

Consolidated Financial Results for the Nine Months Ended November 30, 2022 (Japanese Accounting Standards)

January 12, 2023

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 Securities code 3093
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 Supplementary documents for quarterly results: Yes
 Quarterly results briefing: No

Listings: Tokyo Stock Exchange
 URL: <https://www.treasurefactory.co.jp/>

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

1. Results for the nine months ended November 30, 2022 (March 1, 2022 to November 30, 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	%
FY2023 Q3	20,388	20.7	1,901	227.7	1,943	213.5	1,263	280.5
FY2022 Q3	16,886	25.8	580	-	619	884.3	332	-

(Note) Comprehensive income: FY2023 Q3 1,267 million yen (286.4%)
 FY2022 Q3 328 million yen (-%)

	Profit per share	Diluted profit per share
	yen	yen
FY2023 Q3	113.44	111.67
FY2022 Q3	29.61	-

(2) Financial position

	Total assets	Net assets	Equity capital ratio
	million yen	million yen	%
FY2023 Q3	13,826	5,969	41.9
FY2022	11,809	4,895	40.0

(Reference) Shareholders' equity: FY2023 Q3 5,798 million yen
 FY2022 4,719 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
FY2022	-	8.00	-	9.00	17.00
FY2023	-	12.00	-	-	-
FY2023 (forecast)	-	-	-	20.00	32.00

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

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
Full year	27,667	18.7	2,376	138.7	2,422	129.8	1,508	114.4	135.18

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

* 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: Yes

[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, 2022	11,787,000 shares	As of Feb. 28, 2022	11,598,800 shares
[2] Treasury shares at period-end	As of Nov. 30, 2022	576,100 shares	As of Feb. 28, 2022	484,431 shares
[3] Average number of shares issued during the period	As of Nov. 30, 2022	11,137,341 shares	As of Nov. 30, 2021	11,212,669 shares

* 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 5 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, COVID-19 continued to affect the Japan's economy. Nevertheless, travel restrictions were lifted, and the economy began to recover, especially consumer spending. However, the economic outlook remains uncertain because of concerns about exchange rate behavior (e.g., the yen's sharp falls) and rising prices.

In the reuse industry, the market continues to grow as society works toward the Sustainable Development Goals (SDGs) and turns to reuse more consciously. In these circumstances, demand for purchases by neighborhood reuse stores steadily grew. In regard to sales, there remain considerable needs for reuse items, owing partly to rising prices of new items that urge consumers to spend less.

The Treasure Factory Group achieved an operating profit of ¥899,657 thousand over the third quarter of the consolidated accounting period from September to November, which was far more than planned, and a record figure for our operating profit earned in the third quarter of a consolidated accounting period, just as we had in the first and second quarters. During the third quarter of the current consolidated cumulative period, the Group opened 16 stores and enjoyed steady sales at existing stores. All Group companies that engage in the reuse business also saw steady sales, which led to more revenues and profits. Consequently, the results of operations for the third quarter of the current consolidated cumulative period show net sales of ¥20,388,191 thousand (up 20.7 percent year on year), operating profit of ¥1,901,901 thousand (up 227.7 percent year on year), ordinary profit of ¥1,943,026 thousand (up 213.5 percent year on year), and quarterly profit of ¥1,263,401 thousand attributable to owners of the parent (up 280.5 percent year on year).

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

(Reuse Business)

Consolidated sales increased 20.9 percent year on year, non-consolidated sales increased 21.1 percent year on year, and non-consolidated sales at existing stores increased 10.5 percent year on year. In October, partly because of a campaign to promote sales, non-consolidated sales at existing stores were particularly strong, achieving an increase of 19.0 percent year on year. In terms of sales by category, apparel sales increased 23.4 percent year on year because demand for outfits for going out grew, and sales of household items also increased 22.2 percent year on year. As for electric appliances, sales rose 19.1 percent year on year, owing partly to the extreme heat in June and July that drove sales of summer home appliances. Rising gold prices also helped significantly boost the sales of fashion items by 20.0 percent year on year and of hobby-related items, which we have been selling more than before since the pandemic started, by 22.9 percent year on year. As for e-commerce sales, we streamlined operations for product offerings on our e-commerce site, thereby increasing consolidated e-commerce sales by 21.3 percent year on year.

Purchases of merchandise for the fiscal year under review increased 23.7 percent year on year, and non-consolidated purchases also grew by 20.8 percent year on year. As for non-consolidated purchases by channel, in-store purchases continued to steadily grow, achieving an increase of 21.7 percent year on year. Home-delivery purchases dramatically increased by 30.7 percent year on year, and home-visit purchases enjoyed an increase of 26.2 percent year on year.

During the third quarter of the current consolidated cumulative period, we opened 4 general reuse stores, 9 fashion reuse stores, 1 sports and outdoor reuse store, and 1 brand-name item reuse store, the non-consolidated total being 15 stores. In terms of new stores by region, we opened 10 in Kanto, 3 in Kansai, and 2 in Chubu, maintaining a good balance of geographic locations. Furthermore, Kindal, our Group company, opened 1 franchise store. The numbers of stores at the end of the third quarter of the consolidated accounting period under review are as follows: 164 directly-managed stores and 4 franchise stores, the non-consolidated total being 168; and 236 stores in total across the Group.

These results added up to net sales of ¥19,821,299 thousand (up 20.9 percent year on year) and a segment profit of ¥2,884,763 thousand (up 69.7 percent year on year).

(Other)

Cariru, our rental business, successfully captured demand as people attended weddings and other events. Consequently, sales of the rental business increased 91.3 percent year on year.

These results added up to net sales of ¥711,971 thousand (up 36.9 percent year on year) and a segment profit of ¥174,766 thousand (up 658.0 percent year on year).

(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 ¥2,016,556 thousand compared to the end of the previous consolidated fiscal year, totaling to ¥13,826,207 thousand because of a decrease of ¥147,133 thousand in cash and deposits, an increase of ¥425,561 thousand in accounts receivable-trade, an increase of ¥1,086,057 thousand in merchandise, an increase of ¥277,257 thousand in buildings and structures (net), and an increase of ¥183,949 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 ¥943,372 thousand compared to the end of the previous consolidated fiscal year, totaling to ¥7,857,059 thousand because of an increase of ¥412,596 thousand in short-term borrowings, an increase of ¥103,984 thousand in current portion of long-term borrowings, an increase of ¥200,868 thousand in income taxes payable, a decrease of ¥95,164 thousand in provision for bonuses, and a decrease of ¥93,165 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 ¥1,073,183 thousand compared to the end of the previous consolidated fiscal year, totaling to ¥5,969,147 thousand because the quarterly profit of ¥1,263,401 thousand attributable to owners of the parent was recorded and treasury shares increased by ¥200,074 thousand, among other reasons.

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

The Company pursues five growth strategies: development of the reuse business, investment in new businesses, growth in overseas markets, growth through M&A, and growth through investment in digital transformation (DX). On the basis of these strategies, we are working toward the goals of our medium-term management plan.

During the third quarter of the current consolidated cumulative period, consolidated sales added up to 120.7 percent year on year. The ordinary income ratio also improved dramatically, 9.5 percent, compared to the same period of the previous year, with operating profit and ordinary profit almost reaching ¥2 billion, which was greater than planned. Consequently, operating profit, ordinary profit, and profit attributable to owners of parent for the full year are projected to surpass the previous forecast. Hence, we have revised the results forecast published on October 12, 2022.

Please see “Notice on Revisions to Results Forecast and Dividends Forecast” published today (January 12, 2023) for details.

2. Quarterly Consolidated Financial Statements and Main Notes

(1) Quarterly Consolidated Balance Sheet

(Thousands of Yen)

	Previous Consolidated Fiscal Year (Ended February 28, 2022)	Third Quarter of the Current Consolidated Accounting Period (Ended November 30, 2022)
Assets		
Current assets		
Cash and deposits	2,360,856	2,213,723
Accounts receivable - trade	643,971	1,069,532
Merchandise	4,014,226	5,100,284
Other	532,725	626,526
Total current assets	7,551,779	9,010,066
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	1,127,839	1,405,096
Land	426,511	426,511
Other, net	253,537	417,072
Total property, plant and equipment	1,807,887	2,248,680
Intangible assets		
Goodwill	93,313	80,791
Other	126,210	121,303
Total intangible assets	219,524	202,095
Investments and other assets		
Leasehold and guarantee deposits	1,695,875	1,879,825
Other	534,582	485,539
Total investments and other assets	2,230,458	2,365,364
Total non-current assets	4,257,871	4,816,140
Total assets	11,809,650	13,826,207

(Thousands of Yen)

	Previous Consolidated Fiscal Year (Ended February 28, 2022)	Third Quarter of the Current Consolidated Accounting Period (Ended November 30, 2022)
Liabilities		
Current liabilities		
Accounts payable - trade	58,790	76,864
Short-term borrowings	1,792,403	2,204,999
Current portion of long-term borrowings	734,198	838,182
Income taxes payable	286,785	487,653
Contract liabilities	-	77,599
Refund liabilities	-	38,084
Provision for bonuses	318,470	223,306
Provision for shareholder benefit program	4,536	-
Provision for sales returns	21,335	-
Provision for point card certificates	60,158	-
Other	1,158,626	1,472,745
Total current liabilities	4,435,305	5,419,434
Non-current liabilities		
Long-term borrowings	1,811,355	1,718,190
Asset retirement obligations	640,774	693,182
Other	26,252	26,252
Total non-current liabilities	2,478,381	2,437,624
Total liabilities	6,913,687	7,857,059
Net assets		
Shareholders' equity		
Share capital	521,183	647,417
Capital surplus	456,183	582,417
Retained earnings	4,148,547	5,178,103
Treasury shares	(410,119)	(610,193)
Total shareholders' equity	4,715,795	5,797,744
Cumulative amount of other comprehensive income		
Foreign currency translation adjustment	3,987	478
Total cumulative amount of other comprehensive income	3,987	478
Share acquisition rights	162,819	157,563
Non-controlling interests	13,360	13,360
Total net assets	4,895,963	5,969,147
Total liabilities and net assets	11,809,650	13,826,207

(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, 2021 to November 30, 2021)	Third Quarter of the Current Consolidated Cumulative Period (from March 1, 2022 to November 30, 2022)
Net sales	16,886,967	20,388,191
Cost of sales	6,478,169	7,640,184
Gross profit	10,408,797	12,748,006
Reversal of provision for sales returns	18,822	-
Provision for sales returns	21,806	-
Net gross profit	10,405,814	12,748,006
Selling, general and administrative expenses	9,825,401	10,846,105
Operating profit	580,412	1,901,901
Non-operating income		
Interest income	328	357
Foreign exchange gains	-	19,782
Vending machine income	9,922	8,801
Subsidy income	13,306	5,658
Commission income	10,026	-
Other	22,367	17,469
Total non-operating income	55,952	52,069
Non-operating expenses		
Interest expenses	9,510	9,312
Foreign exchange losses	5,863	-
Other	1,210	1,631
Total non-operating expenses	16,584	10,944
Ordinary profit	619,780	1,943,026
Extraordinary income		
Gain on sales of non-current assets	-	719
Total extraordinary income	-	719
Extraordinary losses		
Loss on retirement of non-current assets	4,340	1,519
Impairment loss	56,171	-
Total extraordinary losses	60,511	1,519
Quarterly profit before income taxes	559,268	1,942,226
Income taxes - current	217,706	588,972
Income taxes - deferred	13,964	89,852
Total income taxes	231,671	678,825
Net quarterly profit	327,596	1,263,401
Quarterly loss attributable to non-controlling interests	(4,417)	-
Profit attributable to owners of parent	332,013	1,263,401

(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, 2021 to November 30, 2021)	Third Quarter of the Current Consolidated Cumulative Period (from March 1, 2022 to November 30, 2022)
Net quarterly profit	327,596	1,263,401
Other comprehensive income		
Foreign currency translation adjustment	433	4,116
Total of other comprehensive income	433	4,116
Quarterly comprehensive income	328,030	1,267,517
Comprehensive income attributable to		
Quarterly comprehensive income attributable to owners of parent	332,447	1,267,517
Quarterly comprehensive income attributable to non- controlling interests	(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

(Changes in Accounting Policies)

(Adoption of the Accounting Standard for Revenue Recognition)

The Company has applied the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020; the "Revenue Recognition Accounting Standard") since the beginning of the first quarter of the consolidated accounting period. This means that we recognize revenue when the control of a promised good or service is transferred to a customer at the monetary amount that we expect to receive in exchange for the good or service.

The major changes due to the adoption of this Revenue Recognition Accounting Standard are as follows.

(1) Sale with a right of return

In regard to sale with a right of return that the Treasure Factory Group practices, we conventionally recorded provisions for sales returns based on the amount that is commensurate with gross profit. With the adoption of the Standard, we have switched to the method that does not recognize revenue when a good or service is sold, considering an expected portion of returned goods or services, according to the rules about variable considerations. Given this change, we now present the considerations of the products that will likely be returned as "Refund liabilities." As for the assets that are recognized as our right to recover merchandise from customers when refund liabilities are settled, we include these "returned assets" in "Other" under "Current assets."

(2) Revenue recognition of point card certificates

The Treasure Factory Group has a point card certificate system, which gives members point card certificates according to their purchases and offers a good or service in exchange for the certificates that the members choose to use. We conventionally used the method that recorded as provisions the monetary amount commensurate with the certificates to be used in the future. With the adoption of the Standard, we have switched to the method that identifies point card certificates as a performance obligation to defer the recording of the revenue. Given this change, we now include considerations that pertain to unfulfilled performance obligations at the period end in "Contract liabilities" for recording purposes.

We apply the Revenue Recognition Accounting Standard in accordance with the transitional measures prescribed in the proviso to Section 84 of this Standard. The new accounting policy has been applied since the beginning of the first quarter of the consolidated accounting period, adding to and subtracting from retained earnings at the beginning of the first quarter of the consolidated accounting period, the cumulative effects of retroactively applying the new accounting policy prior to the beginning of the said period.

The impact of the adoption of this Standard on profit or loss for the third quarter of the current consolidated cumulative period is omitted because it is limited. There will be no impact on the balance of retained earnings at the beginning of the current period.

We have not restated the financial statements for the previous consolidated fiscal year to reflect the changes in presentation, in accordance with the transitional measures prescribed in Section 89-2 of the Revenue Recognition Accounting Standard. We have also omitted information that breaks down revenue from contracts with customers for the third quarter of the previous consolidated cumulative period, in accordance with the transitional measures prescribed in Section 28-15 of the Accounting Standard for Quarterly Financial Reporting (ASBJ Statement No.12, March 31, 2020).

(Adoption of the Accounting Standard for Fair Value Measurement)

We have applied the Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30, July 4, 2019; the "Fair Value Measurement Accounting Standard") since the beginning of the first quarter of the consolidated accounting period. We will continue to apply the new accounting policy prescribed by the Fair Value Measurement Accounting Standard in accordance with the transitional measures specified in Section 19 of the Fair Value Measurement Accounting Standard as

well as in Section 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019). The adoption of this Standard has only a limited impact on the quarterly consolidated financial statements.

(Segment Information, etc.)

[Segment Information]

I. Third Quarter of Previous 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 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 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.

II. Third Quarter of Current Consolidated Cumulative Period (from March 1, 2022 to November 30, 2022)

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	19,821,299	566,891	20,388,191	-	20,388,191
Internal sales or transfer between segments	-	145,079	145,079	(145,079)	-
Total	19,821,299	711,971	20,533,271	(145,079)	20,388,191
Segment's profit	2,884,763	174,766	3,059,530	(1,157,629)	1,901,901

(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 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 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