Financial Report for the First Quarter of the Fiscal Year Ending February 28, 2021
(Japanese Accounting Standards) (Consolidated)

July 10, 2020

Company name	Treasure Factory Co., Ltd.	Listings	The First Section of the Tokyo Stock Exchange
Securities code	3093	URL	https://www.treasurefactory.co.jp/
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Scheduled dates:

Submission of statutory quarterly financial report:	July 10, 2020
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 first quarter of the fiscal year ending February 28, 2021 (March 1, 2020 to May 31, 2020)

(1) Operating results (Percentage figures represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	million yen	%	million yen	%	million yen	%	million yen	%
First quarter ended May 31, 2020	3,959	-16.6	-221	–	-211	–	-214	–
First quarter ended May 31, 2019	4,746	9.0	387	26.5	398	26.4	265	36.2

(Note) Comprehensive income: First quarter ended May 31, 2020: -213 million yen (–%)
First quarter ended May 31, 2019: 265 million yen (36.2%)

	Profit per share	Diluted profit per share
	yen	yen
First quarter ended May 31, 2020	-18.98	–
First quarter ended May 31, 2019	23.50	–

(2) Financial position

	Total assets	Net assets	Equity capital ratio
	million yen	million yen	%
As of May 31, 2020	9,567	4,333	45.0
As of Feb. 29, 2020	9,379	4,644	49.1

(Reference) Shareholders' equity: As of May 31, 2020: 4,303 million yen As of February 29, 2020: 4,606 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
Year ended Feb. 29, 2020	–	9.00	–	8.00	17.00
Year ending Feb. 28, 2021	–				
Year ending Feb. 28, 2021 (forecast)		–	–	–	–

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

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

The most recent performance shows signs of recovery as disclosed in the monthly sales summary for June. On the other hand, the risk of the spread of the coronavirus remains unpredictable. Under these circumstances, many factors that may have effects on our performance remain uncertain at this stage. For this reason, we have decided that it is nearly impossible to reasonably calculate consolidated forecasts for the fiscal year ending February 28, 2021, and thus we have not yet made any forecasts. We will announce our projections as soon as reliable information becomes available for calculations.

* Notes

(1) Changes in important subsidiaries during the first quarter 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 the 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 May 31, 2020: 11,598,800 shares As of Feb. 29, 2020: 11,598,800 shares
[2] Treasury shares at period-end
As of May 31, 2020: 283,031 shares As of Feb. 29, 2020: 283,031 shares
[3] Average number of shares issued
First quarter ended May 31, 2020:11,315,769 shares First quarter ended May 31, 2019: 11,315,769 shares

* This Financial Report is not subject to audit procedures performed by a certified public accountant or audit corporation.

* Explanation on the proper use of the results forecast and additional information
Information on forecasts stated in this material was based on information available at the time of publication of this financial summary. Actual results may differ materially from the forecast due to a range of factors. For further information on the results forecast, please refer to (3) Explanation of Future Prospects Including Consolidated Results Forecasts in 1. Qualitative Information on the Financial Results for the First Quarter of the Fiscal Year Ending February 28, 2021 on page 3 of the accompanying materials.

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1. Qualitative Information about the Quarterly Financial Results

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

During the first quarter of the current consolidated cumulative period, the novel coronavirus pandemic significantly restricted Japan's economic activities. The pandemic caused an economic downturn, and the outlook remains uncertain.

A business that runs reuse stores, the Treasure Factory Group purchases used items from consumers to offer highly affordable goods for daily use. To continue fulfilling this role as part of the social infrastructure in the face of this situation, we kept our stores operating while temporarily closing some of our shops, shortening store hours, and taking measures to prevent the spread of infections at the stores.

More specifically, after the state of emergency was announced in early April, we shortened the store hours at all of our shops by one to two hours until late May. Our flagship store also took the lead in shortening the regular hours by a few hours for receiving used items brought in by customers. In regard to Brand Collect that deals in luxury goods produced by high-end brands and Kindal, which is our subsidiary, we closed their stores in central Tokyo for about a month starting from early April. The measures to prevent infections at our stores included ensuring social distancing, setting up plastic sheets at the checkout counters, disinfecting the store spaces, and providing face masks.

Under these circumstances, official stay-at-home requests were issued, and companies switched to telecommuting. As a result, consumers spent more time at home, which provided an opportunity to sort out items they no longer used and created a need to find buyers of these items. The need to stay home also boosted the demand for home appliances, furniture, and hobby-related items, which led to an increase in sales of products in those categories mostly at general reuse stores located in the suburbs. In contrast, the fashion category suffered a decrease in customer traffic due to stay-at-home requests, along with sluggish demand for luxury goods of high-end fashion brands.

Consequently, the non-consolidated results of operations for the first quarter of the current consolidated cumulative period show net sales of ¥3,959,782 thousand (down 16.6 percent year on year), operating loss of ¥221,663 thousand (the same period of the previous year saw operating income of ¥387,741 thousand), ordinary loss of ¥211,773 thousand (the same period of the previous year saw ordinary income of ¥398,320 thousand), and quarterly loss of ¥214,718 thousand attributable to owners of the parent (the same period of the previous year saw quarterly profit of ¥265,893 thousand attributable to owners of the parent). The non-consolidated results of operations sorted by segment are as stated below.

(Reuse Business)

In regard to purchases, non-consolidated purchases across the company dropped 24.3 percent year on year. As for purchases by channel, in-store purchases of unsolicited items decreased 28.4 percent year on year due to the effects of stay-at-home requests and reduced hours for in-store purchases, whereas purchases at consumers' home rose 13.6 percent year on year owing to a greater need for selling used items without leaving their home. As a result, the consolidated turnover of purchased goods for the current period dropped 26.9 percent year on year.

In regard to sales, non-consolidated sales dropped 16.0 percent year on year, and non-consolidated sales at existing stores decreased 19.5 percent year on year. As for sales by category, those of clothing and branded items were sluggish due to the effects of stay-at-home requests and temporary closing of the stores. By contrast, home appliances, furniture, and hobby-related items enjoyed strong sales owing to the demand related to new styles of living and demand created by telecommuting and the need to stay home. 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 87.3 percent year on year.

As for new stores, Kindal (our Group company) relocated/opened the America-mura shop, which is its flagship store, during the first quarter of the current consolidated cumulative period. The number of stores at the end of the consolidated fiscal year under review is as follows: 127 directly-managed stores and 4 franchise stores, the non-consolidated total being 131; and 192 stores in total across the Group.

These results added up to net sales of ¥3,855,689 thousand (down 16.9 percent year on year) and the segment's profit of ¥133,280 thousand (down 80.0 percent year on year).

(Other)

Cariru, our rental business, stagnated, suffering a 60.2-percent drop in rental business sales year on year due to successive cancellations of events.

As for our information system business, our Group company Digital Quest worked on the development of a system connected to our newly launched auction business.

These results added up to net sales of ¥122,092 thousand (up 11.5 percent year on year) and the segment's loss of ¥20,153 thousand (the same period of the previous year saw ¥11,787 thousand in profit).

(2) Explanation regarding the Non-consolidated Financial Position

Total assets at the end of the first quarter of the current consolidated accounting period increased by ¥188,603 thousand year on year to ¥9,567,707 thousand because of an increase of ¥301,550 thousand in cash and deposits and a decrease of ¥65,313 thousand in merchandise, among other reasons.

Total liabilities at the end of the first quarter of the current consolidated accounting period increased by ¥499,369 thousand year on year to ¥5,233,963 thousand because of an increase of ¥655,079 thousand in short-term borrowings, a decrease of ¥168,811 thousand in income taxes payable, and a decrease of ¥119,113 thousand in provision for bonuses, among other reasons.

Total net assets at the end of the first quarter of the current consolidated accounting period decreased by ¥310,765 thousand year on year to ¥4,333,743 thousand because the quarterly loss of ¥214,718 thousand attributable to owners of the parent was recorded, among other reasons.

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

The effects of the spread of coronavirus infections on Japan’s economy and consumer spending remain uncertain because the risk of further spread has lingered especially in Tokyo since the state of emergency was lifted.

Meanwhile, consumer spending showed a sign of recovery in June after the lifting of the state of emergency. Electric appliances and furniture saw strong sales at our general reuse stores located mostly in the suburbs. Sales of clothing, which were sluggish for a while due to stay-at-home requests, have started to recover, including at stores dedicated to fashion items. We plan to resume regular hours at all of our stores in principle; however, this plan is subject to change depending on the state of the pandemic in Japan going forward.

Under these circumstances, many factors that may have effects on our performance remain uncertain at this stage. For this reason, we have decided that it is nearly impossible to reasonably calculate consolidated forecasts for the fiscal year ending February 28, 2021, and thus we have not yet made any forecasts. We will announce our projections as soon as reliable information becomes available for calculations.

2. Quarterly Consolidated Financial Statements and Main Notes

(1) Quarterly Consolidated Balance Sheet

(Thousands of Yen)

	Previous Consolidated Fiscal Year (Ended February 29, 2020)	First Quarter of the Current Consolidated Accounting Period (Ended May 31, 2020)
Assets		
Current assets		
Cash and deposits	1,627,037	1,928,587
Accounts receivable - trade	481,014	470,636
Merchandise	3,362,147	3,296,833
Other	398,214	386,875
Total current assets	5,868,413	6,082,933
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	941,539	939,667
Land	141,555	141,555
Other, net	258,593	239,581
Total property, plant and equipment	1,341,688	1,320,804
Intangible assets		
Goodwill	193,988	187,962
Other	84,577	95,021
Total intangible assets	278,565	282,984
Investments and other assets		
Leasehold and guarantee deposits	1,475,169	1,472,977
Other	415,265	408,007
Total investments and other assets	1,890,435	1,880,985
Total non-current assets	3,510,689	3,484,774
Total assets	9,379,103	9,567,707

(Thousands of Yen)

	Previous Consolidated Fiscal Year (Ended February 29, 2020)	First Quarter of the Current Consolidated Accounting Period (Ended May 31, 2020)
Liabilities		
Current liabilities		
Accounts payable - trade	50,125	52,737
Short-term borrowings	1,187,436	1,842,515
Current portion of long-term borrowings	484,924	497,562
Income taxes payable	196,400	27,588
Provision for bonuses	244,237	125,123
Provision for sales returns	20,076	23,096
Provision for point card certificates	37,824	39,353
Other	1,031,459	1,038,042
Total current liabilities	3,252,483	3,646,019
Non-current liabilities		
Long-term borrowings	942,617	1,048,641
Asset retirement obligations	503,911	504,223
Other	35,581	35,079
Total non-current liabilities	1,482,110	1,587,944
Total liabilities	4,734,594	5,233,963
Net assets		
Shareholders' equity		
Share capital	521,183	521,183
Capital surplus	456,183	456,183
Retained earnings	3,872,603	3,567,358
Treasury shares	(241,113)	(241,113)
Total shareholders' equity	4,608,857	4,303,612
Cumulative amount of other comprehensive income		
Foreign currency translation adjustment	(1,892)	36
Total cumulative amount of other comprehensive income	(1,892)	36
Share acquisition rights	6,619	—
Non-controlling interests	30,925	30,094
Total net assets	4,644,509	4,333,743
Total liabilities and net assets	9,379,103	9,567,707

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

(Quarterly consolidated statement of income)

(First quarter of the consolidated cumulative period)

(Thousands of Yen)

	First Quarter of the Previous Consolidated Cumulative Period (from March 1, 2019 to May 31, 2019)	First Quarter of the Current Consolidated Cumulative Period (from March 1, 2020 to May 31, 2020)
Net sales	4,746,989	3,959,782
Cost of sales	1,709,159	1,515,346
Gross profit	3,037,830	2,444,435
Reversal of provision for sales returns	20,713	20,076
Provision for sales returns	21,904	23,096
Net gross profit	3,036,639	2,441,415
Selling, general and administrative expenses	2,648,898	2,663,079
Operating profit (loss)	387,741	(221,663)
Non-operating income		
Interest income	160	143
Vending machine income	2,763	1,821
Subsidy income	4,987	—
Other	8,136	9,717
Total non-operating income	16,047	11,682
Non-operating expenses		
Interest expenses	1,032	1,159
Foreign exchange losses	4,183	—
Other	251	632
Total non-operating expenses	5,468	1,792
Ordinary profit (loss)	398,320	(211,773)
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	58	341
Total extraordinary losses	58	341
Net profit (loss) before taxes in the previous quarter	398,262	(205,495)
Income taxes - current	74,666	4,827
Income taxes - deferred	57,259	5,227
Total income taxes	131,926	10,054
Net quarterly profit (loss)	266,336	(215,549)
Quarterly profit (loss) attributable to non-controlling interests	442	(830)
Quarterly profit (loss) attributable to owners of the parent	265,893	(214,718)

(Quarterly consolidated statement of comprehensive income)

(First quarter of the consolidated cumulative period)

(Thousands of Yen)

	First Quarter of the Previous Consolidated Cumulative Period (from March 1, 2019 to May 31, 2019)	First Quarter of the Current Consolidated Cumulative Period (from March 1, 2020 to May 31, 2020)
Net quarterly profit (loss)	266,336	(215,549)
Other comprehensive income		
Foreign currency translation adjustment	(350)	1,929
Total of other comprehensive income	(350)	1,929
Quarterly comprehensive income	265,986	(213,620)
Comprehensive income attributable to		
Quarterly comprehensive income attributable to owners of the parent	265,543	(212,789)
Quarterly comprehensive income attributable to non-controlling interests	442	(830)

(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 the situation will gradually return to normal and the economy will begin to recover through February 2021 and that our performance will be comparable to other years' in March 2021 and thereafter.

(Segment Information, etc.)

[Segment Information]

I. Previous First Quarter of Consolidated Cumulative Period (from March 1, 2019 to May 31, 2019)

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	4,637,493	109,496	4,746,989	—	4,746,989
Internal sales or transfer between segments	—	—	—	—	—
Total	4,637,493	109,496	4,746,989	—	4,746,989
Segment's profit	666,341	11,787	678,129	(290,388)	387,741

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

We acquired shares in Digital Quest, with March 31, 2019 being the deemed acquisition date. Hence, "Other" includes Digital Quest in the scope of consolidation, which caused the goodwill of ¥74,072 thousand.

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

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

(Thousands of Yen)

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

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

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

(Note 3) The segment's profit or loss has been adjusted according to the operating income 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