Financial Report for the Fiscal Year Ended February 28, 2021
(Japanese Accounting Standards) (Consolidated)

April 14, 2021

Company name	Treasure Factory Co., Ltd.	Listings	The First Section of the Tokyo Stock Exchange
Securities code	3093	URL: https://www.treasurefactory.co.jp/	
Representative	President & CEO, Eigo Nosaka		
Contact	Director & Manager-Corporate Planning, Eiji Kobayashi		
Telephone	+81-3-3880-8822		

Scheduled dates:

Annual General Meeting of Shareholders:	May 28, 2021
Commencement of dividend payments:	May 31, 2021
Submission of the annual securities report:	May 28, 2021
Supplementary documents:	Yes
Financial results briefing:	Yes (For investors and analysts)

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

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

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

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	million yen	%	million yen	%	million yen	%	million yen	%
Year ended Feb. 28, 2021	18,735	(2.0)	106	(88.6)	174	(82.4)	(134)	―
Year ended Feb. 29, 2020	19,123	7.8	939	3.7	993	4.6	515	(8.7)

(Note) Comprehensive income: Year ended February 28, 2021: (136) million yen (-%)
Year ended February 29, 2020: 515 million yen ((9.1)%)

	Profit per share	Diluted profit per share	Return on equity	Return on assets	Return on sales
	yen	yen	%	%	%
Year ended Feb. 28, 2021	(11.94)	―	(3.0)	1.8	0.6
Year ended Feb. 29, 2020	45.59	―	11.6	10.9	4.9

(Reference) Share of loss (profit) of entities accounted for using equity method: Year ended February 28, 2021: - million yen
Year ended February 29, 2020: - 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, 2021	10,417	4,311	41.1	382.08
Year ended Feb. 29, 2020	9,379	4,644	49.1	407.13

(Reference) Equity capital: Year ended February 28, 2021: 4,284 million yen Year ended February 29, 2020: 4,606 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, 2021	482	(586)	422	1,937
Year ended Feb. 29, 2020	638	(576)	(193)	1,618

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. 29, 2020	—	9.00	—	8.00	17.00	192	37.2	4.3
Year ended Feb. 28, 2021	—	2.00	—	8.00	10.00	113	—	2.5
Year ending Feb. 28, 2022 (forecast)	—	8.00	—	8.00	16.00		33.7	

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

(Percentage figures represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Profit per share
	million yen	%	million yen	%	million yen	%	million yen	%	yen
First two quarters	10,572	26.2	97	—	107	—	46	—	4.07
Full year	22,636	20.8	804	652.2	818	367.6	537	—	47.50

* 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 (K.K. Pick Up Japan)　　Number of excluded companies (their names):

(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 shares)

[1] Number of shares issued at period-end (including treasury shares)	As of Feb. 28, 2021	11,598,800	shares	As of Feb. 29, 2020	11,598,800	shares
[2] Treasury shares at period-end	As of Feb. 28, 2021	386,131	shares	As of Feb. 29, 2020	283,031	shares
[3] Average number of shares issued during the period	As of Feb. 28, 2021	11,304,944	shares	As of Feb. 29, 2020	11,315,769	shares

(Reference) Overview of individual results

1. Individual results for the fiscal year ended February 28, 2021 (March 1, 2020 to February 28, 2021)

(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, 2021	15,640	(1.0)	360	(60.5)	360	(60.9)	96	(80.8)
Year ended Feb. 29, 2020	15,801	6.5	912	13.1	922	8.4	501	0.4

	Profit per share	Diluted profit per share
	yen	yen
Year ended Feb. 28, 2021	8.53	―
Year ended Feb. 29, 2020	44.30	―

(2) Individual financial position

	Total assets	Net assets	Equity capital ratio	Net assets per share
	million yen	million yen	%	yen
Year ended Feb. 28, 2021	8,686	4,360	50.2	388.89
Year ended Feb. 29, 2020	8,246	4,460	54.0	393.59

(Reference) Equity capital:　Year ended February 28, 2021: 4,360 million yen　Year ended February 29, 2020: 4,453 million yen

* These financial results are outside the scope of an audit 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 (4) Outlook in 1. Overview of Operating Results on Page 5 of the attached material.

.

○ Table of Contents (Attachment)

1. Overview of Operating Results …… 2
(1) Overview of the Operating Results for the Fiscal Year under Review …… 2
(2) Overview of the Financial Position for the Fiscal Year under Review …… 4
(3) Overview of the Cash Flows for the Fiscal Year under Review …… 4
(4) Outlook …… 5
2. Basis for the Selection of the Accounting Principles …… 6
3. Consolidated Financial Statements and Main Notes…… 7
(1) Consolidated Balance Sheet …… 7
(2) Consolidated Statement of Income and Consolidated Statement of Comprehensive Income …… 9
Consolidated statement of income …… 9
Consolidated statement of comprehensive income …… 10
(3) Statement of Changes in Equity …… 11
(4) Consolidated Statement of Cash Flows …… 13
(5) Notes on the Consolidated Financial Statements …… 14
(Notes on Going Concern Assumption) …… 14
(Changes in Presentation Methods) …… 14
(Related to Business Combination) …… 14
(Segment Information, etc.) …… 15
(Per Share Information) …… 19
(Material Post-Balance Sheet Events) …… 20

1. Overview of Operating Results

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

During the consolidated fiscal year under review, Japan's economy saw a dramatic change in consumer spending due to the spread of the coronavirus. After the State of Emergency was lifted in late May, consumer spending showed signs of recovery with the reopening of the economy. Economic risks due to resurgence, however, remain a concern.

In the used item retail industry, businesses that deal in used items attracted attention and the reuse of secondhand goods rose during the stay-at-home period, which urged consumers to spend more time at home, creating the needs for selling their belongings to declutter their places and for buying better household goods.

A business that runs reuse stores, the Treasure Factory Group purchases used items from consumers and converts them into cash, as well as offering 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 and shortening store hours during the stay-at-home period from April to late May, and taking measures to prevent the spread of infections at the stores after the State of Emergency was lifted in late May.

When we look at the figures by accounting period, the first half of the year saw operating loss of ¥263,378 thousand due to the impact of the State of Emergency from March to May. Yet the second half saw ordinary profit of ¥397,117 thousand because the sales of apparel and fashion items recovered when consumers went out more, and because furniture and hobby-related items remained in demand owing to the need for staying home.

The rate of selling, general and administrative expenses increased to 60.1 percent, 3.2 points up from the previous period, due to our personnel expenses being maintained to keep our employees employed amid the coronavirus pandemic, along with expense increases at the stores that opened during the previous and current periods. We also had subsidy income, which is granted to businesses that have temporarily closed due to the pandemic, and recorded the amount of ¥36,065 thousand as non-operating income.

Consequently, the results of operations for the consolidated fiscal year under review show net sales of ¥18,735,893 thousand (down 2.0 percent year on year), operating profit of ¥106,879 thousand (down 88.6 percent year on year), ordinary profit of ¥174,938 thousand (down 82.4 percent year on year), and net loss of ¥134,966 thousand attributable to owners of the parent (the previous year saw net profit of ¥515,928 thousand attributable to owners of the parent).

In terms of profit margins, the gross profit ratio was 60.7 percent (down 1.1 points year on year), selling, general and administrative expenses ratio 60.1 percent (up 3.2 points year on year), operating profit ratio 0.6 percent (down 4.3 points year on year), and ordinary profit ratio 0.9 percent (down 4.3 points year on year).

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

(Reuse Business)

In regard to purchases, non-consolidated purchases dropped only 3.5 percent year on year, despite the impact of the coronavirus pandemic. As for purchases by channel, in-store purchases decreased as little as 3.4 percent year on year, whereas home-delivery purchases increased as much as 22.0 percent owing to consumers' greater need for selling used items without leaving their homes. As a result, the consolidated turnover of purchased goods for the current period dropped 6.4 percent year on year.

In regard to sales, non-consolidated sales dropped 1.0 percent year on year, and non-consolidated sales at existing stores decreased 4.4 percent year on year. As for sales by consolidated category, electric appliances, furniture, and hobby-related items solidly grew by 6.3 percent, 11.3 percent, and 26.7 percent year on year, respectively, owing to the need for staying home, bolstering our overall sales. Apparel and branded items, on the other hand, dropped 8.6 percent and 5.2 percent year on year, respectively, as consumers stayed home, although they showed signs of recovery during the second half. As for e-commerce sales, we continued to expand offerings on our e-commerce site and improve the usability of the site as the demand for shopping from home grew, thereby increasing non-consolidated e-commerce sales by 68.0 percent year on year.

During the consolidated fiscal year under review, we resumed opening stores in July. We opened the total of six stores, namely two Treasure Factory stores, which are directly-managed general reuse stores; two Treasure Factory Style stores, which are fashion reuse stores; one Treasure Factory Sports store, which is a sports and outdoor reuse store; and one UseLet store, which is a fashion outlet reuse store. Furthermore, K.K. Pick Up Japan's 13 reuse stores, which are well known across Shizuoka Prefecture where we had not operated, joined the Treasure Factory Group as the company became our subsidiary in October 2020. As a result, the numbers of stores at the end of the consolidated fiscal year under review are as follows: 133 directly-managed stores and 4 franchise stores, the non-consolidated total being 137; and 206 stores in total across the Group.

These results added up to net sales of ¥18,274,712 thousand (down 1.5 percent year on year) and the segment's profit of ¥1,393,046 thousand (down 30.3 percent year on year).

(Other)

Cariru, our rental business that rents formal dresses as its mainstay, was affected by wedding cancellations or postponements due to the pandemic, and the rental business ended up seeing a 62.1-percent decrease in sales year on year.

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 ¥508,070 thousand (down 13.9 percent year on year) and the segment's loss of ¥52,877 thousand (the previous year saw ¥70,699 thousand in profit).

[1] Purchase results by merchandise in reuse business

Item	Purchase (thousand yen)	Composition ratio (%)	Year on year (%)
Household items	418,100	6.0	97.8
Apparel	3,080,747	44.4	88.6
Fashion items	1,494,992	21.6	89.0
Electric appliances	738,863	10.7	97.5
Furniture	240,716	3.5	105.9
Hobby-related items	507,414	7.3	129.8
Other	449,581	6.5	101.2
Total	6,930,415	100.0	93.6

(Notes) 1. Consumption tax and other amount are not included in the above amounts.
2. Side expenses are included in “Other.”

[2] Sales results by merchandise in reuse business

Item	Sales (thousand yen)	Composition ratio (%)	Year on year (%)
Household items	1,293,625	7.1	102.6
Apparel	8,344,179	45.7	91.4
Fashion items	3,315,799	18.1	94.8
Electric appliances	2,540,428	13.9	106.3
Furniture	1,113,578	6.1	111.3
Hobby-related items	1,273,930	7.0	126.7
Other	393,170	2.1	145.0
Total	18,274,712	100.0	98.5

(Notes) 1. Consumption tax and other amount 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 ¥1,038,452 thousand from the end of the last consolidated fiscal year to ¥10,417,555 thousand because of increases of ¥367,132 thousand in cash and deposits, ¥206,539 thousand in merchandise, ¥305,394 thousand in land, and ¥66,232 thousand in leasehold and guarantee deposits, among other reasons. This is mostly because we acquired shares in K.K. Pick Up Japan to include the company in the scope of consolidation.

Total liabilities at the end of the consolidated fiscal year under review increased by ¥1,371,621 thousand from the end of the last consolidated fiscal year to ¥6,106,215 thousand because of increases of ¥485,551 thousand in short-term borrowings, ¥115,366 thousand in current portion of long-term borrowings, and ¥571,978 thousand in long-term borrowings, and a decrease of ¥127,643 thousand in income taxes payable, among other reasons.

Total net assets at the end of the consolidated fiscal year under review decreased by ¥333,168 thousand from the end of the last consolidated fiscal year under review to ¥4,311,340 thousand because the net loss of ¥134,966 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 ¥318,702 thousand from the end of the last consolidated fiscal year to ¥1,937,333 thousand. The status of the current fiscal year's cash flows 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 ¥482,422 thousand. This is mostly because we paid income taxes of ¥280,472 thousand, whereas we recorded net profit of ¥17,270 thousand before taxes, depreciation of ¥300,161 thousand, impairment losses of ¥139,643 thousand, and a decrease of ¥105,880 thousand in inventories.

(Cash flows from investing activities)

Cash flows from investing activities for the consolidated fiscal year under review added up to an expenditure of ¥586,267 thousand. This is mostly because we recorded ¥210,518 thousand in purchase of shares of subsidiaries resulting in change in scope of consolidation, ¥222,246 thousand in purchase of property, plant and equipment to establish new stores, and ¥78,220 thousand in purchase of intangible assets.

(Cash flows from financing activities)

Cash flows from financing activities for the consolidated fiscal year under review added up to an income of ¥422,445 thousand. This is mostly because we recorded ¥561,397 thousand in repayments of long-term borrowings and ¥113,255 thousand in dividends paid, whereas we also recorded ¥820,000 thousand in proceeds from long-term borrowings and ¥350,584 thousand in income from short-term borrowings.

(Reference) Changes in cash flow-related indicators

	Year ended Feb. 29, 2020	Year ended Feb. 28, 2021
Equity capital ratio (%)	49.1	41.1
Equity capital ratio based on market value (%)	83.9	94.9
Cash flow-to-interest-bearing debt ratio (annual)	4.1	7.9
Interest coverage ratio (times)	145.6	72.4

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

Although the impact of the spread of the coronavirus remains uncertain, the Group plans to continue active investments for medium- and long-term growth.

We have set the Group-wide goal of opening 15 to 20 new stores–our largest-ever target–during the fiscal year ending February 28, 2022. As for overseas operation, we plan to open stores in Taiwan where we established a local subsidiary in April 2021. We will also continue to enhance our operations through information technology and the internet with an eye to digital transformation (DX). We plan to systematically raise more than ¥100 million in total for these efforts, which we consider growth investments.

We estimated figures for our full-year results forecast on the assumption that these growth investments will be made. Consequently, as results forecast for the fiscal year ending February 28, 2022, we project net sales at ¥22,636 million (up 20.8 percent year on year), operating profit at ¥804 million (up 652.2 percent year on year), ordinary profit at ¥818 million (up 367.6 percent year on year), and profit attributable to owners of parent at ¥537 million.

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 (February 29, 2020)	Current Consolidated Fiscal Year (February 28, 2021)
Assets		
Current assets		
Cash and deposits	1,627,037	1,994,170
Accounts receivable - trade	481,014	548,801
Merchandise	3,362,147	3,568,686
Supplies	7,508	11,143
Other	390,706	505,778
Total current assets	5,868,413	6,628,580
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	941,539	948,213
Land	141,555	446,949
Construction in progress	232	19,586
Other, net	258,360	187,123
Total property, plant and equipment	1,341,688	1,601,872
Intangible assets		
Goodwill	193,988	169,885
Other	84,577	121,662
Total intangible assets	278,565	291,547
Investments and other assets		
Investment securities	53,130	7,606
Long-term loans receivable	3,387	220
Deferred tax assets	229,466	223,628
Leasehold and guarantee deposits	1,475,169	1,541,401
Other	129,280	122,698
Total investments and other assets	1,890,435	1,895,555
Total non-current assets	3,510,689	3,788,975
Total assets	9,379,103	10,417,555

(Thousands of Yen)

	Previous Consolidated Fiscal Year (February 29, 2020)	Current Consolidated Fiscal Year (February 28, 2021)
Liabilities		
Current liabilities		
Accounts payable - trade	50,125	61,452
Short-term borrowings	1,187,436	1,672,987
Current portion of long-term borrowings	484,924	600,290
Income taxes payable	196,400	68,756
Provision for bonuses	244,237	273,882
Provision for shareholder benefit program	5,484	4,198
Provision for sales returns	20,076	18,822
Provision for point card certificates	37,824	50,376
Other	1,025,975	1,235,194
Total current liabilities	3,252,483	3,985,961
Non-current liabilities		
Long-term borrowings	942,617	1,514,595
Asset retirement obligations	503,911	583,214
Other	35,581	22,444
Total non-current liabilities	1,482,110	2,120,254
Total liabilities	4,734,594	6,106,215
Net assets		
Shareholders' equity		
Share capital	521,183	521,183
Capital surplus	456,183	456,183
Retained earnings	3,872,603	3,624,479
Treasury shares	(241,113)	(317,732)
Total shareholders' equity	4,608,857	4,284,113
Cumulative amount of other comprehensive income		
Foreign currency translation adjustment	(1,892)	31
Total cumulative amount of other comprehensive income	(1,892)	31
Share acquisition rights	6,619	—
Non-controlling interests	30,925	27,194
Total net assets	4,644,509	4,311,340
Total liabilities and net assets	9,379,103	10,417,555

(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, 2019 to February 29, 2020)	Current Consolidated Fiscal Year (from March 1, 2020 to February 28, 2021)
Net sales	19,123,188	18,735,893
Cost of sales	7,300,462	7,366,405
Gross profit	11,822,725	11,369,487
Provision for sales returns	20,076	18,822
Reversal of provision for sales returns	20,713	20,076
Net gross profit	11,823,362	11,370,741
Selling, general and administrative expenses	10,884,317	11,263,861
Operating profit	939,045	106,879
Non-operating income		
Interest income	608	568
Vending machine income	11,629	10,096
Foreign exchange gains	—	272
Subsidy income	4,852	36,065
Financial support income	23,069	—
Proceeds from sales of abandoned goods	8,161	578
Other	15,105	27,783
Total non-operating income	63,426	75,364
Non-operating expenses		
Interest expenses	4,368	6,339
Foreign exchange losses	2,163	—
Other	2,386	966
Total non-operating expenses	8,918	7,306
Ordinary profit	993,554	174,938
Extraordinary income		
Gain on reversal of share acquisition rights	—	6,619
Compensation income	29,542	—
Gain on bargain purchase	—	30,658
Total extraordinary income	29,542	37,277
Extraordinary losses		
Loss on retirement of non-current assets	2,153	3,505
Impairment losses	264,900	139,643
Loss on valuation of investment securities	—	45,523
Loss on cancellation of rental contracts	—	6,272
Total extraordinary losses	267,053	194,945
Profit before income taxes	756,042	17,270
Income taxes - current	295,557	131,086
Income taxes - deferred	(56,506)	24,880
Total income taxes	239,051	155,967
Profit (loss)	516,990	(138,696)
Profit (loss) attributable to non-controlling interests	1,062	(3,730)
Profit (loss) attributable to owners of parent	515,928	(134,966)

(Consolidated statement of comprehensive income)

(Thousands of Yen)

	Previous Consolidated Fiscal Year (from March 1, 2019 to February 29, 2020)	Current Consolidated Fiscal Year (from March 1, 2020 to February 28, 2021)
Profit (loss)	516,990	(138,696)
Other comprehensive income		
Foreign currency translation adjustment	(1,636)	1,923
Total of other comprehensive income	(1,636)	1,923
Comprehensive income	515,354	(136,772)
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of parent	514,292	(133,042)
Comprehensive income attributable to non-controlling interests	1,062	(3,730)

(3) Statement of Changes in Equity

Previous consolidated fiscal year (from March 1, 2019 to February 29, 2020)

(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	3,549,042	(241,113)	4,285,296
Changes during period					
Dividends of surplus			(192,368)		(192,368)
Profit (loss) attributable to owners of parent			515,928		515,928
Net changes in items other than shareholders' equity					
Total changes during period	-	-	323,560	-	323,560
Balance at end of period	521,183	456,183	3,872,603	(241,113)	4,608,857

	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	(256)	(256)	-	13,360	4,298,400
Changes during period					
Dividends of surplus					(192,368)
Profit (loss) attributable to owners of parent					515,928
Net changes in items other than shareholders' equity	(1,636)	(1,636)	6,619	17,564	22,547
Total changes during period	(1,636)	(1,636)	6,619	17,564	346,108
Balance at end of period	(1,892)	(1,892)	6,619	30,925	4,644,509

Current 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)
Profit (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)
Profit (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

(4) Consolidated Statement of Cash Flows

(Thousands of Yen)

	Previous Consolidated Fiscal Year (from March 1, 2019 to February 29, 2020)	Current Consolidated Fiscal Year (from March 1, 2020 to February 28, 2021)
Cash flows from operating activities		
Profit before income taxes	756,042	17,270
Depreciation	302,995	300,161
Impairment losses	264,900	139,643
Amortization of goodwill	23,486	24,103
Gain on bargain purchase	—	(30,658)
Increase (decrease) in provision for bonuses	(1,675)	24,564
Increase (decrease) in provision for shareholder benefit program	943	(1,285)
Increase (decrease) in provision for point card certificates	2,914	855
Increase (decrease) in provision for sales returns	(637)	(1,253)
Loss (gain) on valuation of investment securities	—	45,523
Interest and dividend income	(648)	(608)
Financial support income	(23,069)	—
Interest expenses	4,368	6,339
Foreign exchange losses (gains)	(741)	1,822
Compensation income	(29,542)	—
Subsidy income	(4,852)	(36,065)
Gain on reversal of share acquisition rights	—	(6,619)
Loss (gain) on sales and retirement of non-current assets	2,153	3,505
Loss on cancellation of rental contracts	—	6,272
Decrease (increase) in trade receivables	(64,491)	(22,137)
Decrease (increase) in inventories	(320,029)	105,880
Increase (decrease) in trade payables	16,655	7,756
Increase (decrease) in accrued consumption taxes	31,684	60,874
Other	(2,043)	86,947
Subtotal	958,413	732,892
Interest and dividends received	648	604
Interest paid	(4,385)	(6,666)
Proceeds from compensation	29,542	—
Subsidies received	4,852	36,065
Income taxes paid	(350,702)	(280,472)
Net cash provided by (used in) operating activities	638,369	482,422
Cash flows from investing activities		
Purchase of investment securities	(53,130)	—
Purchase of property, plant and equipment	(330,860)	(222,246)
Purchase of intangible assets	(28,578)	(78,220)
Payments of leasehold and guarantee deposits	(126,862)	(70,530)
Proceeds from refund of leasehold and guarantee deposits	23,846	60,843
Purchase of shares of subsidiaries resulting in change in scope of consolidation	—	(210,518)
Other	(60,530)	(65,594)
Net cash provided by (used in) investing activities	(576,115)	(586,267)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	82,532	350,584
Proceeds from long-term borrowings	375,000	820,000
Repayments of long-term borrowings	(468,237)	(561,397)
Purchase of treasury shares	—	(76,619)
Dividends paid	(192,594)	(113,255)
Proceeds from issuance of share acquisition rights	6,619	—
Other	3,387	3,133
Net cash provided by (used in) financing activities	(193,293)	422,445
Effect of exchange rate change on cash and cash equivalents	(894)	101
Net increase (decrease) in cash and cash equivalents	(131,934)	318,702
Cash and cash equivalents at beginning of period	1,606,499	1,618,631

Increase in cash and cash equivalents resulting from inclusion of subsidiaries in consolidation	144,066	—
Cash and cash equivalents at end of period	1,618,631	1,937,333

(5) Notes on the Consolidated Financial Statements

(Notes on Going Concern Assumption)

N/A

(Changes in Presentation Methods)

(Consolidated Statement of Cash Flows)

"Increase (decrease) in accrued consumption taxes" that was included in "Other" under "Cash flows from operating activities" during the previous consolidated fiscal year is separately shown from the current consolidated fiscal year onward as the amount of it has grown in importance. We have reclassified the consolidated financial statements for the previous consolidated fiscal year in order to incorporate this change in presentation methods.

As a result, the ¥29,640 thousand shown in "Other" under "Cash flows from operating activities" in the consolidated statement of cash flows for the last consolidated fiscal year has been reclassified as ¥31,684 thousand in "Increase (decrease) in accrued consumption taxes" and (¥2,043 thousand) in "Other."

(Related to Business Combination)

(1) Overview of business combination

[1] Name of the acquired enterprise and description of its business

Name of the acquired enterprise: K.K. Pick Up Japan

Business description: Operation of general reuse stores and pawn shops

[2] Main reason for carrying out the business combination

We decided to acquire Pick Up Japan's shares because we believe that Pick Up Japan, a well-known business with 12 directly-managed stores in Shizuoka Prefecture, has affinity with Treasure Factory, which will likely lead to business synergy in the course of our efforts toward the growth of our reuse business.

[3] Date of the business combination

December 31, 2020 (deemed date of acquisition)

[4] Legal form of the business combination

Share acquisition in consideration of cash

[5] Name of the combined enterprise

No change

[6] Share of voting rights acquired

100%

[7] Main grounds for the decision on the acquired enterprise

We obtained 100 percent of voting rights through share acquisition.

(2) Period of performance of the acquired enterprise in the consolidated financial statements

From January 1, 2021 to February 28, 2021

(3) Acquisition cost for the acquired enterprise, and the breakdown by type of consideration

Consideration for the acquisition: ¥440,314 thousand in cash

Acquisition cost: ¥440,314 thousand

(4) Details and amount of major expenses related to acquisition

Remuneration and fees for external advisory services: ¥47,877 thousand

(5) Amount and cause of negative goodwill

[1] Amount of negative goodwill

¥30,658 thousand

[2] Cause

The net amounts of the assets and liabilities we accepted surpassed the acquisition cost, and thus we recognized the difference as gain on bargain purchase.

(6) Amount of assets accepted and liabilities assumed on the date of the business combination, and major breakdown thereof

Current assets: ¥831,500 thousand

Non-current assets: ¥487,756 thousand

Total assets: ¥1,319,257 thousand

Current liabilities: ¥413,614 thousand

Non-current liabilities: ¥434,670 thousand

Total liabilities: ¥848,284 thousand

(7) Estimated amounts of influence that would be exerted on the consolidated statement of income for the current consolidated fiscal year if the business combination is assumed to have been completed on the day of commencement of the consolidated fiscal year, and the calculation method thereof

Net sales: ¥1,747,537 thousand

Operating profit: ¥60,465 thousand

Ordinary profit: ¥52,930 thousand

(Method for calculating the estimated amounts)

The estimated amounts of influence are differences between the net sales, along with profit and loss information, calculated on the assumption that the business combination has been completed on the day of commencement of the consolidated fiscal year, and the figures in the acquired enterprise's consolidated statement of income. This note has not received audit certification.

(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 eight 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 rental business and information system business.

2. Methods for the calculation of the amount 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 transfer 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, 2019 to February 29, 2020)

(Thousands of Yen)

	Reporting segment	Other (Note 1)	Total	Adjustment amount (Note 2)	Amount reported in the consolidated financial statements (Note 3)
	Reuse business				
Net sales					
Sales to external customers	18,556,217	566,970	19,123,188	—	19,123,188
Internal sales or transfer between segments	—	23,421	23,421	(23,421)	—
Total	18,556,217	590,392	19,146,610	(23,421)	19,123,188
Segment's profit (loss)	1,997,649	70,699	2,068,348	(1,129,302)	939,045
Segment's assets	7,808,211	171,841	7,980,052	1,399,050	9,379,103
Depreciation	247,612	39,937	287,550	15,445	302,995
Amortization of goodwill	16,696	6,789	23,486	—	23,486

(Note 1) "Other" refers to the business segments not included in the reporting segments, such as the rental and information system 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, 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, 2020 to February 28, 2021)

(Thousands of Yen)

	Reporting segment	Other (Note 1)	Total	Adjustment amount (Note 2)	Amount reported 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 transfer 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	8,899,878	98,006	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, 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.

[Related Information]

Previous consolidated fiscal year (from March 1, 2019 to February 29, 2020)

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 in the net sales in the consolidated statement of income.

Current 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 in 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, 2019 to February 29, 2020)

(Thousands of Yen)

	Reporting segment	Other	Total	Adjustment amount	Total
	Reuse business				
Impairment losses	264,900	—	264,900	—	264,900

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

(Thousands of Yen)

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

[Information about the amortization of goodwill and the unamortized balance for each reporting segment]
Previous consolidated fiscal year (from March 1, 2019 to February 29, 2020)

(Thousands of Yen)

	Reporting segment	Other	Total	Adjustment amount	Total
	Reuse business				
Balance at end of period	126,706	67,282	193,988	—	193,988

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

Current 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.”

[Information about gain on bargain purchase for each reporting segment]
We recorded the gain on bargain purchase of ¥30,658 thousand in “Reuse business.” This is because we acquired shares in K.K. Pick Up Japan so that the company would become our consolidated subsidiary.

(Per Share Information)

	Previous Consolidated Fiscal Year (from March 1, 2019 to February 29, 2020)	Current Consolidated Fiscal Year (from March 1, 2020 to February 28, 2021)
Net assets per share	¥407.13	¥382.08
Earnings (loss) per share	¥45.59	(¥11.94)
Diluted profit per share	¥—	¥—

(Notes) 1. Diluted profit per share for the current consolidated fiscal year is omitted because no potential shares exist.

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

	Previous Consolidated Fiscal Year (February 29, 2020)	Current Consolidated Fiscal Year (February 28, 2021)
Total net assets (thousand yen)	4,644,509	4,311,340
Deductions from total net assets (thousand yen)	37,544	27,194
(Share acquisition rights (thousand yen))	(6,619)	(—)
(Non-controlling interests (thousand yen))	(30,925)	(27,194)
Net assets attributable to common shares at end of period (thousand yen)	4,606,965	4,284,145
Number of common shares at end of period used in calculation of net assets per share (shares)	11,315,769	11,212,669

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

	Previous Consolidated Fiscal Year (from March 1, 2019 to February 29, 2020)	Current Consolidated Fiscal Year (from March 1, 2020 to February 28, 2021)
Earnings (loss) per share		
Profit (loss) attributable to owners of parent (thousand yen)	515,928	(134,966)
Amount not attributable to ordinary shareholders (thousand yen)	—	—
Profit (loss) attributable to owners of parent pertaining to common shares (thousand yen)	515,928	(134,966)
Average number of common shares issued during the period (shares)	11,315,769	11,304,944

(Material Post-Balance Sheet Events)

Grant of share acquisition rights (paid stock options)

At the Board of Directors' meeting held on April 14, 2021, we resolved to issue share acquisition rights (paid stock options).

(1) Objective of issuing share acquisition rights

We decided to issue paid share acquisition rights to our directors and employees in order to further boost their motivation and morale so that they will be even more committed to enhancing our performance as we work to raise the medium- to long-term corporate value of the Treasure Factory Group.

(2) Detail on the issuance of share acquisition rights

[1] Number of share acquisition rights: 7,700
[2] Issue price: ¥379 per share acquisition right
[3] Closing date for application: April 26, 2021
[4] Date of allotment of share acquisition rights: April 30, 2021
[5] Closing date for payment: April 30, 2021

(3) Detail on the share acquisition rights

[1] Type and number of shares for the share acquisition rights: 770,000 common shares (100 shares per share acquisition right)
[2] Exercise price: ¥1,058 per share
[3] Total value of the rights issued: ¥817,578,300

(4) Exercise period: June 1, 2022 - May 31, 2024

(5) Conditions for exercise

[1] Holders of the share acquisition rights may exercise the number of those rights that corresponds to the ratio specified for the share acquisition rights allotted to them (hereinafter referred to as an "exercisable ratio") from the 1st of the following month of the date of submission of the annual securities report for the fiscal year ending February 28, 2022 only when the reference index (which refers to the amount calculated by adding the depreciation, amortization of goodwill, and compensation and fees for external advisory services at the time of M&A shown in the consolidated statement of cash flows to ordinary profit in our audited consolidated statement of income; the same shall apply hereinafter) for the fiscal year ending February 28, 2022 meets the conditions specified in (a) and (b) below. If share-based remuneration expenses related to these share acquisition rights are recorded when the reference index mentioned above is decided, the decision is made on the modified reference index before deduction of the share-based remuneration expenses from which the impact of this recording is excluded. If any material changes are made to the concept of the index that should be referred to when the International Financial Reporting Standards are applied or in any other situation, the Board of Directors shall determine the index that should be referred to separately. If a fraction of less than one occurs in the number of exercisable share acquisition rights, the fraction shall be rounded down.

(a) When the reference index for the fiscal year ending February 28, 2022 is ¥1,070 million or more, the exercisable ratio is 50 percent.

(b) When the reference index for the fiscal year ending February 28, 2022 is ¥1,189 million or more, the exercisable ratio is 50 percent.

[2] A holder of the share acquisition rights must be a director, auditor, or employee of Treasure Factory or its affiliated company (which refers to the affiliated company defined in the Regulation on Terminology, Forms, and Preparation Methods of Financial Statements) at the time of exercising these share acquisition rights. Note, however, that this does not apply when the holder has retired because the term of office has expired or they have reached the mandatory retirement age, or when there is any other just cause.

[3] These share acquisition rights may not be exercised by the heir of any holder of the share acquisition rights.

[4] When the total number of our shares issued and outstanding surpasses the number of authorized shares as the share acquisition rights are exercised, these share acquisition rights may not be exercised.

[5] Less than one of these share acquisition rights may not be exercised.

(6) Matters regarding an increase in share capital and legal capital surplus

[1] An increase in share capital when shares are issued through the exercise of share acquisition rights shall be half of the maximum amount of increase in the share capital, etc., calculated according to Article 17, paragraph 1 of the Regulation on Corporate Accounting. When a fraction of less than ¥1 occurs as a result of calculation, the fraction shall be rounded up.

[2] An increase in legal capital surplus when shares are issued through the exercise of share acquisition rights shall be the amount calculated by subtracting the increase in share capital specified in [1] above from the maximum amount of increase in the share capital, etc., stated in [1] above.

(7) Receivers of the allotted share acquisition rights; numbers of the receivers and share acquisition rights

4 directors of Treasure Factory, 4,900 share acquisition rights
55 employees of Treasure Factory, 2,800 share acquisition rights