

Consolidated Financial Results for the Fiscal Year Ended February 28, 2022 (Japanese Accounting Standards)

April 13, 2022

Company name	Treasure Factory Co., Ltd.	Listings: Tokyo Stock Exchange
Securities code	3093	URL: https://www.treasurefactory.co.jp/
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Annual General Meeting of Shareholders:	May 25, 2022	
Commencement of dividend payments:	May 26, 2022	
Submission of the annual securities report:	May 25, 2022	
Supplementary documents:	Yes	
Financial results briefing:	Yes (for institutional investors and analysts)	

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

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

(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	%
Year ended Feb. 28, 2022	23,313	24.4	995	831.3	1,054	502.6	703	—
Year ended Feb. 28, 2021	18,735	(2.0)	106	(88.6)	174	(82.4)	(134)	—

(Note) Comprehensive income: Year ended Feb. 28, 2022 702 million yen (-%)
Year ended Feb. 28, 2021 (136) million yen (-%)

	Profit per share	Diluted profit per share	Return on equity	Return on assets	Return on sales
	yen	yen	%	%	%
Year ended Feb. 28, 2022	62.78	—	15.6	9.5	4.3
Year ended Feb. 28, 2021	(11.94)	—	(3.0)	1.8	0.6

(Reference) Share of loss (profit) of entities accounted for using equity method: Year ended Feb. 28, 2022: - million yen
Year ended Feb. 28, 2021: - million yen

(2) Financial position

	Total assets	Net assets	Equity capital ratio	Net assets per share
	million yen	million yen	%	yen
Year ended Feb. 28, 2022	11,809	4,895	40.0	424.66
Year ended Feb. 28, 2021	10,417	4,311	41.1	382.08

(Reference) Equity capital: Year ended Feb. 28, 2022 4,719 million yen
Year ended Feb. 28, 2021 4,284 million yen

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	million yen	million yen	million yen	million yen
Year ended Feb. 28, 2022	870	(732)	274	2,353
Year ended Feb. 28, 2021	482	(586)	422	1,937

2. Dividends

	Dividend per share					Total dividends (Total)	Dividend payout ratio (Consolidated)	Dividend on equity (Consolidated)
	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, 2021	—	2.00	—	8.00	10.00	113	—	2.5
Year ended Feb. 28, 2022	—	8.00	—	9.00	17.00	189	27.1	4.2
Year ending Feb. 28, 2023 (forecast)	—	10.00	—	10.00	20.00		30.0	

(Note) The dividend per share at the end of the fiscal year ended February 28, 2022 was changed from 8 yen to 9 yen. Please see “Notice on Dividend Forecast for Fiscal Year Ending February 28, 2022 (Year End Dividend)” published today (April 13, 2022) for details.

3. Results forecast for the fiscal year ending February 28, 2023 (March 1, 2022 to February 28, 2023)

(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
First two quarters	11,841	10.3	247	59.1	257	41.8	161	256.3	14.49
Full year	25,398	8.9	1,098	10.3	1,112	5.5	742	5.5	66.76

* Notes

(1) Changes in important subsidiaries during the period (changes in specified subsidiaries that caused changes in the scope of consolidation): Yes
 Number of new companies (their names): 1 (Trefac Technologies Co., Ltd.) Number of excluded companies (their names): 1 (Digital Quest Co., Ltd.)

(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 [1] 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. 28, 2022	11,598,800 shares	As of Feb. 28, 2021	11,598,800 shares
As of Feb. 28, 2022	484,431 shares	As of Feb. 28, 2021	386,131 shares
As of Feb. 28, 2022	11,205,128 shares	As of Feb. 28, 2021	11,304,944 shares

[2] Treasury shares at period-end

[3] Average number of shares issued during the period

(Reference) Overview of individual results

1. Individual results for the fiscal year ended February 28, 2022 (March 1, 2021 to February 28, 2022)

(1) Individual operating results

(Percentage figures represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Net profit	
	million yen	%	million yen	%	million yen	%	million yen	%
Year ended Feb. 28, 2022	18,026	15.3	756	109.8	828	129.8	405	320.0
Year ended Feb. 28, 2021	15,640	(1.0)	360	(60.5)	360	(60.9)	96	(80.8)

	Profit per share	Diluted profit per share
	yen	yen
Year ended Feb. 28, 2022	36.15	—
Year ended Feb. 28, 2021	8.53	—

(2) Individual financial position

	Total assets	Net assets	Equity capital ratio	Net assets per share
	million yen	million yen	%	yen
Year ended Feb. 28, 2022	9,920	4,656	45.3	404.32
Year ended Feb. 28, 2021	8,686	4,360	50.2	388.89

(Reference) Shareholders' equity: Year ended Feb. 28, 2022: 4,493 million yen

Year ended Feb. 28, 2021: 4,360 million yen

* These financial results are outside the scope of audit 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 "1. Overview of Operating Results, (4) Outlook" on Page 5 of the attached materials.

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1. Overview of Operating Results

(1) Overview of the Operating Results for the Fiscal Year under Review

During the consolidated fiscal year under review, cases of COVID-19 surged in Japan, when the Delta variant raged over the period from late July and the Omicron variant from January. Yet, as more and more people were vaccinated against COVID-19, restrictions on Japan's economic activities were gradually eased and overall consumption has been picking up.

In these circumstances, demand for purchases by neighborhood reuse stores steadily grew owing to the increased awareness of the importance of reuse as society worked 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 fourth quarter, the Treasure Factory Group enjoyed steady business that continued from the third quarter. We achieved an operating profit of ¥414,917 thousand over the months from December to February, which was a record figure for our operating profit earned in the fourth quarter of a cumulative accounting period. On a non-consolidated basis, we opened 17 directly-managed stores during the year, which was a record number, and existing stores also enjoyed steady sales throughout the year. 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, enjoyed increased e-commerce sales that led to a dramatic recovery in sales and profits. On the other hand, selling, general and administrative expenses for new stores increased ¥479,667 thousand year on year as non-consolidated store openings went well, whereas the percentage of selling, general and administrative expenses dropped to 56.8 percent.

Consequently, the results of operations for the consolidated fiscal year under review show net sales of ¥23,313,103 thousand (up 24.4 percent year on year), operating profit of ¥995,329 thousand (up 831.3 percent year on year), ordinary profit of ¥1,054,109 thousand (up 502.6 percent year on year), and net profit of ¥703,470 thousand attributable to owners of the parent (the previous year saw net loss of ¥134,966 thousand attributable to owners of the parent). These results mean that we achieved record profits earned since the switch to consolidated financial settlement.

In terms of profit margins, the gross profit ratio was 61.0 percent (up 0.4 points year on year), selling, general and administrative expenses ratio 56.8 percent (down 3.3 points year on year), operating profit ratio 4.3 percent (up 3.7 points year on year), and ordinary profit ratio 4.5 percent (up 3.6 points year on year).

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

(Reuse Business)

Consolidated sales increased 24.4 percent year on year, non-consolidated sales increased 15.3 percent year on year, and non-consolidated sales at existing stores increased 7.8 percent year on year. In terms of sales by category, apparel sales, which were greatly affected by the pandemic during the previous year, made a recovery and increased 24.7 percent year on year, and sales of household items increased 14.5 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 3.3 percent year on year. Sales of fashion items and hobby-related items showed significant increases of 46.8 percent and 34.8 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 consolidated e-commerce sales by 34.6 percent year on year.

Consolidated purchases of merchandise for the fiscal year under review increased 32.8 percent year on year partly because PickUP JAPAN's purchases were included. Non-consolidated purchases also grew by 20.4 percent. As for non-consolidated purchases by channel, in-store purchases showed a steady increase of 23.9 percent year on year. Home-visit purchases dramatically increased by 34.0 percent year on year, and home-delivery purchases continued favorably and increased 23.4 percent year on year.

During the consolidated fiscal year under review, we opened 7 general reuse stores, 8 fashion reuse stores, and 2 brand-name item reuse stores, the non-consolidated total being 17 stores. In terms of new stores by region, we opened 10 in Kanto, 3 in Kansai, 3 in Chubu, and 1 in Kyushu, maintaining good balance of geographic locations. The numbers of stores at the end of the consolidated fiscal year under review are as follows: 149 directly-managed stores and 4 franchise stores, the non-consolidated total being 153; and 220 stores in total across the Group.

These results added up to net sales of ¥22,690,117 thousand (up 24.2 percent year on year) and the segment's profit of ¥2,476,108 thousand (up 77.7 percent year on year).

(Other)

Cariru, our rental business, successfully captured demand as people attended more weddings after the state of emergency and other related restrictions were lifted, and sales of the rental business increased 195.8 percent year on year.

The information system business saw operating loss due to increased development costs. In February, we carried out a company split (incorporation-type company split) to establish a new company, Trefac Technologies Co., Ltd., which took over the system development business from the Group company Digital Quest. We sold our shares in Digital Quest in late February. These results added up to net sales of ¥660,397 thousand (up 30.0 percent year on year) and the segment's profit of ¥26,240 thousand (the previous year saw ¥52,877 thousand in loss).

[1] Purchase results by merchandise in reuse business

Item	Purchase (thousand yen)	Composition ratio (%)	Year on year (%)
Household items	514,593	5.6	123.1
Apparel	3,748,542	40.7	121.7
Fashion items	2,500,136	27.2	167.2
Electric appliances	882,104	9.6	119.4
Furniture	257,538	2.8	107.0
Hobby-related items	727,243	7.9	143.3
Other	575,445	6.2	128.0
Total	9,205,604	100.0	132.8

(Notes) 1. Consumption tax and other amounts are not included in the above amounts.

2. Side expenses are included in "Other."

[2] Sales results by merchandise in reuse business

Item	Net sales (thousand yen)	Composition ratio (%)	Year on year (%)
Household items	1,481,238	6.5	114.5
Apparel	10,404,849	45.9	124.7
Fashion items	4,865,948	21.3	146.8
Electric appliances	2,624,418	11.6	103.3
Furniture	1,128,917	5.0	101.4
Hobby-related items	1,716,642	7.6	134.8
Other	468,102	2.1	119.1
Total	22,690,117	100.0	124.2

(Notes) 1. Consumption tax and other amounts are not included in the above amounts.

2. Sales of other merchandise and moving-related sales are included in "Other."

(2) Overview of the Financial Position for the Fiscal Year under Review

Total assets at the end of the consolidated fiscal year under review increased by ¥1,392,095 thousand year on year to ¥11,809,650 thousand because of an increase of ¥366,686 thousand in cash and deposits, an increase of ¥445,539 thousand in merchandise, an increase of ¥179,625 thousand in buildings and structures (net), and an increase of ¥154,473 thousand in leasehold and guarantee deposits, among other reasons.

Total liabilities at the end of the consolidated fiscal year under review increased by ¥807,471 thousand year on year to ¥6,913,687 thousand because of an increase of ¥119,415 thousand in short-term borrowings, an increase of ¥133,908 thousand in the current portion of long-term borrowings, an increase of ¥296,760 thousand in long-term borrowings, and an increase of ¥218,028 thousand in income taxes payable, among other reasons.

Total net assets at the end of the consolidated fiscal year under review increased by ¥584,623 thousand year on year to ¥4,895,963 thousand because share acquisition rights increased by ¥162,819 thousand and a net profit of ¥703,470 thousand attributable to owners of the parent was recorded, among other reasons.

(3) Overview of the Cash Flows for the Fiscal Year under Review

Cash and cash equivalents at the end of the consolidated fiscal year under review increased by ¥415,684 thousand year on year to ¥2,353,018 thousand. The status of the cash flows during the consolidated fiscal year under review and factors in these flows are as follows:

(Cash flows from operating activities)

Cash flows from operating activities for the consolidated fiscal year under review added up to an income of ¥870,485 thousand. This is primarily because we recorded an increase of ¥471,066 thousand in inventories and paid income taxes of ¥95,498 thousand, whereas we recorded net profit of ¥848,706 thousand before taxes, depreciation of ¥326,127 thousand, and impairment loss of ¥216,808 thousand.

(Cash flows from investing activities)

Cash flows from investing activities for the consolidated fiscal year under review added up to an expenditure of ¥732,242 thousand. This is primarily because we recorded ¥539,272 thousand in the purchase of property, plant and equipment, ¥168,182 thousand in payments of leasehold and guarantee deposits, and ¥57,996 thousand in the purchase of intangible assets, to establish new stores, among other reasons.

(Cash flows from financing activities)

Cash flows from financing activities for the consolidated fiscal year under review added up to an income of ¥274,830 thousand. This is mostly because we recorded ¥1,079,332 thousand in repayments of long-term borrowings and ¥179,418 thousand in dividends paid, whereas we recorded ¥1,510,000 thousand in proceeds from long-term borrowings and ¥119,415 thousand in income from short-term borrowings.

(Reference) Changes in cash flow-related indicators

	As of Feb. 28, 2021	As of Feb. 28, 2022
Equity capital ratio (%)	41.1	40.0
Equity capital ratio based on market value (%)	94.9	88.5
Cash flow-to-interest-bearing debt ratio (annual)	7.9	5.0
Interest coverage ratio (times)	72.4	70.4

Equity capital ratio: Equity capital/Total assets

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

Cash flow-to-interest-bearing debt ratio: Interest-bearing debt/Operating cash flow

Interest coverage ratio: Operating cash flow/Interest payment

(Note 1) All of the above has been calculated using consolidated financial figures.

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

(Note 3) For operating cash flows and interest payments, cash flows from operating activities and interest paid in the Consolidated Statement of Cash Flows are used.

(Note 4) Interest-bearing debt refers to all liabilities that are recorded in our consolidated balance sheet and have interest we pay.

(4) Outlook

The Company will pursue five management policies for growth, namely the development of the reuse business, investments in new businesses, growth in overseas markets, growth through M&A, and growth through investments in digital transformation (DX), in order to achieve the medium-term management plan that covers the period until the fiscal year ending on February 28, 2025.

We have set the Group-wide goal of opening 20 to 25 new stores—our largest-ever target—during the fiscal year ending February 28, 2023, and will carry out the plans to reach the goal in Kanto, Kansai, Chubu, and other trade areas. Our Group companies Kindal, PickUP JAPAN, and GK Factory in the reuse business aim to achieve greater results. In overseas markets, we plan to further develop our business in Thailand, which moved into the black last year, and to open stores in Taiwan where we established a local affiliate in April 2021. Trefac Technologies, which was established in February 2022 as a result of reorganization within the Group, will operate the business that centers on system development and marketing support for the Group, contributing to growth through investments in digital transformation.

We estimated figures for our full-year results forecast on the assumption that these growth investments will be made. Consequently, as for the results forecast for the fiscal year ending February 28, 2023, we project net sales at ¥25,398 million (up 8.9 percent year on year), operating profit at ¥1,098 million (up 10.3 percent year on year), ordinary profit at ¥1,112 million (up 5.5 percent year on year), and profit attributable to owners of parent at ¥742 million (up 5.5 percent year on year).

2. Basis for the Selection of the Accounting Principles

The Treasure Factory Group uses the Japanese Accounting Standards. Regarding the application of the International Financial Reporting Standards (IFRS), we plan to take proper actions, considering domestic and international situations.

3. Consolidated Financial Statements and Main Notes

(1) Consolidated Balance Sheet

(Thousands of Yen)

	Previous Consolidated Fiscal Year (Ended February 28, 2021)	Current Consolidated Fiscal Year (Ended February 28, 2022)
Assets		
Current assets		
Cash and deposits	1,994,170	2,360,856
Accounts receivable - trade	548,801	643,971
Merchandise	3,568,686	4,014,226
Supplies	11,143	14,720
Other	505,778	518,004
Total current assets	6,628,580	7,551,779
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	948,213	1,127,839
Land	446,949	426,511
Construction in progress	19,586	2,425
Other, net	187,123	251,111
Total property, plant and equipment	1,601,872	1,807,887
Intangible assets		
Goodwill	169,885	93,313
Other	121,662	126,210
Total intangible assets	291,547	219,524
Investments and other assets		
Investment securities	7,606	7,606
Long-term loans receivable	220	—
Deferred tax assets	223,628	373,751
Leasehold and guarantee deposits	1,541,401	1,695,875
Other	122,698	153,225
Total investments and other assets	1,895,555	2,230,458
Total non-current assets	3,788,975	4,257,871
Total assets	10,417,555	11,809,650

(Thousands of Yen)

	Previous Consolidated Fiscal Year (Ended February 28, 2021)	Current Consolidated Fiscal Year (Ended February 28, 2022)
Liabilities		
Current liabilities		
Accounts payable - trade	61,452	58,790
Short-term borrowings	1,672,987	1,792,403
Current portion of long-term borrowings	600,290	734,198
Income taxes payable	68,756	286,785
Provision for bonuses	273,882	318,470
Provision for shareholder benefit program	4,198	4,536
Provision for sales returns	18,822	21,335
Provision for point card certificates	50,376	60,158
Other	1,235,194	1,158,626
Total current liabilities	3,985,961	4,435,305
Non-current liabilities		
Long-term borrowings	1,514,595	1,811,355
Asset retirement obligations	583,214	640,774
Other	22,444	26,252
Total non-current liabilities	2,120,254	2,478,381
Total liabilities	6,106,215	6,913,687
Net assets		
Shareholders' equity		
Share capital	521,183	521,183
Capital surplus	456,183	456,183
Retained earnings	3,624,479	4,148,547
Treasury shares	(317,732)	(410,119)
Total shareholders' equity	4,284,113	4,715,795
Cumulative amount of other comprehensive income		
Foreign currency translation adjustment	31	3,987
Total cumulative amount of other comprehensive income	31	3,987
Share acquisition rights	—	162,819
Non-controlling interests	27,194	13,360
Total net assets	4,311,340	4,895,963
Total liabilities and net assets	10,417,555	11,809,650

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

(Thousands of Yen)

	Previous Consolidated Fiscal Year (from March 1, 2020 to February 28, 2021)	Current Consolidated Fiscal Year (from March 1, 2021 to February 28, 2022)
Net sales	18,735,893	23,313,103
Cost of sales	7,366,405	9,078,836
Gross profit	11,369,487	14,234,267
Provision for sales returns	18,822	21,335
Reversal of provision for sales returns	20,076	18,822
Net gross profit	11,370,741	14,231,754
Selling, general and administrative expenses	11,263,861	13,236,424
Operating profit	106,879	995,329
Non-operating income		
Interest income	568	371
Vending machine income	10,096	12,117
Foreign exchange gains	272	—
Subsidy income	36,065	16,001
Proceeds from sales of abandoned goods	578	3,059
Commission income	12,077	12,754
Other	15,705	28,383
Total non-operating income	75,364	72,687
Non-operating expenses		
Interest expenses	6,339	12,350
Foreign exchange losses	—	322
Other	966	1,235
Total non-operating expenses	7,306	13,908
Ordinary profit	174,938	1,054,109
Extraordinary income		
Gain on reversal of share acquisition rights	6,619	—
Gain on sales of shares of subsidiaries and associates	—	17,141
Gain on bargain purchase	30,658	—
Total extraordinary income	37,277	17,141
Extraordinary losses		
Loss on sales of non-current assets	—	1,138
Loss on retirement of non-current assets	3,505	4,597
Impairment loss	139,643	216,808
Loss on valuation of investment securities	45,523	—
Loss on cancellation of rental contracts	6,272	—
Total extraordinary losses	194,945	222,543
Profit before income taxes	17,270	848,706
Income taxes - current	131,086	305,000
Income taxes - deferred	24,880	(154,517)
Total income taxes	155,967	150,483
Profit (loss)	(138,696)	698,223
Loss attributable to non-controlling interests	(3,730)	(5,246)
Profit (loss) attributable to owners of parent	(134,966)	703,470

(Consolidated statement of comprehensive income)

(Thousands of Yen)

	Previous Consolidated Fiscal Year (from March 1, 2020 to February 28, 2021)	Current Consolidated Fiscal Year (from March 1, 2021 to February 28, 2022)
Profit (loss)	(138,696)	698,223
Other comprehensive income		
Foreign currency translation adjustment	1,923	3,956
Total of other comprehensive income	1,923	3,956
Comprehensive income:	(136,772)	702,179
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of parent	(133,042)	707,426
Comprehensive income attributable to non-controlling interests	(3,730)	(5,246)

(3) Statement of Changes in Equity

Previous consolidated fiscal year (from March 1, 2020 to February 28, 2021)

(Thousands of Yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	521,183	456,183	3,872,603	(241,113)	4,608,857
Changes during period					
Dividends of surplus			(113,157)		(113,157)
Loss attributable to owners of parent			(134,966)		(134,966)
Purchase of treasury shares				(76,619)	(76,619)
Net changes in items other than shareholders' equity					
Total changes during period	-	-	(248,123)	(76,619)	(324,743)
Balance at end of period	521,183	456,183	3,624,479	(317,732)	4,284,113

	Cumulative amount of other comprehensive income		Share acquisition rights	Non-controlling interests	Total net assets
	Foreign currency translation adjustment	Total cumulative amount of other comprehensive income			
Balance at beginning of period	(1,892)	(1,892)	6,619	30,925	4,644,509
Changes during period					
Dividends of surplus					(113,157)
Loss attributable to owners of parent					(134,966)
Purchase of treasury shares					(76,619)
Net changes in items other than shareholders' equity	1,923	1,923	(6,619)	(3,730)	(8,425)
Total changes during period	1,923	1,923	(6,619)	(3,730)	(333,168)
Balance at end of period	31	31	—	27,194	4,311,340

Current consolidated fiscal year (from March 1, 2021 to February 28, 2022)

(Thousands of Yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	521,183	456,183	3,624,479	(317,732)	4,284,113
Changes during period					
Dividends of surplus			(179,402)		(179,402)
Profit attributable to owners of parent			703,470		703,470
Purchase of treasury shares				(92,386)	(92,386)
Net changes in items other than shareholders' equity					
Total changes during period	—	—	524,067	(92,386)	431,681
Balance at end of period	521,183	456,183	4,148,547	(410,119)	4,715,795

	Cumulative amount of other comprehensive income		Share acquisition rights	Non-controlling interests	Total net assets
	Foreign currency translation adjustment	Total cumulative amount of other comprehensive income			
Balance at beginning of period	31	31	—	27,194	4,311,340
Changes during period					
Dividends of surplus					(179,402)
Profit attributable to owners of parent					703,470
Purchase of treasury shares					(92,386)
Net changes in items other than shareholders' equity	3,956	3,956	162,819	(13,834)	152,941
Total changes during period	3,956	3,956	162,819	(13,834)	584,623
Balance at end of period	3,987	3,987	162,819	13,360	4,895,963

(4) Consolidated Statement of Cash Flows

(Thousands of Yen)

	Previous Consolidated Fiscal Year (from March 1, 2020 to February 28, 2021)	Current Consolidated Fiscal Year (from March 1, 2021 to February 28, 2022)
Cash flows from operating activities		
Profit before income taxes	17,270	848,706
Depreciation	300,161	326,127
Impairment loss	139,643	216,808
Amortization of goodwill	24,103	20,399
Loss (gain) on sales of shares of subsidiaries and associates	—	(17,141)
Share-based remuneration expenses	—	160,000
Gain on bargain purchase	(30,658)	—
Increase (decrease) in provision for bonuses	24,564	44,588
Increase (decrease) in provision for shareholder benefit program	(1,285)	338
Increase (decrease) in provision for point card certificates	855	9,782
Increase (decrease) in provision for sales returns	(1,253)	2,512
Loss (gain) on valuation of investment securities	45,523	—
Interest and dividend income	(608)	(402)
Interest expenses	6,339	12,350
Foreign exchange losses (gains)	1,822	1,344
Subsidy income	(36,065)	(16,001)
Gain on reversal of share acquisition rights	(6,619)	—
Loss (gain) on sales and retirement of non-current assets	3,505	5,735
Loss on cancellation of rental contracts	6,272	—
Decrease (increase) in trade receivables	(22,137)	(116,039)
Decrease (increase) in inventories	105,880	(471,066)
Increase (decrease) in trade payables	7,756	(1,193)
Increase (decrease) in accrued consumption taxes	60,874	(52,949)
Other	86,947	(11,961)
Subtotal	732,892	961,939
Interest and dividends received	604	399
Interest paid	(6,666)	(12,356)
Proceeds from subsidy income	36,065	16,001
Income taxes paid	(280,472)	(95,498)
Cash flows from operating activities	482,422	870,485
Cash flows from investing activities		
Proceeds from withdrawal of time deposits	—	48,430
Purchase of property, plant and equipment	(222,246)	(539,272)
Purchase of intangible assets	(78,220)	(57,996)
Payments of leasehold and guarantee deposits	(70,530)	(168,182)
Proceeds from refund of leasehold and guarantee deposits	60,843	6,824
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(210,518)	—
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	—	34,847
Other	(65,594)	(56,894)
Cash flows from investing activities	(586,267)	(732,242)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	350,584	119,415
Proceeds from long-term borrowings	820,000	1,510,000
Repayments of long-term borrowings	(561,397)	(1,079,332)
Purchase of treasury shares	(76,619)	(92,386)
Dividends paid	(113,255)	(179,418)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	—	(6,268)
Proceeds from issuance of share acquisition rights	—	2,819
Other	3,133	—

Cash flows from financing activities	422,445	274,830
Effect of exchange rate change on cash and cash equivalents	101	2,611
Net increase (decrease) in cash and cash equivalents	318,702	415,684
Cash and cash equivalents at beginning of period	1,618,631	1,937,333
Cash and cash equivalents at end of period	1,937,333	2,353,018

(5) Notes on the Consolidated Financial Statements

(Notes on Going Concern Assumption)

N/A

(Related to Business Combination)

Split-up of a consolidated subsidiary and the transfer of shares in the subsidiary

The Company 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 transferred shares in Digital Quest after the split-up.

(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

Date of the sale of shares in the split company: February 28, 2022

(2) Name of the new company established through the split-up

Trefac Technologies Co., Ltd.

(3) Approach to the company split

Outsourced system development business, along with businesses related to business advancement and investments, with Digital Quest being the split company.

(4) Principal reason for the business divestiture

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 split up Digital Quest and established Trefac Technologies Co., Ltd., as a new consolidated subsidiary that mainly engages in the information system development business. Digital Quest continues its media content business that is separate from the system development business. Given that the media content business would unlikely have a synergistic relationship with the Treasure Factory Group, we sold our shares in Digital Quest to external third parties.

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

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

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

	Split company	Newly established company
Name	Digital Quest Co., Ltd.	Trefac 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
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	¥10,000 thousand	¥10,000 thousand

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

(6) Summary of accounting conducted

This split-up has been processed as a common control transaction in accordance with the Accounting Standard for Business Combinations and the Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures. The split-up will lead to no profit or loss. We sold our shares in Digital Quest after the split-up took place, and recorded ¥17,141 thousand as gain on sales of shares of subsidiaries and associates in the Consolidated Statement of Income for the consolidated fiscal year under review.

(7) 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.

(8) Fair book values of the assets and liabilities of the transferred business, and the major details thereof

	As of Feb. 28, 2022
Current assets (thousand yen)	20,012
Non-current assets (thousand yen)	11,891
Total assets (thousand yen)	31,903
Current liabilities (thousand yen)	11,563
Total liabilities (thousand yen)	11,563

(9) Estimated loss or profit pertaining to the divested business (digital content business) included in the Consolidated Statement of Income for the fiscal year under review

	As of Feb. 28, 2022
Net sales (thousand yen)	185,031
Operating loss (thousand yen)	(22,646)

(Segment Information, etc.)

[Segment Information]

1. Overview of the reporting segment

The Treasure Factory Group's reporting segment has access to financial information as the Group's separated constituent unit. The segment is regularly reviewed by the Board of Directors in order to determine management resource allocation and evaluate performance. The Group runs reuse businesses that revolve around several types of reuse stores including Treasure Factory stores, which are general reuse stores, and Treasure Factory Style stores, which are fashion reuse stores. We also run a rental business and an information system business.

2. Methods for the calculation of the amounts of net sales, profit or loss, assets, and other items by reporting segment

The method of accounting for the reported business segment is the same as the method of accounting used to prepare consolidated financial statements. The reporting segment's profit is an operating profit-based figure. Internal revenues and transfers between segments are based on prevailing market prices.

3. Information about the amounts of net sales, profit or loss, assets, and other items by reporting segment

Previous consolidated fiscal year (from March 1, 2020 to February 28, 2021)

(Thousands of Yen)

	Reporting segment	Other (Note 1)	Total	Adjustment amount (Note 2)	Amount recorded in the consolidated financial statements (Note 3)
	Reuse business				
Net sales					
Sales to external customers	18,274,712	461,181	18,735,893	—	18,735,893
Internal sales or transfers between segments	—	46,889	46,889	(46,889)	—
Total	18,274,712	508,070	18,782,782	(46,889)	18,735,893
Segment's profit (loss)	1,393,046	(52,877)	1,340,169	(1,233,289)	106,879
Segment's assets	8,708,900	288,984	8,997,884	1,419,671	10,417,555
Depreciation	227,685	51,409	279,095	21,066	300,161
Amortization of goodwill	16,696	7,407	24,103	—	24,103

(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) Adjustment amounts are as stated below:

- (1) The adjustment amount for the segment's profit or loss is a company-wide expense and primarily part of selling, and general and administrative expenses not attributable to the segment.
 - (2) The adjustment amount for the segment's assets are primarily assets, etc., pertaining to the administration department of the parent's head office not attributable to the segment.
 - (3) The adjustment amount for depreciation is the depreciation of assets pertaining to the administration department not attributable to the reporting segment.
- (Note 3) The segment's profit or loss has been adjusted according to the operating profit shown in the Consolidated Statement of Income.

Current consolidated fiscal year (from March 1, 2021 to February 28, 2022)

(Thousands of Yen)

	Reporting segment	Other (Note 1)	Total	Adjustment amount (Note 2)	Amount recorded in the consolidated financial statements (Note 3)
	Reuse business				
Net sales					
Sales to external customers	22,690,117	622,986	23,313,103	—	23,313,103
Internal sales or transfers between segments	—	37,411	37,411	(37,411)	—
Total	22,690,117	660,397	23,350,514	(37,411)	23,313,103
Segment's profit	2,476,108	26,240	2,502,348	(1,507,018)	995,329
Segment's assets	9,902,067	186,160	10,088,227	1,721,422	11,809,650
Depreciation	247,666	47,851	295,518	30,609	326,127
Amortization of goodwill	16,696	3,703	20,399	—	20,399

(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) Adjustment amounts are as stated below:

- (1) The adjustment amount for the segment's profit is a company-wide expense and primarily part of selling, and general and administrative expenses not attributable to the segment.
- (2) The adjustment amount for the segment's assets are primarily assets, etc., pertaining to the administration department of the parent's head office not attributable to the segment.
- (3) The adjustment amount for depreciation is the depreciation of assets pertaining to the administration department not attributable to the reporting segment.

(Note 3) The segment's profit has been adjusted according to the operating profit shown in the Consolidated Statement of Income.

[Related Information]

Previous consolidated fiscal year (from March 1, 2020 to February 28, 2021)

1. Information about each product and service

Sales from each category of product or service sold to external customers are omitted because they account for more than 90 percent of the net sales in the Consolidated Statement of Income.

2. Information about each region

(1) Net sales

Sales to external customers in Japan are omitted because they account for more than 90 percent of the net sales in the Consolidated Statement of Income.

(2) Property, plant and equipment

The amount of property, plant and equipment located in Japan is omitted because it accounts for more than 90 percent of the amount of the property, plant and equipment in the Consolidated Balance Sheet.

3. Information about each major customer

Information about external customers is omitted because none of them account for 10 percent or more of the net sales in the Consolidated Statement of Income.

Current consolidated fiscal year (from March 1, 2021 to February 28, 2022)

1. Information about each product and service

Sales from each category of product or service sold to external customers are omitted because they account for more than 90 percent of the net sales in the Consolidated Statement of Income.

2. Information about each region

(1) Net sales

Sales to external customers in Japan are omitted because they account for more than 90 percent of the net sales in the Consolidated Statement of Income.

(2) Property, plant and equipment

The amount of property, plant and equipment located in Japan is omitted because it accounts for more than 90 percent of the amount of the property, plant and equipment in the Consolidated Balance Sheet.

3. Information about each major customer

Information about external customers is omitted because none of them account for 10 percent or more of the net sales in the Consolidated Statement of Income.

[Information about impairment losses on non-current assets for each reporting segment]

Previous consolidated fiscal year (from March 1, 2020 to February 28, 2021)

(Thousands of Yen)

	Reporting segment	Other	Total	Adjustment amount	Total
	Reuse business				
Impairment loss	139,643	—	139,643	—	139,643

Current consolidated fiscal year (from March 1, 2021 to February 28, 2022)

(Thousands of Yen)

	Reporting segment	Other	Total	Adjustment amount	Total
	Reuse business				
Impairment loss	160,636	56,171	216,808	—	216,808

(Note) 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, and ¥56,171 thousand

has been recorded as an impairment loss under extraordinary losses.

[Information about the amortization of goodwill and the unamortized balance for each reporting segment]

Previous consolidated fiscal year (from March 1, 2020 to February 28, 2021)

(Thousands of Yen)

	Reporting segment	Other	Total	Adjustment amount	Total
	Reuse business				
Balance at end of period	110,010	59,874	169,885	—	169,885

(Note) The amortization of goodwill is omitted because the same information is disclosed in “Segment Information.”

Current consolidated fiscal year (from March 1, 2021 to February 28, 2022)

(Thousands of Yen)

	Reporting segment	Other	Total	Adjustment amount	Total
	Reuse business				
Balance at end of period	93,313	—	93,313	—	93,313

(Note) The amortization of goodwill is omitted because the same information is disclosed in “Segment Information.”

[Information about gain on bargain purchase for each reporting segment]

Previous consolidated fiscal year (from March 1, 2020 to February 28, 2021)

We recorded the gain on bargain purchase of ¥30,658 thousand in “Reuse business.” This is because we acquired shares in K.K. PickUP Japan so that the company would become our consolidated subsidiary.

Current consolidated fiscal year (from March 1, 2021 to February 28, 2022)

N/A

(Per Share Information)

	Previous Consolidated Fiscal Year (from March 1, 2020 to February 28, 2021)	Current Consolidated Fiscal Year (from March 1, 2021 to February 28, 2022)
Net assets per share	¥382.08	¥424.66
Earnings (loss) per share	(¥11.94)	¥62.78
Diluted profit per share	¥—	¥—

(Notes) 1. Diluted profit per share is omitted because no dilutive potential shares exist.

2. The basis for the calculation of net assets per share is as shown below:

	Previous Consolidated Fiscal Year (Ended February 28, 2021)	Current Consolidated Fiscal Year (Ended February 28, 2022)
Total net assets (thousand yen)	4,311,340	4,895,963
Deductions from total net assets (thousand yen)	27,194	176,180
(Share acquisition rights (thousand yen))	(—)	(162,819)
(Non-controlling interests (thousand yen))	(27,194)	(13,360)
Net assets attributable to common shares at end of period (thousand yen)	4,284,145	4,719,783
Number of common shares at end of period used in calculation of net assets per share (shares)	11,212,669	11,114,369

3. The basis for the calculation of earnings (loss) per share is as shown below:

	Previous Consolidated Fiscal Year (from March 1, 2020 to February 28, 2021)	Current Consolidated Fiscal Year (from March 1, 2021 to February 28, 2022)
(1) Earnings (loss) per share		
Profit (loss) attributable to owners of parent (thousand yen)	(134,966)	703,470
Amount not attributable to ordinary shareholders (thousand yen)	—	—
Profit (loss) attributable to owners of parent pertaining to common shares (thousand yen)	(134,966)	703,470
Average number of common shares issued during the period (shares)	11,304,944	11,205,128
(2) Diluted profit per share		
Adjustment amount of profit attributable to owners of parent (thousand yen)	—	—
Increase in common shares	—	—
(Share acquisition rights (thousand shares))	(—)	(—)
Summary of non-dilutive potential shares not included in the calculation of diluted profit per share	—	Share acquisition rights issued based on the Board of Directors resolution on April 14, 2021 Number of share acquisition rights: 7,440 Number of common shares: 744,000

(Material Post-Balance Sheet Events)

N/A