



Financial Summary for the First Six Months of the Fiscal Year Ending February 28, 2015 **(Japanese Accounting Standards) (Non-consolidated)**

October 10, 2014

Company name	Treasure Factory Co., Ltd.	Listings	The First Section of the Tokyo Stock Exchange
Securities code	3093	URL	http://www.treasurefactory.co.jp/
Representative	President & CEO, Eigo Nosaka		
Contact	Director, General Manager of Administration Dept., Eiji Kobayashi		
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Scheduled dates:			
Submission of statutory quarterly financial report	October 10, 2014		
Commencement of dividend payments	—		
Supplementary documents for quarterly results	Yes		
Quarterly results briefing	Yes (for institutional investors and analysts)		

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

1. Results for the first six months of the fiscal year ending February 28, 2015 (March 1, 2014 to August 31, 2014)

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

	Net sales		Operating income		Ordinary income		Net income	
	million yen	%	million yen	%	million yen	%	million yen	%
Six months ended Aug. 31, 2014	4,918	16.2	428	55.3	444	54.3	243	53.3
Six months ended Aug. 31, 2013	4,231	12.5	276	1.7	287	4.0	159	3.1

	Net income per share	Diluted net income per share
	yen	yen
Six months ended Aug. 31, 2014	43.92	43.06
Six months ended Aug. 31, 2013	28.77	28.50

On September 1, 2014, the Company conducted a 2-for-1 stock split. The figures above are on the assumption that the stock split had been conducted at the beginning of the previous fiscal year.

(2) Financial position

	Total assets	Net assets	Equity capital ratio
	million yen	million yen	%
As of Aug. 31, 2014	4,403	2,628	59.6
As of February 28, 2014	4,184	2,434	58.2

(Reference) Shareholders' equity: As of August 31, 2014: 2,623 million yen
As of February 28, 2014: 2,434 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. 28, 2014	—	0.00	—	20.00	20.00
Year ending Feb. 28, 2015	—	0.00			
Year ending Feb. 28, 2015 (forecast)			—	11.00	11.00

(Note) Revisions to dividend projection published most recently: None

On September 1, 2014, the Company conducted a 2-for-1 stock split. The dividend per share for the year ending February 28, 2015 (forecast) is based on the number of shares after the stock split.

3. Results forecast for the fiscal year ending February 28, 2015 (March 1, 2014 to February 28, 2015)

(Percentage figures represent changes from the corresponding period of the previous fiscal year)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	million yen	%	million yen	%	million yen	%	million yen	%	yen
Full year	10,111	10.8	740	4.3	753	3.1	436	4.5	78.46

(Note) Revisions to dividends projections published most recently: None

On September 1, 2014, the Company conducted a 2-for-1 stock split. The net income per share is calculated based on the number of shares after the stock split.

* Notes

(1) Adoption of accounting unique to the preparation of quarterly financial statements: None

(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 the above:	None
[3] Changes in accounting estimates:	None
[4] Revisions and restatements:	None

(3) Number of shares issued and outstanding (common stock)

[1] Number of shares issued at period-end (including treasury stock)

As of Aug. 31, 2014:	5,559,600 shares	As of Feb. 28, 2014:	5,553,200 shares
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[2] Treasury stock at period-end

As of Aug. 31, 2014:	148 shares	As of Feb. 28, 2014:	148 shares
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[3] Average number of shares issued

As of Aug. 31, 2014:	5,554,595 shares	As of Aug. 31, 2013:	5,530,808 shares
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(Note) On September 1, 2014, the Company conducted a 2-for-1 stock split. The number of shares issued and outstanding (common stock) is calculated on the assumption that the stock split had been conducted at the beginning of the previous fiscal year.

* Status of quarterly review

Although a quarterly review is not required for this financial summary under the Financial Instruments and Exchange Act, it had been carried out by the time of publication of this financial summary.

* Explanation on the proper use of the results forecast and additional information

1. The results forecast above is based on information available at the time of publication of this financial summary. Actual results may differ from the forecast due to a range of factors.
For further information on the results forecast, please refer to Explanation on Results Forecasts on page 3 of the accompanying materials.
2. On September 1, 2014, the Company conducted a 2-for-1 stock split. The number of shares issued and outstanding (common stock) is calculated on the assumption that the stock split had been conducted at the beginning of the previous fiscal year.
3. The number of shares issued and outstanding has increased 6,400 as a result of the issuance of new shares associated with the exercise of subscription rights to shares in July 2014. The forecast net income per share in the fiscal year ending February 28, 2015 is calculated based on an expected average number of shares issued and outstanding for the fiscal year, 5,557,003, including the increase (6,400 shares).

Accompanying Materials — Contents

1. Qualitative Information on the Financial Results for the First Six Months of the Fiscal Year Ending February 28, 2015.....	2
(1) Description of Operating Results	2
(2) Description of Financial Position	2
(3) Explanation on Results Forecasts	3
2. Matters Related to Summary Information (Notes)	3
(1) Adoption of accounting unique to quarterly financial statements	3
(2) Changes in accounting policies and changes or restatements of accounting estimates	3
3. Quarterly Financial Statements	4
(1) Quarterly Balance Sheets	4
(2) Quarterly Statements of Income	6
First six months	6
(3) Quarterly Statement of Cash Flows.....	7
(4) Notes on Quarterly Financial Statements	8
(Notes on the going concern assumption)	8
(Notes if there is a significant change in the amount of equity capital)	8
(Segment information)	8
(Significant subsequent events).....	8

1. Qualitative Information on the Financial Results for the First Six Months of the Fiscal Year Ending February 28, 2015

(1) Description of Operating Results

During the first six months under review, corporate earnings in Japan improved, but due to the consumption tax hike in April and price hikes resulting from a weaker yen, the future of the Japanese economy was uncertain.

In this business environment, the Company's results did not suffer many adverse effects from the consumption tax hike, and existing-store (stores that had opened by the end of February 2013; the same applies hereinafter) sales, especially the sales of clothing, fashion goods, home appliances, and furniture, were strong.

In the first six months, sales rose significantly. Sales at all stores climbed 16.2% year on year, and existing-store sales increased 7.9%. The cost of purchased goods rose 9.8%. Purchases from general customers climbed 7.9%, and existing-store purchases from general customers went up 1.4%.

By product category, sales of home appliances and furniture rose 19.5% and 18.5%, respectively. The main factor in the increase was the stable inventory of home appliances and furniture due to an increase in large-lot purchases following the relocation and expansion of the distribution center in June last year. Clothing and fashion goods continued to sell well. Sales of clothing and fashion goods rose 18.5%.

As for store openings, two directly-managed Treasure Factory stores, general reuse stores, opened for business in Kishiwada, Osaka Prefecture and in Yao, Osaka Prefecture, and a directly-managed Treasure Factory Style store, a reuse store specializing in fashion goods, opened in Shinagawa-ku, Tokyo. As of August 31, 2014, the Company directly operated 72 stores: 49 Treasure Factory stores, 22 Treasury Factory Style stores, and 1 UseLet. In addition, the Company operated 4 franchises. Overall the Company operated 76 stores.

Looking at profits, the gross profit percentage rose 0.1 percentage points year on year, to 66.2%. The existing-store gross profit percentage climbed 0.3 percentage points, to 66.4%. The gross profit percentage-net went up 0.1 percentage points, to 66.1%.

The selling, general and administrative expenses ratio declined 2.0 percentage points, to 57.4%. The operating income percentage rose 2.2 percentage points year on year, to 8.7%. The ordinary income percentage increased 2.2 percentage points, to 9.0%.

Reflecting the results above, in the first six months under review, net sales, operating income, and ordinary income stood at 4,918,275,000 yen (up 16.2% year on year), 428,973,000 yen (up 55.3%), and 444,338,000 yen (up 54.3%), respectively. Net income was 243,933,000 yen (up 53.3%).

(2) Description of Financial Position

Total assets at the end of the first six months under review rose 218,660,000 yen from the end of the previous fiscal year, to 4,403,086,000 yen, chiefly reflecting a 106,770,000 yen increase in merchandise and a 77,080,000 yen rise in lease and guarantee deposits.

Total liabilities increased 24,177,000 yen, to 1,774,335,000 yen. The main factors were a 24,991,000 yen increase in provision for bonuses and a 41,855,000 yen decrease in long-term loans payable.

Net assets climbed 194,482,000 yen from the end of the previous fiscal year, to 2,628,750,000 yen due to a net income of 243,933,000 yen among other factors.

(Analysis of cash flows)

Cash and cash equivalents at the end of the first six months under review declined 36,476,000 yen from the end of the previous fiscal year, to 816,928,000 yen.

The situation and factors for each category of cash flow are as follows:

(Cash flows from operating activities)

Net cash provided by operating activities in the first six months under review stood at 332,031,000 yen (compared with net cash provided of 131,516,000 yen in the first six months of the previous fiscal year), chiefly reflecting income before income taxes of 442,745,000 yen and depreciation of 81,778,000 yen, which more than offset cash outflows, including an increase in inventories of 106,929,000 yen and income taxes paid of 193,669,000 yen.

(Cash flows from investing activities)

Net cash used in investing activities came to 214,340,000 yen (compared with net cash used of 158,448,000 yen in the first six months of the previous fiscal year) mainly due to the purchase of property, plant and equipment of 113,756,000 yen associated primarily with new store openings and payments for lease and guarantee deposits of 84,431,000 yen.

(Cash flows from financing activities)

Net cash used in financing activities was 154,167,000 yen (compared with net cash used of 55,939,000 yen in the first six months of the previous fiscal year). The main factors were repayments of long-term loans payable of 66,194,000 yen and cash dividends paid of 55,633,000 yen.

(3) Explanation on Results Forecasts

The results forecast for the fiscal year ending February 28, 2015 that was published on April 11, 2014 remains unchanged.

2. Matters Related to Summary Information (Notes)

(1) Adoption of accounting unique to quarterly financial statements

Not applicable

(2) Changes in accounting policies and changes or restatements of accounting estimates

Not applicable

3. Quarterly Financial Statements

(1) Quarterly Balance Sheets

(Thousand yen)

	Previous fiscal year (February 28, 2014)	First six months under review (August 31, 2014)
Assets		
Current assets		
Cash and deposits	866,810	830,334
Accounts receivable - trade	90,242	117,676
Merchandise	1,232,362	1,339,132
Other	275,677	284,005
Total current assets	2,465,092	2,571,149
Non-current assets		
Property, plant and equipment		
Buildings, net	580,066	605,946
Land	141,555	141,555
Other, net	180,595	177,680
Total property, plant and equipment	902,217	925,183
Intangible assets	11,731	9,005
Investments and other assets		
Lease and guarantee deposits	677,571	754,651
Other	127,813	143,097
Total investments and other assets	805,384	897,748
Total non-current assets	1,719,332	1,831,937
Total assets	4,184,425	4,403,086
Liabilities		
Current liabilities		
Accounts payable - trade	23,021	28,651
Short-term loans payable	378,000	340,000
Current portion of long-term loans payable	119,694	95,355
Income taxes payable	206,749	222,674
Provision for bonuses	120,457	145,448
Provision for sales returns	18,192	21,351
Provision for point card certificates	32,964	31,368
Asset retirement obligations	—	2,552
Other	443,461	515,507
Total current liabilities	1,342,540	1,402,909
Non-current liabilities		
Long-term loans payable	189,902	148,047
Asset retirement obligations	217,715	223,379
Total non-current liabilities	407,617	371,426
Total liabilities	1,750,158	1,774,335

(Thousand yen)

	Previous fiscal year (February 28, 2014)	First six months under review (August 31, 2014)
Net assets		
Shareholders' equity		
Capital stock	367,043	367,443
Capital surplus	302,043	302,443
Retained earnings	1,765,289	1,953,692
Treasury shares	-109	-109
Total shareholders' equity	2,434,267	2,623,470
Subscription rights to shares	—	5,280
Total net assets	2,434,267	2,628,750
Total liabilities and net assets	4,184,425	4,403,086

(2) Quarterly Statements of Income
(First six months)

(Thousand yen)

	Previous first six months (from March 1, 2013 to August 31, 2013)	First six months under review (from March 1, 2014 to August 31, 2014)
Net sales	4,231,163	4,918,275
Cost of sales	1,434,593	1,663,064
Gross profit	2,796,570	3,255,211
Reversal of provision for sales returns	14,242	18,192
Provision for sales returns	20,312	21,351
Gross profit - net	2,790,500	3,252,052
Selling, general and administrative expenses	2,514,230	2,823,079
Operating income	276,270	428,973
Non-operating income		
Interest income	62	88
Income from vending machines	6,231	7,720
Subsidy income	3,000	—
Other	4,915	9,901
Total non-operating income	14,209	17,711
Non-operating expenses		
Interest expenses	2,436	1,906
Other	54	439
Total non-operating expenses	2,490	2,345
Ordinary income	287,988	444,338
Extraordinary losses		
Loss on retirement of non-current assets	259	978
Loss on valuation of investment securities	—	615
Total extraordinary losses	259	1,593
Income before income taxes	287,729	442,745
Income taxes - current	137,800	209,600
Income taxes - deferred	-9,199	-10,788
Total income taxes	128,600	198,811
Net income	159,129	243,933

(3) Quarterly Statement of Cash Flows

(Thousand yen)

	Previous first six months (from March 1, 2013 to August 31, 2013)	First six months under review (from March 1, 2014 to August 31, 2014)
Cash flows from operating activities		
Income before income taxes	287,729	442,745
Depreciation	76,543	81,778
Amortization of goodwill	771	771
Increase (decrease) in provision for bonuses	15,459	24,991
Increase (decrease) in provision for shareholder benefit program	-3,069	-3,599
Increase (decrease) in provision for point card certificates	3	-1,596
Increase (decrease) in provision for sales returns	6,069	3,158
Interest and dividend income	-62	-88
Interest expenses	2,436	1,906
Loss on retirement of non-current assets	259	978
Loss (gain) on valuation of investment securities	-	615
Purchase of assets for lease	-4,860	-2,562
Decrease (increase) in notes and accounts receivable - trade	-3,387	-27,433
Decrease (increase) in inventories	-178,537	-106,929
Increase (decrease) in notes and accounts payable - trade	-7,019	5,630
Increase (decrease) in accounts payable - other	4,263	-6,145
Other	67,532	113,176
Subtotal	264,130	527,396
Interest and dividend income received	62	88
Interest expenses paid	-2,241	-1,783
Income taxes paid	-130,435	-193,669
Cash flows from operating activities	131,516	332,031
Cash flows from investing activities		
Purchase of property, plant and equipment	-97,455	-113,756
Purchase of intangible assets	-606	-682
Payments for lease and guarantee deposits	-54,844	-84,431
Proceeds from collection of lease and guarantee deposits	3,090	3,600
Purchase of long-term prepaid expenses	-7,760	-19,030
Payments for asset retirement obligations	-871	-
Other	-	-40
Cash flows from investing activities	-158,448	-214,340
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	11,200	-38,000
Proceeds from long-term loans payable	50,000	-
Repayments of long-term loans payable	-69,872	-66,194
Proceeds from issuance of common shares	500	800
Proceeds from issuance of subscription rights to shares	-	5,280
Cash dividends paid	-46,934	-55,633
Other	-833	-419
Cash flows from financing activities	-55,939	-154,167
Net increase (decrease) in cash and cash equivalents	-82,872	-36,476
Cash and cash equivalents at beginning of period	616,584	853,404
Cash and cash equivalents at end of period	533,712	816,928

(4) Notes on Quarterly Financial Statements
(Notes on the going concern assumption)
Not applicable

(Notes if there is a significant change in the amount of equity capital)
Not applicable

(Segment information)

The main business of the Company is the reuse business, and the Company does not have any other significant business segments. Segment information is therefore omitted.

(Significant subsequent events)

(Business transfer)

At a meeting of the Board of Directors held on September 30, 2014, the Company resolved to acquire the Brand Collect business of First The Wave Co., Ltd. and concluded a business transfer agreement on the same day. The Company plans to acquire the business on October 15, 2014.

(1) Outline of the business transfer

(i) Name and business of the company that will transfer the business

Name: First The Wave Co., Ltd.

Business: Brand Collect business (the reuse of fashion goods)

(ii) Main reason for the business transfer

The Company has decided to acquire the Brand Collect business, which is strong in the reuse of fashion goods on the Internet, to accelerate its Internet business and to strengthen its fashion business by adding a new type of business.

(iii) Date of business transfer

October 15, 2014

(iv) Legal form of business combination

Business acquisition

(2) Assets and liabilities to be acquired

The Company plans to acquire the current assets and non-current assets at a store and the Fulfillment Center, but the acquisition has not been settled yet.

(Stock split)

Under a resolution adopted at a meeting of the Board of Directors held on July 11, 2014, the Company conducted a stock split on September 1, 2014.

1. Purpose of the stock split

The purpose is to make investment in the company easier by reducing the price of the investment units of its stock and increasing the liquidity of the stock, thereby broadening its investor base.

2. Outline of the stock split

(1) Method of the stock split

The record date of the stock split was August 31, 2014. The Company split into two each common share held by shareholders stated or recorded in the final shareholder registry on the record date.

(2) Increase in the number of shares through the stock split

Number of issued shares before the stock split:	2,779,800
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Increase in the number of shares through the stock split:	2,779,800
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Number of issued shares after the stock split:	5,559,600
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Number of authorized shares after the stock split:	14,080,000
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(3) Schedule

Date of announcement of the record date:	August 14, 2014
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Record date:	August 31, 2014
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Effective date:	September 1, 2014
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