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

3. Results forecast for the fiscal year ending February 28, 2022 (March 1, 2021 to February 28, 2022)

(Percentage figures represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Profit per share
	million yen	%	million yen	%	million yen	%	million yen	%	yen
Six months ending August 31, 2021 (cumulative)	10,572	26.2	97	—	107	—	46	—	4.07
Full year	22,636	20.8	804	652.2	818	367.6	537	—	47.50

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

* Notes

(1) Changes in important subsidiaries during the three months of the current consolidated cumulative period under review (changes in specified subsidiaries that caused changes in the scope of consolidation): None

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

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

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

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

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

[3] Changes in accounting estimates: None

[4] Revisions and restatements: None

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

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

[2] Treasury shares at period-end

[3] Average number of shares issued during the period

As of May 31, 2021	11,598,800shares	As of Feb. 28, 2021	11,598,800shares
As of May 31, 2021	386,131 shares	As of Feb. 28, 2021	386,131 shares
As of May 31, 2021	11,212,669shares	As of May 31, 2020	11,315,769shares

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

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

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

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1. Qualitative Information about the Quarterly Financial Results

(1) Explanation regarding the Results of Operations

During the first quarter of the current consolidated cumulative period, a state of emergency was issued again due to the novel coronavirus pandemic, restricting Japan's economic activities, most notably the operation of large commercial establishments and restaurants. Furthermore, businesses that offer goods and services for international visitors are still sluggish due to travel restrictions. With these factors, domestic consumption has not achieved a full-fledged recovery.

Nevertheless, demand for purchases by neighborhood reuse stores remained steady as decluttering homes became part of people's lives and their need for selling used items grew. In regard to sales, there remained considerable needs of consumers to buy daily necessities (e.g., home appliances, furniture, clothing) at bargain prices and to replace household goods to create a comfortable home environment.

With this great demand for reuse, our general reuse stores, fashion stores, and sports and outdoor reuse stores, among others, enjoyed strong sales, and our reuse business grew steadily. Compared to the previous year, the sales of apparel, branded items, and other goods in the fashion category recovered significantly. Moreover, consumers' need to avoid crowded places in closed spaces and shop in the vicinity of their homes drove sales at our suburban stores and e-commerce sales. In regard to Group companies, from January 2021, sales and profits of PickUP JAPAN were included in our financial results. In addition, Kindal, which engages in the reuse business, enjoyed steady sales. These factors led to the growth of the Group's overall revenue.

Consequently, the results of operations for the first quarter of the current consolidated cumulative period show net sales of ¥5,668,841 thousand (up 43.2 percent year on year), operating profit of ¥343,075 thousand (the same period of the previous year saw operating loss of ¥221,663 thousand), ordinary profit of ¥366,085 thousand (the same period of the previous year saw ordinary loss of ¥211,773 thousand), and quarterly profit of ¥245,099 thousand attributable to owners of the parent (the same period of the previous year saw quarterly loss of ¥214,718 thousand attributable to owners of the parent).

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

(Reuse Business)

Sales increased 42.9 percent year on year, and non-consolidated sales at existing stores increased 27.8 percent year on year. In terms of sales by category, apparel sales, which were greatly affected by the pandemic during the same period last year, made a significant recovery and increased 45.7 percent year on year. Sales of household items increased 25.8 percent year on year and furniture sales increased 12.3 percent year on year owing to demand for household goods as consumers spent more time at home and worked from home. Sales of fashion items and hobby-related items showed significant increases of 83.0 percent and 79.7 percent year on year, respectively, as non-consolidated sales were strong and PickUP JAPAN's sales were included in the results. As for e-commerce sales, the non-consolidated number of offerings on our e-commerce site increased 134.3 percent year on year, which led to continuous sales growth. Sales at the e-commerce site increased 74.5 percent year on year, and consolidated e-commerce sales increased 41.2 percent year on year, which boosted overall sales.

Consolidated purchases increased 63.1 percent year on year partly because PickUP JAPAN's purchases were included. Non-consolidated purchases also grew by a substantial 44.6 percent. As for purchases by channel, in-store purchases, which were greatly affected by the pandemic during the same period last year, rebounded to show an increase of 56.1 percent year on year. Home-delivery and home-visit purchases continued favorably and increased 36.3 percent and 44.1 percent year on year, respectively.

During the first quarter of the current consolidated cumulative period, we opened three new stores. Consequently, the numbers of stores at the end of the consolidated fiscal year under review are as follows: 135 directly-managed stores and 4 franchise stores, the non-consolidated total being 139 stores; and 206 stores in total across the Group.

As for the overseas business in Thailand, efforts were made to restore earnings under the pressure of impacts of the coronavirus pandemic, and an increase in profit was achieved. Furthermore, a local subsidiary in Taiwan, which was established in April, has begun preparations to open new stores.

These results added up to net sales of ¥5,510,145 thousand (up 42.9 percent year on year) and the segment's profit of ¥746,936 thousand (up 460.4 percent year on year).

(Other)

Cariru, our rental business, successfully captured demand as people attended weddings and other events despite the pandemic. Consequently, sales were strong and increased 238.1 percent year on year.

These results added up to net sales of ¥165,480 thousand (up 35.5 percent year on year) and the segment's loss of ¥8,012 thousand (the same period of the previous year saw ¥20,153 thousand in loss).

(2) Explanation regarding the Financial Position

Total assets at the end of the first quarter of the current consolidated accounting period increased by ¥464,894 thousand year on year to ¥10,882,449 thousand because of an increase of ¥78,616 thousand in accounts receivable-trade, an increase of ¥184,398 thousand in merchandise, an increase of ¥58,381 thousand in buildings and structures, and an increase of ¥68,013 thousand in leasehold and guarantee deposits, among other reasons.

Total liabilities at the end of the first quarter of the current consolidated accounting period increased by ¥295,191 thousand year on year to ¥6,401,406 thousand because of a decrease of ¥98,428 thousand in provision for bonuses, an increase of ¥211,980 in short-term borrowings, and an increase of ¥93,609 thousand in long-term borrowings, among other reasons.

Total net assets at the end of the first quarter of the current consolidated accounting period increased by ¥169,702 thousand year on year to ¥4,481,043 thousand because the quarterly profit of ¥245,099 thousand attributable to owners of the parent was recorded, among other reasons.

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

We pursue four growth strategies: development of the reuse business, investment in new businesses, growth in overseas markets, and growth through M&A. On the basis of these strategies, we are working toward the goals of our medium-term profit and loss plan. The coronavirus pandemic has continued to affect the economy during the fiscal year under review. The Treasure Factory Group has been strengthening the link between physical stores and the e-commerce site to boost store revenue by relaying customers between physical stores and the e-commerce site. We are also working as a general reuse business to expand the categories of merchandise and add depth to each category. As for the opening of new stores, undeterred by the pandemic, we successfully secured store sites in good locations. We are making steady progress toward the Group's target of opening 15 to 20 stores during the fiscal year under review.

During the first quarter of the consolidated cumulative period, the reuse business performed better than expected in our plans, and consolidated sales and profits surpassed the planned figures. While the Company anticipates steady performance to continue in the second quarter, forecasts remain stationary as we are still unable to predict impacts of the resurgence of COVID-19 and mutant strains from July onward.

Given these factors, consolidated forecasts for the six months ending August 31, 2021 and for the full year remain unchanged from the figures released by the Company on April 14, 2021.

2. Quarterly Consolidated Financial Statements and Main Notes

(1) Quarterly Consolidated Balance Sheet

(Thousands of Yen)

	Previous Consolidated Fiscal Year (Ended February 28, 2021)	First Quarter of the Current Consolidated Accounting Period (Ended May 31, 2021)
Assets		
Current assets		
Cash and deposits	1,994,170	2,049,220
Accounts receivable - trade	548,801	627,417
Merchandise	3,568,686	3,753,085
Other	516,921	538,693
Total current assets	6,628,580	6,968,415
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	948,213	1,006,594
Land	446,949	446,949
Other, net	206,709	209,442
Total property, plant and equipment	1,601,872	1,662,986
Intangible assets		
Goodwill	169,885	163,859
Other	121,662	146,267
Total intangible assets	291,547	310,126
Investments and other assets		
Leasehold and guarantee deposits	1,541,401	1,609,415
Other	354,153	331,505
Total investments and other assets	1,895,555	1,940,921
Total non-current assets	3,788,975	3,914,034
Total assets	10,417,555	10,882,449

(Thousands of Yen)

	Previous Consolidated Fiscal Year (Ended February 28, 2021)	First Quarter of the Current Consolidated Accounting Period (Ended May 31, 2021)
Liabilities		
Current liabilities		
Accounts payable - trade	61,452	77,652
Short-term borrowings	1,672,987	1,884,967
Current portion of long-term borrowings	600,290	644,642
Income taxes payable	68,756	113,703
Provision for bonuses	273,882	175,454
Provision for sales returns	18,822	21,135
Provision for point card certificates	50,376	52,227
Other	1,239,393	1,199,050
Total current liabilities	3,985,961	4,168,832
Non-current liabilities		
Long-term borrowings	1,514,595	1,608,204
Asset retirement obligations	583,214	594,844
Other	22,444	29,525
Total non-current liabilities	2,120,254	2,232,574
Total liabilities	6,106,215	6,401,406
Net assets		
Shareholders' equity		
Share capital	521,183	521,183
Capital surplus	456,183	456,183
Retained earnings	3,624,479	3,778,403
Treasury shares	(317,732)	(317,732)
Total shareholders' equity	4,284,113	4,438,037
Cumulative amount of other comprehensive income		
Foreign currency translation adjustment	31	(1,237)
Total cumulative amount of other comprehensive income	31	(1,237)
Share acquisition rights	—	18,819
Non-controlling interests	27,194	25,423
Total net assets	4,311,340	4,481,043
Total liabilities and net assets	10,417,555	10,882,449

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

(Thousands of Yen)

	First Quarter of the Previous Consolidated Cumulative Period (from March 1, 2020 to May 31, 2020)	First Quarter of the Current Consolidated Cumulative Period (from March 1, 2021 to May 31, 2021)
Net sales	3,959,782	5,668,841
Cost of sales	1,515,346	2,126,798
Gross profit	2,444,435	3,542,043
Reversal of provision for sales returns	20,076	18,822
Provision for sales returns	23,096	21,135
Net gross profit	2,441,415	3,539,730
Selling, general and administrative expenses	2,663,079	3,196,654
Operating profit (loss)	(221,663)	343,075
Non-operating income		
Interest income	143	120
Vending machine income	1,821	2,172
Foreign exchange gains	—	599
Subsidy income	—	9,006
Commission income	3,237	3,814
Other	6,479	10,458
Total non-operating income	11,682	26,171
Non-operating expenses		
Interest expenses	1,159	3,084
Other	632	77
Total non-operating expenses	1,792	3,162
Ordinary profit (loss)	(211,773)	366,085
Extraordinary income		
Gain on reversal of share acquisition rights	6,619	—
Total extraordinary income	6,619	—
Extraordinary losses		
Loss on retirement of non-current assets	341	1,761
Total extraordinary losses	341	1,761
Net profit (loss) before taxes in the previous quarter	(205,495)	364,323
Income taxes - current	4,827	85,308
Income taxes - deferred	5,227	37,161
Total income taxes	10,054	122,470
Net quarterly profit (loss)	(215,549)	241,853
Quarterly profit (loss) attributable to non-controlling interests	(830)	(3,245)
Quarterly profit (loss) attributable to owners of the parent	(214,718)	245,099

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

(Thousands of Yen)

	First Quarter of the Previous Consolidated Cumulative Period (from March 1, 2020 to May 31, 2020)	First Quarter of the Current Consolidated Cumulative Period (from March 1, 2021 to May 31, 2021)
Net quarterly profit (loss)	(215,549)	241,853
Other comprehensive income		
Foreign currency translation adjustment	1,929	(1,269)
Total of other comprehensive income	1,929	(1,269)
Quarterly comprehensive income	(213,620)	240,584
Comprehensive income attributable to		
Quarterly comprehensive income attributable to owners of the parent	(212,789)	243,830
Quarterly comprehensive income attributable to non- controlling interests	(830)	(3,245)

(3) Notes on the Quarterly Consolidated Financial Statements

(Notes on Going Concern Assumption)

N/A

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

N/A

(Additional Information)

(Accounting Estimates Related to the Effects of the Coronavirus Pandemic)

We make accounting estimates, including recoverability of deferred tax assets and loss from impairment of non-current assets, based on information available at the time of the preparation of quarterly consolidated financial statements. While we expect that the coronavirus pandemic will continue to have effects on the Treasure Factory Group's businesses in varying degrees, we make accounting estimates based on the assumption that our performance will be comparable to other years' in March 2021 and thereafter.

(Segment Information, etc.)

[Segment Information]

I. Previous First Quarter of Consolidated Cumulative Period (from March 1, 2020 to May 31, 2020)

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

(Thousands of Yen)

	Reporting segment	Other (Note 1)	Total	Adjustment amount (Note 2)	Amount reported on the quarterly consolidated statement of income (Note 3)
	Reuse business				
Net sales					
Sales to external customers	3,855,689	104,093	3,959,782	—	3,959,782
Internal sales or transfer between segments	—	17,999	17,999	(17,999)	—
Total	3,855,689	122,092	3,977,781	(17,999)	3,959,782
Segment's profit (loss)	133,280	(20,153)	113,127	(334,790)	(221,663)

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

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

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

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

(Material Impairment Loss Pertaining to Non-current Assets)

N/A

(Material Change in the Amount of Goodwill)

N/A

II. First Quarter of Current Consolidated Cumulative Period (from March 1, 2021 to May 31, 2021)

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

(Thousands of Yen)

	Reporting segment	Other (Note 1)	Total	Adjustment amount (Note 2)	Amount reported on the quarterly consolidated statement of income (Note 3)
	Reuse business				
Net sales					
Sales to external customers	5,510,145	158,695	5,668,841	—	5,668,841
Internal sales or transfer between segments	—	6,785	6,785	(6,785)	—
Total	5,510,145	165,480	5,675,626	(6,785)	5,668,841
Segment's profit (loss)	746,936	(8,012)	738,924	(395,848)	343,075

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

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

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

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

(Material Impairment Loss Pertaining to Non-current Assets)

N/A

(Material Change in the Amount of Goodwill)

N/A

(Material Post-Balance Sheet Events)

N/A