

# Consolidated Financial Results for the Nine Months Ended November 30, 2021 (Japanese Accounting Standards)

January 12, 2022

Company name	Treasure Factory Co., Ltd.	Listings	The First Section of the Tokyo Stock Exchange
Securities code	3093	URL:	<a href="https://www.treasurefactory.co.jp/">https://www.treasurefactory.co.jp/</a>
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Telephone	+81-3-3880-8822		
Submission of statutory quarterly financial report:	January 12, 2022		
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 nine months ended November 30, 2021 (March 1, 2021 to November 30, 2021)

### (1) Operating results

(Percentage figures represent year-on-year changes)

	Net sales		Operating profit		Ordinary income		Profit attributable to owners of parent	
	million yen	%	million yen	%	million yen	%	million yen	%
FY2022 Q3	16,886	25.8	580	—	619	884.3	332	—
FY2021 Q3	13,428	(4.5)	1	(99.9)	62	(91.8)	(75)	—

(Note) Comprehensive income: FY2022 Q3 (nine months ended November 30, 2021) 328 million yen (-%)  
 FY2021 Q3 (nine months ended November 30, 2020) (75) million yen (-%)

	Profit per share	Diluted profit per share
	yen	yen
FY2022 Q3	29.61	—
FY2021 Q3	(6.64)	—

### (2) Financial position

	Total assets	Net assets	Equity capital ratio
	million yen	million yen	%
FY2022 Q3	11,433	4,574	38.8
FY2021	10,417	4,311	41.1

(Reference) Shareholders' equity: FY2022 Q3 (nine months ended November 30, 2021) 4,437 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	—	8.00	—	—	—
FY2022 (forecast)	—	—	—	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 income		Profit attributable to owners of parent		Profit per share
	million yen	%	million yen	%	million yen	%	million yen	%	yen
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 nine 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)

As of Nov. 30, 2021	11,598,800 shares	As of Feb. 28, 2021	11,598,800 shares
As of Nov. 30, 2021	386,131 shares	As of Feb. 28, 2021	386,131 shares
As of Nov. 30, 2021	11,212,669 shares	As of Nov. 30, 2020	11,315,769 shares

[2] Treasury shares at period-end

[3] Average number of shares issued during the period

\* 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 4 of the attached material.

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## 1. Qualitative Information about the Quarterly Financial Results

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

During the third quarter of the current consolidated cumulative period, cases of COVID-19 surged over the period between late July and August in Japan, yet new cases decreased as more and more people were vaccinated against COVID-19. Since the state of emergency was lifted at the end of September, restrictions on Japan's economic activities have been gradually eased and overall consumption has been picking up.

In these circumstances, demand for purchases by neighborhood reuse stores steadily grew due to increase in awareness of reuse as decluttering homes became part of people's lives and society moved toward the Sustainable Development Goals (SDGs). In regard to sales, there remained considerable needs of consumers to buy daily necessities at bargain prices.

During the third quarter, the Treasure Factory Group enjoyed strong purchases and sales owing partly to the termination of the state of emergency at the end of September. We achieved operating profit of ¥425,182 thousand over the months from September to November, which was a record figure for our operating profit earned in the third quarter of a consolidated accounting period. On a non-consolidated basis, we opened 14 directly-managed stores by the end of the third quarter, and existing stores also enjoyed steady sales. In regard to Group companies, from January 2021, sales of PickUP JAPAN were included in our financial results. In addition, Kindal, which engages in the reuse business, is seeing its sales and profits heading for recovery, although the sales of products and services for international visitors remain slow. On the other hand, selling, general and administrative expenses for new stores increased ¥1,577,912 thousand year on year as non-consolidated store openings went well. Of this increase, ¥112,000 thousand was recorded as share-based remuneration expenses that accompanied the issuance of performance-linked share acquisition rights.

Consequently, the results of operations for the third quarter of the current consolidated cumulative period show net sales of ¥16,886,967 thousand (up 25.8 percent year on year), operating profit of ¥580,412 thousand (up 55314.4 percent year on year), ordinary profit of ¥619,780 thousand (up 884.3 percent year on year), and quarterly profit of ¥332,013 thousand attributable to owners of the parent (the same period of the previous year saw quarterly loss of ¥75,083 thousand attributable to owners of the parent).

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

#### (Reuse Business)

Consolidated sales increased 25.3 percent year on year, non-consolidated sales increased 13.5 percent year on year, and non-consolidated sales at existing stores increased 8.1 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 recovery and increased 24.2 percent year on year, and sales of household items increased 16.6 percent year on year. As for electric appliances, sales dropped after the dramatic increase driven by special cash payments provided for residents in Japan during the second quarter of the last year. In addition, the sales of air conditioners and other summer appliances remained below our projection due to lower-than-normal temperatures in August. As a result, sales of electric appliances increased only 1.8 percent year on year. Sales of fashion items and hobby-related items showed significant increases of 52.5 percent and 42.8 percent year on year, respectively, as PickUP JAPAN's sales were included in the results. As for e-commerce sales, we expanded offerings on our e-commerce site to meet the demand for shopping from home, thereby increasing non-consolidated e-commerce sales on our website by 48.6 percent year on year.

Consolidated purchases of merchandise for the fiscal year under review increased 40.7 percent year on year partly because PickUP JAPAN's purchases were included. Non-consolidated purchases also grew by 24.0 percent. As for non-consolidated purchases by channel, in-store purchases showed a steady increase of 29.7 percent year on year. Home-visit purchases dramatically increased by 39.8 percent year on year, and home-delivery purchases continued favorably and increased 21.8 percent year on year.

During the third quarter of the current consolidated cumulative period, we opened 6 general reuse stores, 6 fashion reuse stores, and 2 brand-name item reuse stores, the non-consolidated total being 14 stores. In terms of new stores by region, we opened 9 in Kanto, 3 in Kansai, and 2 in Chubu, maintaining good balance of geographic locations. The numbers of stores at the end of the consolidated fiscal year under review are as follows: 146 directly-managed stores and 4 franchise stores, the non-consolidated total being 150; and 217 stores in total across the Group.

These results added up to net sales of ¥16,395,111 thousand (up 25.3 percent year on year) and the segment's profit of ¥1,699,624 thousand (up 72.9 percent year on year), demonstrating strong performance.

#### (Other)

Cariru, our rental business, successfully captured demand as people attended weddings and other events despite the pandemic. Consequently, sales of the rental business made a recovery and showed a dramatic increase of 200.6 percent year on year. The

information system business, on the other hand, saw operating loss due to increased development costs. These results added up to net sales of ¥520,139 thousand (up 40.2 percent year on year) and the segment's profit of ¥23,055 thousand (the same period of the previous year saw ¥45,629 thousand in loss).

(2) Explanation regarding the Non-consolidated Financial Position

Total assets at the end of the third quarter of the current consolidated accounting period increased by ¥1,015,617 thousand compared to the end of the previous consolidated fiscal year, totaling to ¥11,433,173 thousand because of a decrease of ¥433,958 thousand in cash and deposits, an increase of ¥306,539 thousand in accounts receivable-trade, an increase of ¥658,593 thousand in merchandise, an increase of ¥272,415 thousand in buildings and structures (net), and an increase of ¥157,458 thousand in leasehold and guarantee deposits, among other reasons.

Total liabilities at the end of the third quarter of the current consolidated accounting period increased by ¥752,170 thousand compared to the end of the previous consolidated fiscal year, totaling to ¥6,858,385 thousand because of an increase of ¥347,013 thousand in short-term borrowings, an increase of ¥112,649 thousand in current portion of long-term borrowings, an increase of ¥110,743 thousand in income taxes payable, and an increase of ¥222,375 thousand in long-term borrowings, among other reasons.

Total net assets at the end of the third quarter of the current consolidated accounting period increased by ¥263,447 thousand compared to the end of the previous consolidated fiscal year, totaling to ¥4,574,787 thousand because the quarterly profit of ¥332,013 thousand attributable to owners of the parent was recorded and share acquisition rights increased by ¥114,819 thousand, among other reasons.

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

The Treasure Factory Group pursues 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. For the fiscal year under review, we have set the annual store openings target of 15 to 20. We opened 14 stores by the end of the third quarter of the cumulative period, and, during the fourth quarter, we plan to open 3 stores in December, expecting the full-year total to be 17 (this prospect is current as of the publication of this document).

The full-year consolidated forecasts for fiscal 2022 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)	Third Quarter of the Current Consolidated Accounting Period (Ended November 30, 2021)
<b>Assets</b>		
Current assets		
Cash and deposits	1,994,170	1,560,211
Accounts receivable - trade	548,801	855,340
Merchandise	3,568,686	4,227,280
Other	516,921	530,341
Total current assets	6,628,580	7,173,174
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	948,213	1,220,628
Land	446,949	446,949
Other, net	206,709	281,009
Total property, plant and equipment	1,601,872	1,948,588
Intangible assets		
Goodwill	169,885	97,487
Other	121,662	128,814
Total intangible assets	291,547	226,302
Investments and other assets		
Leasehold and guarantee deposits	1,541,401	1,698,860
Other	354,153	386,247
Total investments and other assets	1,895,555	2,085,108
Total non-current assets	3,788,975	4,259,998
Total assets	10,417,555	11,433,173

(Thousands of Yen)

	Previous Consolidated Fiscal Year (Ended February 28, 2021)	Third Quarter of the Current Consolidated Accounting Period (Ended November 30, 2021)
<b>Liabilities</b>		
Current liabilities		
Accounts payable - trade	61,452	70,595
Short-term borrowings	1,672,987	2,020,001
Current portion of long-term borrowings	600,290	712,939
Income taxes payable	68,756	179,499
Provision for bonuses	273,882	181,205
Provision for sales returns	18,822	21,806
Provision for point card certificates	50,376	54,430
Provision for loss on order received	—	11,678
Other	1,239,393	1,209,916
Total current liabilities	3,985,961	4,462,071
Non-current liabilities		
Long-term borrowings	1,514,595	1,736,970
Asset retirement obligations	583,214	629,954
Other	22,444	29,389
Total non-current liabilities	2,120,254	2,396,313
Total liabilities	6,106,215	6,858,385
<b>Net assets</b>		
Shareholders' equity		
Share capital	521,183	521,183
Capital surplus	456,183	456,183
Retained earnings	3,624,479	3,777,090
Treasury shares	(317,732)	(317,732)
Total shareholders' equity	4,284,113	4,436,724
Cumulative amount of other comprehensive income		
Foreign currency translation adjustment	31	465
Total cumulative amount of other comprehensive income	31	465
Share acquisition rights	—	114,819
Non-controlling interests	27,194	22,777
Total net assets	4,311,340	4,574,787
Total liabilities and net assets	10,417,555	11,433,173



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

(Thousands of Yen)

	Third Quarter of the Previous Consolidated Cumulative Period (from March 1, 2020 to November 30, 2020)	Third Quarter of the Current Consolidated Cumulative Period (from March 1, 2021 to November 30, 2021)
Net sales	13,428,879	16,886,967
Cost of sales	5,177,868	6,478,169
Gross profit	8,251,011	10,408,797
Reversal of provision for sales returns	20,076	18,822
Provision for sales returns	22,550	21,806
Net gross profit	8,248,536	10,405,814
Selling, general and administrative expenses	8,247,489	9,825,401
Operating profit	1,047	580,412
Non-operating income		
Interest income	561	328
Foreign exchange gains	2,527	—
Vending machine income	8,317	9,922
Subsidy income	36,052	13,306
Commission income	9,235	10,026
Other	10,005	22,367
Total non-operating income	66,701	55,952
Non-operating expenses		
Interest expenses	3,911	9,510
Foreign exchange losses	—	5,863
Other	869	1,210
Total non-operating expenses	4,781	16,584
Ordinary profit	62,967	619,780
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	3,423	4,340
Impairment loss	—	56,171
Loss on cancellation of rental contracts	6,272	—
Total extraordinary losses	9,696	60,511
Quarterly profit before income taxes	59,890	559,268
Income taxes - current	22,867	217,706
Income taxes - deferred	115,275	13,964
Total income taxes	138,143	231,671
Net quarterly profit (loss)	(78,252)	327,596
Quarterly loss attributable to non-controlling interests	(3,169)	(4,417)
Quarterly profit (loss) attributable to owners of parent	(75,083)	332,013

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

(Thousands of Yen)

	Third Quarter of the Previous Consolidated Cumulative Period (from March 1, 2020 to November 30, 2020)	Third Quarter of the Current Consolidated Cumulative Period (from March 1, 2021 to November 30, 2021)
Net quarterly profit (loss)	(78,252)	327,596
Other comprehensive income		
Foreign currency translation adjustment	2,925	433
Total of other comprehensive income	2,925	433
Quarterly comprehensive income	(75,327)	328,030
Comprehensive income attributable to		
Quarterly comprehensive income attributable to owners of parent	(72,157)	332,447
Quarterly comprehensive income attributable to non- controlling interests	(3,169)	(4,417)

(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. Third Quarter of Previous Consolidated Cumulative Period (from March 1, 2020 to November 30, 2020)

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

(Thousands of Yen)

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

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

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

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

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

(Material Impairment Loss Pertaining to Non-current Assets)

N/A

(Material Change in the Amount of Goodwill)

N/A

II. Third Quarter of Current Consolidated Cumulative Period (from March 1, 2021 to November 30, 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	16,395,111	491,855	16,886,967	—	16,886,967
Internal sales or transfer between segments	—	28,284	28,284	(28,284)	—
Total	16,395,111	520,139	16,915,251	(28,284)	16,886,967
Segment's profit	1,699,624	23,055	1,722,680	(1,142,267)	580,412

(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)

In the information system business included in "Other," some assets have decreased in profitability and will unlikely generate return on investment. The book value of these assets (goodwill) has been written down to a recoverable amount, so that the reduction has been recorded as an impairment loss under extraordinary losses.

The reduction in goodwill in this event is ¥56,171 thousand for the second quarter of the consolidated cumulative period. During the third quarter of the current consolidated accounting period, no impairment loss was recorded.

(Material Change in the Amount of Goodwill)

As stated in "Material Impairment Loss Pertaining to Non-current Assets" above, the amount of goodwill has decreased because the information system business included in "Other" has recorded an impairment loss in goodwill.

(Material Post-Balance Sheet Events)

At the Board of Directors' meetings held on December 15 and 24, 2021, the Company resolved that it would split up the business of Digital Quest Co., Ltd. ("Digital Quest"), one of its subsidiaries, so that a newly established company would take over part of the business, and that the Company would transfer shares in Digital Quest after the split-up.

1. Purpose of the incorporation-type company split

The Company acquired the ownership of Digital Quest to make it a consolidated subsidiary in January 2019 in order to advance its ability to develop information systems. Since the acquisition, the Company and Digital Quest have worked together to develop various information systems and apps within the Group, including the system for the B2B auction business. To acquire even greater ability to develop information systems and speed up our development processes for the services the Treasure Factory Group offers (e.g., systems, e-commerce websites, and apps), we have decided to split up Digital Quest and establish Treasure Factory Technologies Co., Ltd., as a new consolidated subsidiary that will mainly engage in the information system development business. Digital Quest will continue its media content business that is separate from the system development business. Given that the media content business will unlikely have a synergistic relationship with the Treasure Factory Group, we plan to sell our shares in Digital Quest to external third parties.

2. Overview of the incorporation-type company split

(1) Timeline

Date of the resolution by the Board of Directors on the incorporation-type company split of Digital Quest: December 14, 2021

Date of the resolution by the Board of Directors on the incorporation-type company split of the Company: December 15, 2021

Date of the resolution by the general meeting of shareholders on the split company: December 21, 2021

Effective date of the company split (date of establishment of the new company): February 14, 2022 (scheduled)

(2) Approach to the company split

This split-up is an incorporation-type company split. A newly established company will take over the outsourced system development business, along with businesses related to business advancement and investments, with Digital Quest being the split company.

(3) Details of the allotment pertaining to the incorporation-type company split

The newly established company will issue 10,675 common shares when the split-up takes place, and all these shares will be allotted and delivered to the split company Digital Quest. At the same time, Digital Quest will deliver all these allotted shares as dividends of surplus to shareholders of Digital Quest according to their ownership ratio for shares.

(4) Handling of share acquisition rights and bonds with share acquisition rights when the incorporation-type company split takes place

N/A

(5) Increase/decrease in share capital caused by the incorporation-type company split

This split-up will cause no decrease in Digital Quest's share capital.

(6) Rights and obligations taken over by the newly established company

On the effective date, within the scope specified in the plan for the incorporation-type company split, the newly established company will take over the assets, liabilities (debts), labor contracts, contractual positions, and other rights and obligations that belong to such business of the split company Digital Quest that is subject to this split-up.

(7) Prospect of fulfillment of obligations

We have decided that the newly established company will likely fulfill the obligations it will take over when this split-up takes place.

3. Profiles of the companies involved in the incorporation-type company split

	Split company (as of the date of submission)	Newly established company (planned as of the date of submission)
Name	Digital Quest Co., Ltd.	Treasure Factory Technologies Co., Ltd.
Business descriptions	Media content business	Outsourced system development business; businesses related to business advancement and investments
Date of establishment	January 6, 2014	February 14, 2022 (scheduled)
Major shareholders and shareholding ratios	Treasure Factory: 53.1% Hiroyuki Samejima: 7.9% Treasury shares: 39.0%	Treasure Factory: 87.1% Hiroyuki Samejima: 12.9%
Share capital	¥35,000 thousand	¥10,000 thousand

The Company will acquire all shares in the newly established company held by Hiroyuki Samejima, CEO of Digital Quest, after the split-up takes place.

4. The split company's financial position and results of operations for the last fiscal year

	FY2021
Total assets (thousand yen)	202,407
Net assets (thousand yen)	109,625
Net sales (thousand yen)	380,350
Profit (thousand yen)	(21,943)

5. Segment in which the combiner is included in the disclosed segment information

Digital Quest's business is included in "Other" (information system business) in the disclosed segment information.

6. Profit or loss to be recorded in the consolidated statement of income for the consolidated fiscal year under review

This split-up is a common control transaction that will lead to no profit or loss. We plan to sell our shares in Digital Quest after the split-up takes place. The profit or loss that will be recorded in the consolidated statement of income for the consolidated fiscal year under review is not yet known.