Financial Summary for the Fiscal Year Ended February 28, 2015
(Japanese Accounting Standards) (Non-consolidated)

April 10, 2015

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		
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Scheduled dates:

Regular general shareholders' meeting:	May 27, 2015
Commencement of dividend payments	May 28, 2015
Submission of securities report:	May 27, 2015
Supplementary documents for financial results	Yes
Results briefing	Yes (for institutional investors and analysts)

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

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

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

	Net sales		Operating income		Ordinary income		Net income	
Fiscal year ended	million yen	%	million yen	%	million yen	%	million yen	%
Feb. 28, 2015	10,682	17.0	955	34.6	966	32.4	566	35.7
Feb. 28, 2014	9,129	14.3	709	12.9	730	14.2	417	12.3

	Net income per share	Diluted net income per share	Return on equity	Return on assets	Operating income to net sales
Fiscal year ended	yen	yen	%	%	%
Feb. 28, 2015	101.82	99.14	21.0	21.0	8.9
Feb. 28, 2014	75.37	74.70	18.6	18.8	7.8

(Reference) Equity in earnings of affiliates As of February 28, 2015: − million yen As of February 28, 2014: − million yen

On September 1, 2014, the Company conducted a 2-for-1 stock split. Net income per share and diluted net income per share stated are based on the assumption that the stock split was conducted at the beginning of the previous fiscal year.

(2) Financial position

	Total assets	Net assets	Equity capital ratio	Net assets per share
	million yen	million yen	%	yen
As of Feb. 28, 2015	5,040	2,955	58.5	527.20
As of Feb. 28, 2014	4,184	2,434	58.2	438.37

(Reference) Shareholders' equity: As of February 28, 2015: 2,950 million yen As of February 28, 2014: 2,434 million yen

On September 1, 2014, the Company conducted a 2-for-1 stock split. Net assets per share stated are based on the assumption that the stock split was conducted at the beginning of the previous fiscal year.

(3) Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at year end
Fiscal year ended	million yen	million yen	million yen	million yen
Feb. 28, 2015	883	-481	-115	1,139
Feb. 28, 2014	538	-288	-13	853

2. Dividends

	Dividend per share					Total dividend	Dividend payout ratio	Dividend on equity
	End of 1st quarter	End of 2nd quarter	End of 3rd quarter	Fiscal year end	Total			
Year ended	yen	yen	yen	yen	yen	million yen	%	%
Feb. 28, 2014	−	0.00	−	20.00	20.00	55	13.3	2.5
Feb. 28, 2015	−	0.00	−	18.00	18.00	100	17.7	3.7
Year ending Feb. 29, 2016 (forecast)	−	5.50	−	5.50	11.00		19.5	

On September 1, 2014, the Company conducted a 2-for-1 stock split. The Company is also scheduled to conduct a 2-for-1 stock split on June 1, 2015. For the year ending February 29, 2016 (forecast), the amount of dividends is based on the number of shares after this stock split. Please refer to 1. Analyses of Operating Results/Financial Position (3) Basic Policies on Profit Distribution and Dividends for the Current and Next Fiscal Year on page 5 of the accompanying materials.

3. Results forecast for the fiscal year ending February 29, 2016 (March 1, 2015 to February 29, 2016)

(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
First half	5,469	11.2	395	-7.9	401	-9.7	240	-1.3	21.44
Full year	11,853	11.0	1,039	8.7	1,052	8.8	631	11.4	56.38

The Company is scheduled to conduct a 2-for-1 stock split on June 1, 2015. Net income per share for the first six months of the year ending February 29, 2016 and for the full year are based on the number of shares after this stock split.

* Notes

(1) 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

(2) Number of shares issued and outstanding (common shares)

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

As of Feb. 28, 2015: 5,596,400 shares As of Feb. 28, 2014: 5,553,200 shares

[2] Treasury stock at period-end

As of Feb. 28, 2015: 148 shares As of Feb. 28, 2014: 148 shares

[3] Average number of shares issued

As of Feb. 28, 2015: 5,560,635 shares As of Feb. 28, 2014: 5,536,614 shares

* Implementation status of audit process

Although an audit process is not required for this financial summary under the Financial Instruments and Exchange Act, the process was being carried out as of the publication of this financial summary.

* 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 1. Analyses of Operating Results/Financial Position (1) Analysis of Operating Results (Outlook for next fiscal year) on page 3 of the accompanying materials.

Accompanying Materials ― Contents

1. Analysis of Operating Results/Financial Position

(1) Analysis of Operating Results

In the fiscal year ended February 28, 2015, an improvement in corporate earnings continued in Japan, centered on the exporting industry, but consumer sentiment weakened overall following a hike in the consumption tax in April. Meanwhile, positive factors for domestic consumption were also seen, such as active inbound consumption on the back of a weak yen.

Following the consumption tax hike in April, economically-minded consumers strengthened demand for second-hand items of household products, which resulted in a solid performance in the Company's Reuse Business, centered on existing stores.

In this business environment, the Company has continued to grow its business based on the management philosophy of providing people with pleasures, discoveries, and excitement and the four pillars of its business plan: (a) multiple store openings; (b) strengthening existing stores; (c) strengthening Internet-based transactions; and (d) new business development.

(a) Multiple store openings

The Company made headway with store openings in Kansai, which it started in the previous fiscal year, in addition to store openings in Tokyo. Specifically, it opened three General Reuse Stores in Osaka Prefecture as well as one reuse store specializing in fashion items, setting up a six-store structure in the Kansai region as of the end of the fiscal year under review. In terms of the number of store openings by type, the Company opened a total of nine stores, namely three General Reuse Stores Treasure Factory (directly managed); three Fashion Reuse Store Treasure Factory Style (directly managed); two Brand-Name Fashion Reuse Stores Brand Collect (directly managed); and one Sports and Outdoor Reuse Stores Treasure Factory Sports (directly managed). As a result, the Company operated a total of 82 stores as of the end of the fiscal year under review, consisting of directly-managed stores made up of 50 Treasure Factory stores, 24 Treasure Factory Style stores, two Brand Collect stores, one Treasure Factory Sports store and one UseLet (second-hand clothing outlet) store, and four Treasure Factory franchise stores.

(b) Strengthening existing stores

The Company purchases from dealers to supplement purchases from general customers. Purchases from dealers increased, centered on electric appliances and furniture, due to a distribution center, which relocated for expansion the previous fiscal year, being in operation for the full year under review. As for purchases from general customers, in addition to strong in-store purchases, which is the main procurement channel, growth was also seen in home-visit purchases, which are made by visiting a customer's home, and home-delivery purchases, which utilize nationwide home-delivery services. In addition, the relocation in November 2014 of the first ever Treasure Factory Style that opened, the Inage store (Inage-ku, Chiba, Chiba Prefecture), doubled the size of its sales floor, which in turn led to earnings growth. In terms of promotion for sales and purchases, the Company worked on creating a smartphone app for its point card, in addition to airing a commercial on television in the fall, which is a continued endeavor from last fiscal year.

(c) Strengthening Internet-based transactions

The Company strengthened sales via the Internet centered on Style Online, the Company's mail-order website, and Rakuten Ichiba Online Shop, which opened last fiscal year. In addition, mail order website Brand Collect, a business that specializes in a brand-named fashion items that the Company acquired through a transfer from another company, reopened in December 2014.

(d) New business development

Treasure Factory Sports, a new type of sports and outdoor goods store, opened its first store in September 2014 in Aoba-ku, Yokohama, in Kanagawa Prefecture. This store type specializes in sports and outdoor goods and its launch has been solid since the opening. In addition, the Company received the first Brand Collect store (Harajuku store) as a result of its transfer from another company and began its operation in October 2014. Brand Collect, as a type of store that specializes in brand-named fashion items, carries merchandise at a higher price range than the existing Treasure Factory Style store type. The second Brand Collect store opened on Takeshita Dori in Harajuku in January 2015.

For the fiscal year under review, sales at all stores rose 17.0% year on year, and existing-store (stores that were opened by the end of the fiscal year ended February 28, 2013; the same applies hereafter) sales increased 7.9%. By product category, sales of apparel climbed 19.3%, fashion items 17.1%, electric appliances 18.5% and furniture 17.6%, showing that major categories grew in a balanced manner. The cost of purchased items rose 18.8% year on year. Purchases from general customers grew by 14.8% and those for existing stores increased 6.7%.

Looking at profits, the gross profit ratio rose 0.2 percentage points year on year, to 65.4%, while the existing-store gross profit ratio increased 0.3 percentage points, to 65.6%. The gross profit ratio–net went up 0.3 percentage points, to 65.4%. Meanwhile, the selling, general and administrative expenses ratio declined by 1.0% percentage points, to 56.4%. As a result, the operating income ratio rose 1.1 percentage points year on year, to 8.9%, while the ordinary income ratio increased 1.1 percentage points, to 9.1%.

Reflecting the results above, for the fiscal year under review, net sales, operating income, and ordinary income stood at 10,682,286,000 yen (up 17.0% year on year), 955,645,000 yen (up 34.6%) and 966,769,000 yen (up 32.4%), respectively. Net income was 566,187,000 yen (up 35.7%).

(i) Actual cost of purchases by product type

Item	Purchase price (thousand yen)	Breakdown (%)	Year on year (%)
Daily sundries	328,866	8.3	115.5
Apparel	1,491,991	37.7	119.9
Fashion items	789,680	20.0	113.8
Electric appliances	803,509	20.3	129.9
Furniture	213,681	5.4	115.5
Hobby-related items	167,231	4.2	111.0
Other items	163,260	4.1	106.5
Total	3,958,221	100.0	118.8

(Notes) 1. The consumption tax is not included in the prices above.
2. Additional costs of purchase are included in Other items.
3. Transfer of goods with transfer of business (51,703,000 yen) are included in apparel and fashion items.

(ii) Actual sales by business and product type

Business	Item	Sales (thousand yen)	Breakdown (%)	Year on year (%)
Directly-managed businesses	Daily sundries	936,937	8.8	113.1
	Apparel	4,437,365	41.5	119.3
	Fashion items	1,938,881	18.2	117.1
	Electric appliances	1,963,333	18.4	118.5
	Furniture	825,329	7.7	117.6
	Hobby-related items	485,334	4.5	103.1
	Other items	8,953	0.1	67.1
	Subtotal	10,596,134	99.2	117.1
Franchise business		20,878	0.2	121.8
Other businesses		65,273	0.6	100.6
Total		10,682,286	100.0	117.0

(Notes) 1. The consumption tax is not included in the prices above.
2. The Franchise business includes, product sales, membership/consultation fees, royalties, etc.
3. Other businesses include rental/software sales, etc.

(Outlook for next fiscal year)

For next fiscal year, the Company will continue to open multiple stores of various types centered on Tokyo and the Kansai area. Net sales and gross profit ratio are expected to remain more or less at the same levels as the fiscal year under review. The number of stores scheduled for openings is expected to total 11 to 13, consisting of three to four stores each for general reuse store and Treasure Factory Style specialized fashion items store, in addition to one to two stores each for Brand Collect, Treasure Factory Sports and Uselet.

As for the results forecast for the fiscal year ending February 29, 2016, net sales are expected at 11,853 million yen (up 11.0% year on year), operating income at 1,039 million yen (up 8.7% year on year), ordinary income at 1,052 million yen (up 8.8% year on year) and net income at 631 million yen (up 11.4% year on year).

(2) Analysis of the Financial Position

(i) Status of assets, liabilities and net assets

Total assets as of the end of the fiscal year under review rose 855,575,000 yen from the end of the previous fiscal year to 5,040,000,000 yen. This was primarily due to an increase of 286,030,000 yen in cash and deposits, 267,046,000 yen in merchandise, and 111,152,000 yen in lease and guarantee deposits.

Total liabilities as of the end of the fiscal year under review increased 334,238,000 yen from the end of the previous fiscal year to 2,084,397,000 yen. This was mainly attributable to an increase of 103,733,000 yen in accrued consumption taxes, 71,029,000 yen in income taxes payable and 59,976,000 yen in accrued expenses.

Total net assets as of the end of the fiscal year under review increased 521,336,000 yen from the end of the previous fiscal year to 2,955,603,000 yen. This was mostly due to an increase of 566,187,000 yen in retained earnings as a result of net income as well as a decline of 55,530,000 yen from dividends of surplus.

(ii) State of cash flows

Cash and cash equivalents as of the end of the fiscal year under review increased 286,030,000 yen from the end of the previous fiscal year, to 1,139,435,000 yen. The situation and factors for each category of cash flows for the fiscal year under review are as follows:

(Cash flows from operating activities)

Net cash provided by operating activities during the fiscal year under review stood at 883,213,000 yen (compared with net cash provided of 538,938,000 yen during the previous fiscal year). This chiefly reflects cash inflows of income before income taxes of 959,015,000 yen and depreciation of 180,591,000 yen, which more than offset cash outflows, including income taxes paid of 351,631,000 yen and an increase in inventories of 214,423,000 yen.

(Cash flows from investing activities)

Net cash used in investing activities stood at 481,680,000 yen (compared with net cash used of 288,416,000 yen during the previous fiscal year). This was primarily due to the purchase of property, plant and equipment of 225,314,000 yen associated primarily with new store openings, payments for lease and guarantee deposits of 123,825,000 yen and payments for transfer of business of 100,873,000 yen.

(Cash flows from financing activities)

Net cash used in financing activities was 115,503,000 yen (compared with net cash used of 13,701,000 yen during the previous fiscal year). The main factors were proceeds from long-term loans payable of 80,000,000 yen and outflows resulting from repayments of long-term loans payable of 125,022,000 yen.

Indicators associated with the Company’s cash flows

	Fiscal year ended February 28, 2014	Fiscal year ended February 28, 2015
Equity capital ratio (%)	58.2	58.5
Equity capital ratio based on market value (%)	122.0	306.1
Ratio of interest-bearing debt to cash flows (year)	1.2	0.7
Interest coverage ratio (x)	117.7	254.7

Equity capital ratio: Shareholders’ equity/total assets

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

Ratio of interest-bearing debt to cash flows: Interest-bearing debt/operating cash flows

Interest coverage ratio: Operating cash flows/interest payments

(Note 1) Operating cash flows and interest payments used are cash flows from operating activities and interest expenses paid stated in the Statement of Cash Flows.

(Note 2) Interest-bearing debt includes all interest-bearing liabilities that are posted on the balance sheet.

(3) Basic Policy on Profit Distribution and Dividends for the Current and Next Fiscal Year

The Company considers passing on profits to shareholders as an important management issue and follows a basic policy of continuously paying out dividends in line with earnings by taking into consideration the balance between shareholder returns and strengthening of the financial foundation through the enhancement of internal reserves. The Company’s dividend payout ratio is targeted at 25% for the foreseeable future.

For the fiscal year under review, the dividend is expected to be 18 yen per share as the Company increased its ordinary dividends by 4 yen to 14 yen in view of the aforementioned dividend policy and healthy earnings, and the commemorative dividend of 4 yen to mark the change to the First Section of the Tokyo Stock Exchange.

Taking advantage of its listing on the First Section of the Tokyo Stock Exchange in December 2014, the Company decided to start paying out interim dividends next fiscal year to increase the number of occasions available to return profits to shareholders and to have the ability to pay out dividends in a flexible manner in line with earnings. Regarding dividends for next fiscal year, an annual dividend of 11 yen per share (5.5 yen for interim dividends, 5.5 yen for year-end dividends) is planned, given that a 2-for-1 stock split is scheduled for June 1, 2015. The annual dividends for next fiscal year would be 22 yen per share, which is effectively equal to a 4-yen hike in dividends (8-yen hike to ordinary dividends) based on the number of shares prior to the aforementioned stock split. The Company may review the amount of dividends in a timely manner based on earnings.

(4) Business Risks, etc.

Items that could pose potential risk factors in operating the Company’s businesses are listed below. The Company has also noted items it deems important for investors in making investment decisions from the standpoint of proactively disclosing information to investors that are otherwise not necessarily considered risks for the business. The Company’s policy, after recognizing the possible occurrence of the risks, is to strive to prevent these risks or deal with them in the event they occur. However, the Company believes that investment decisions regarding the Company’s shares should be made after careful consideration of items in this section as well as other items in this material.

Items related to future prospects are those that were determined by the Company as of the release of this material (April 10, 2015).

I. Businesses, etc.

(i) Purchasing second-hand items

Securing products in a reliable manner is positioned as an important matter in operating the Company’s business because unlike new products, adjusting the purchase volume of second-hand items is difficult. For this reason, the Company strives to secure merchandise consistently by diversifying its procurement channels, such as in-store purchases from general customers; home-visit purchases, which are made by visiting a customer’s home; home-delivery purchases; and also purchases from dealers that handle new and second-hand products.

That said, the Company’s earnings could be impacted if it cannot secure products in a steady manner due to a rise in purchasing prices and a lack of product availability due to reasons including economic trends or an emergence of competitors in the future.

(ii) Procurement risks of counterfeit products

The Company handles brand-name goods. Counterfeit products may be circulating regarding brand-name goods and thus such products could be brought into the Company as an item for procurement.

The Company is doing its utmost to prevent the circulation of counterfeit products by joining a private-sector organization, the purpose of which is to prevent and do away with the circulation of fake and fraudulent products; obtaining information on counterfeit items; creating an in-house manual to determine authenticity; and establishing a system that allows the sharing of information on authenticity.

However, pitfalls exist in terms of risks arising from counterfeit products and the Company’s earnings could be impacted in the event a major problem occurs and trust toward the Company’s stores weakens.

(iii) Developing franchise (FC) stores

The Company had concluded a franchise agreement with one company (four stores) as of the end of the fiscal year ended February 28, 2015. The Company has not been proactive with seeking new franchise stores and thus does not expect a major increase in profits from franchise store earnings going forward.

II. Store openings

(i) Opening/closing stores

Changes in the number of directly-managed stores during the most recent five years are as follows.

	Fiscal year ended February 28, 2011	Fiscal year ended February 29, 2012	Fiscal year ended February 28, 2013	Fiscal year ended February 28, 2014	Fiscal year ended February 28, 2015
New store openings (number of stores)	10	6	7	7	9
Store closings (number of stores)	1	—	—	—	—
Stores at end of FY (number of stores)	49	55	62	69	78

The Company, in selecting store openings, makes a decision based on property conditions, contract terms, population of the surrounding regions and their dynamics, transportation accessibility, the status of competitors, among other factors. For this reason, the Company's earnings could be impacted if it cannot secure a desirable property during the time it deems to be fitting. Also, the Company may have decided to close a store due to deteriorating earnings, among other reasons, or may be forced to close a store because of contract termination resulting from matters such as those related to a lessor, even if the store is delivering sounds earnings. For these reasons, the Company's earnings could get impacted as a result of impairment loss or loss on closing of stores.

(ii) Lease and guarantee deposits

The Company's basic policy is to develop stores by leasing properties for store openings. The Company pays lease and guarantee deposits to lessors when leasing properties, with this balance totaling 788,723,000 yen (15.6% of the amount for total assets) as of the end of the fiscal year ended February 28, 2015.

These lease and guarantee deposits are to be returned at the time the contracts are dissolved, but possibility exists that a portion or all of these deposits may not be returned as a result of the lessor's reasons. Also, a portion of the lease and guarantee deposits may not be returned depending on the details of a contract if the Company decides to break the lease contract based on its circumstances.

(iii) Dependence on interest-bearing debt

The Company procures a portion of funds associated with store openings in the form of loans from financial institutions. The amount of interest-bearing debt as of the end of the fiscal year ended February 28, 2015 stood at 638,081,000 yen, which equals 12.7% of the amount for total assets. The Company will not be affected by fluctuations in interest rates for a specific period of time because long-term loans are borrowed at fixed interest rates, but the Company's earnings could get impacted in the event interest rates rise due to economic conditions, etc. when it takes out a new loan in the future.

III. Legal regulations

(i) Regulations associated with the Secondhand Articles Dealer Act

The Company receives approval to operate its businesses from the public safety commission of each prefecture when opening stores as it handles merchandise that are specified as secondhand articles as per the Secondhand Articles Dealer Act. The Company thoroughly manages its ledgers for secondhand articles, has an internal manual in place in association with the Secondhand Articles Dealer Act and trains its employees, among other endeavors, in order to conduct its business appropriately in compliance with this Act. As of the release of this material, there are no grounds for rescission of the approval given to the Company, but if the Company violates a regulation provided for in the Act, its approval to conduct business may be revoked or its business suspended as a penalty, and as a result the Company's earnings could get impacted.

Further, if merchandise purchased by the Company is either a lost or stolen item, the Company will have to return the lost or stolen item to the victim or others, if it is within one year since the item was lost or stolen. In this event, losses will be generated.

(ii) Managing personal information

There are times when the Company obtains a customer's personal information when it purchases a product from them as per regulations stipulated by the Secondhand Articles Dealer Act. Also, there are times when the Company obtains personal information on customers or candidates for hiring through its website.

For this reason, the Company has worked on strengthening management of personal information by reinforcing its internal management structure through establishing internal regulations that stipulate rules for managing personal information as well as educating employees as a way to prevent unauthorized access by managing access of its network system. The Company will continue to strive to protect personal information in the future.

If personal information is leaked regardless of such measures, the Company's earnings could get impacted as a result of a loss in public trust, large amounts of expenses incurred to deal with the event, among other reasons.

(iii) Other legal regulations

The Act on Specified Commercial Transactions, the Building Standards Act, the Act on Recycling of Specified Kinds of Home Appliances, and the Waste Management and Public Cleansing Act are among the other laws that regulate and apply to the Company.

The Company's earnings could get impacted in the event new costs are incurred in association with an amendment to various laws and regulations, such as expanding the scope of standards that apply to social insurance for part-time workers.

IV. Business structure

(i) Securing and cultivating human resources

The Company is working on securing human resources as well as cultivating them in line with the expansion in the number of stores, but the Company's earnings could get impacted if it faces difficulty in developing its stores due to an inability to secure sufficient human resources or when cultivation of human resources that are in line with store openings do not proceed as planned.

V. Other

(i) Natural disasters

Out of the 82 stores as of the end of the fiscal year ended February 28, 2015, 72 of the stores are located in Tokyo. For this reason, the Company's earnings could get greatly impacted in the event the Company incurs physical and human losses due to an earthquake, storm and flood damage (storm, downpour, flooding, tsunami), excessive heat or heat wave, heavy snows, volcanic eruptions and other abnormal natural phenomena in Tokyo.

Also, the Company earnings could get greatly impacted in the event of a break in lifeline supply, such as a shortage in electricity and fuels, suspension in communications, and stoppage in transport functions and water, caused by a natural disaster in areas where the Company operates stores, and when continued operations become difficult as a result of an evacuation order or an advisory by authorities.

(ii) Subscription rights to shares

The Company issues subscription rights to shares with the intention to boost motivation and morale among directors and employees regarding improved earnings as well as to secure outstanding human resources. The total number of dilutive shares as a result of subscription rights to shares stood at 320,000 as of the end of the fiscal year ended February 28, 2015, and this would equal 5.4% of the total number of outstanding shares if all of these subscription rights are exercised. The Company plans to issue subscription rights to shares in an appropriate manner going forward, and as such, new shares issued as a result of exercising the subscription rights to shares could dilute the value of the Company's shares in the future and impact the Company's share pricing.

2. Status of the Company Structure

The Company operates reuse stores based on the concept behind the company name, Treasure Factory, which is founded on the management philosophy of providing people with pleasures, discoveries, and excitement.

The Company mainly handles second-hand products, known as reused items (including unused products and inventory clearance items from manufacturers), which include a wide range of goods such as apparel, home appliances, furniture, daily sundries, brand-name products, sports and outdoor goods, instruments and hobby-related items.

The Company operates five store types below.

- Treasure Factory: handles a wide range of reused products
- Treasure Factory Style: specializes in handling apparel and fashion items
- Brand Collect: specializes in handling brand-name second-hand items
- Treasure Factory Sports: specializes in handling sports and outdoor products
- Uselet: specializes in handling inexpensive apparel and fashion items

The Company also conducts sales outside of the stores on the Internet.

Procurement of reuse items that the Company handles are done through purchases from general customers, as well as from dealers that handle both new and second-hand items and from the secondhand market (hereinafter “purchases from dealers”). Purchases from general customers are in the form of purchases brought in by customers into stores or home-visit purchases in which visits are made to customers’ homes to purchase items. An efficient and flexible structure has been set up for home-visit purchases as they are registered collectively at call centers. In addition, the Company also conducts purchases via home deliveries with its website as the main location of contact.

The Company has set up a Purchase Department and a distribution center separately from stores in order to enhance its product lineup through purchases from dealers, in addition to purchase from general customers. The Company also has been working on large-scale procurement projects, which has led to the strengthening of its procurement ability, by making use of its sales capability and distribution network based on a store network through dominant store openings.

The Company has been building a procurement structure that allows a variety of reuse items to be available in a steady manner at stores by retaining diversified procurement channels ranging from general purchases to purchases from dealers.

In addition to the above, the Company also conducts a brand-name bag and fashion rental business.

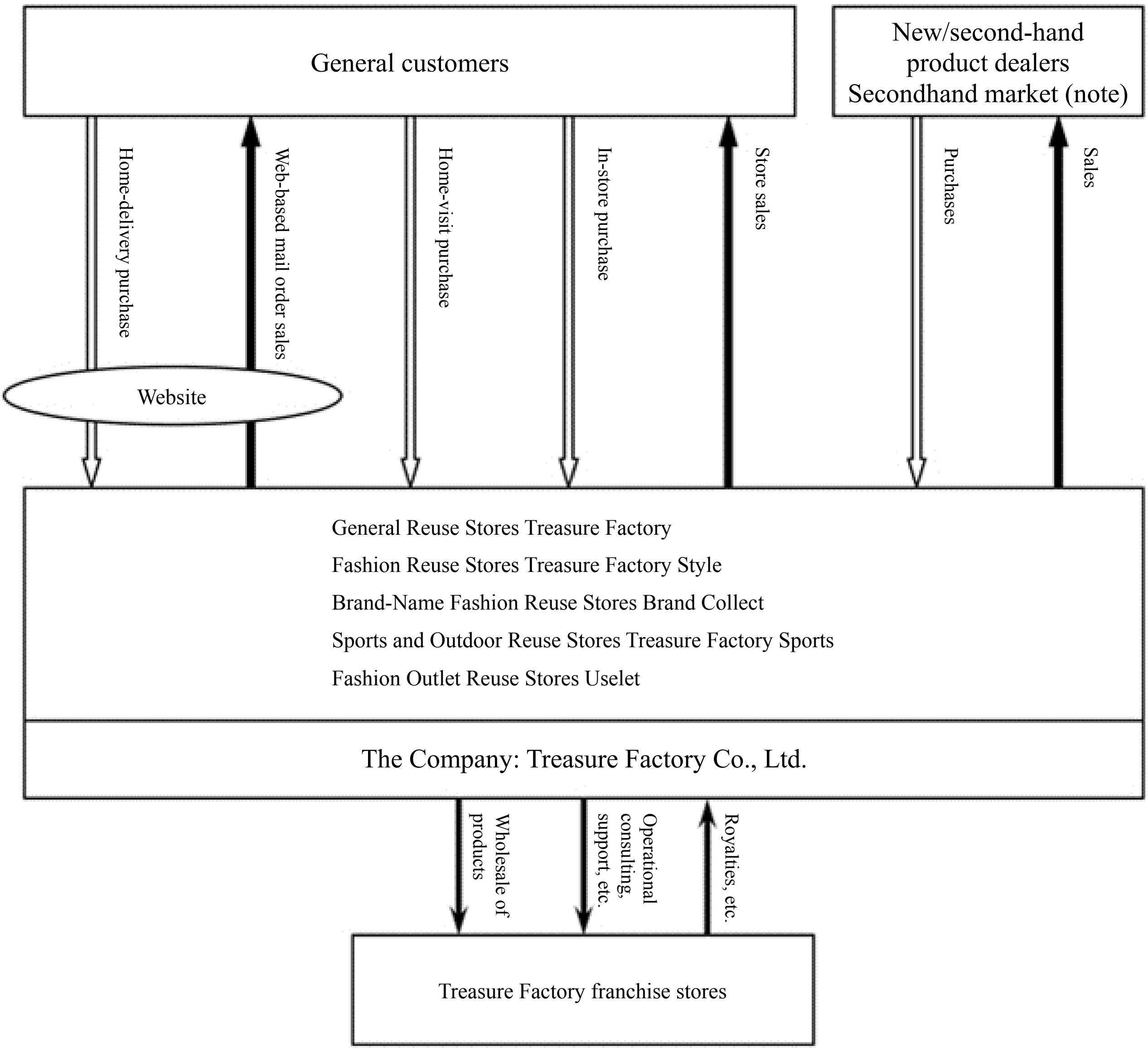
The status of stores as of February 28, 2015, is as follows.

Name	Location
Head office	3-32-6, Umejima, Adachi-ku, Tokyo
Distribution center	Minami-ku, Saitama, Saitama Prefecture
Style center	Midori-ku, Sagamihara, Kanagawa Prefecture
Fulfillment center	Minato-ku, Tokyo
General Reuse Stores Treasure Factory (50 directly-managed stores)	(Tokyo) Adachi Nishiarai store, Nerima store, Mitaka store, Adachi Kahei store, Machida store, Tachikawa Hinobashi store, Minami-Osawa store, Higashi-Kurume store, Kami-Itabashi store, Inagi Wakabadai store, Musashimurayama store, Hanakoganei store
	(Saitama Prefecture) Soka store, Kasukabe store, Tokorozawa store, Urawa store, Koshigaya store, Yoshikawa store, Omiya store, Higashi-Urawa store, Ageo store, Kamifukuoka store, Iruma store, Kawagoe store, Tsurugashima store, Tsuruse store, Kita-Koshigaya store, Minami-Urawa store
	(Kanagawa Prefecture) Yokohama Tsurumi store, Sagamihara store, Yokohama Aoba store, Kawasaki Nogawa store, Chuorinkan store, Ofuna store, Yokohama Nagatsuda store, Yamato store, Hadano store, Fujisawa store
	(Chiba Prefecture) Chiba Mitsuwadai store, Nagareyama store, Minami-Kashiwa store, Makuhari store, Matsudo store, Narashino store, Ichikawa store
	(Ibaraki Prefecture) Ushiku store
	(Hyogo Prefecture) Kobe Shinnagata store
	(Osaka Prefecture) Kishiwada store, Yao store, Higashi-Osaka store
Fashion Reuse Stores Treasure Factory Style (24 directly managed stores)	(Tokyo) Tama Center store, Koenji store, Machida Naruse store, Tachikawa store, Mitaka store, Koenji No. 2 store, Chofu store, Kasai store, Sengawa store, Shimokitazawa store, Togoshi-Ginza store
	(Saitama Prefecture) Kawagoe store, Kawaguchi store, Kotesashi store
	(Kanagawa Prefecture) Kawasaki store, Hashimoto store, Atsugi store, Higashi-Totsuka store
	(Chiba Prefecture) Inage store, Funabashi store, Yachiyo store, Chiba store
	(Hyogo Prefecture) Amagasaki store
	(Osaka Prefecture) America-mura store

Name	Location
Brand-Name Fashion Reuse Stores Brand Collect (two directly-managed stores)	(Tokyo) Harajuku store, Harajuku Takeshita-dori store
Sports and Outdoor Reuse Stores Treasure Factory Sports (one directly-managed store)	(Kanagawa Prefecture) Aobadai store
Fashion Outlet Reuse Stores Uselet (one directly-managed store)	(Saitama Prefecture) Kuki store

(Note) In addition to the above, two franchise stores for the reuse store Treasure Factory are located in Iwaki, Fukushima Prefecture and two stores in Koriyama, Fukushima Prefecture.

[Diagram of the Company's business structure]



(Note) The secondhand market refers to one (a market consisting of sales or exchanges of secondhand articles between secondhand articles dealers) provided for in Article 2, Paragraph 2, Item 2 of the Secondhand Articles Dealer Act for which the main players are those that have obtained approval stipulated in the Act from a public safety commission (referred to as "secondhand market dealers"). Secondhand market dealers have formulated their own respective agreements in the secondhand market and criteria are already established for newcomers to the market, and thus, it is not necessarily the case that anyone who has obtained approval to conduct a secondhand business could participate.

3. Management Policy

(1) The Company's Basic Management Policy

The Company's management policy is to contribute to the realization of a recycling-based society that adheres closely to the needs in life by promoting its management philosophy of providing people with pleasures, discoveries, and excitement.

With the reuse business at the core, the Company aims at continuous and steady growth by proactively developing its businesses based on this management policy. Also, the Company, in order to realize its management philosophy, is in pursuit of an organization in which employees can exhibit their capabilities to the fullest and produce major achievements that otherwise cannot be delivered by one person alone.

(2) Target Management Indicators

The Company aims to generate high earnings through continued growth on the back of proactive business development. In terms of management indicators, the Company focuses on ratio of ordinary income to net sales, which indicates the earnings capacity of a business or a company. In addition, ROE (return on equity) is an important management indicator in aiming to improve profitability and capital efficiency from the standpoint of shareholders.

(3) The Company's Medium- to Long-Term Management Strategy

The Company is advancing its store development centered on the general reuse store Treasure Factory and Treasure Factory Style, which specializes in fashion items. Many stores are currently concentrated in Tokyo, but the Company's policy is to proactively open stores in regions including Kansai and Chubu going forward.

The Company is also working on developing new store types by taking advantage of its strength in handling reuse items in a comprehensive manner and is building a structure that is able to offer various reuse items through diversified store types.

The Company also aims to open stores at major cities around the country by establishing a structure in which directly-managed stores can be opened at a rate of 10 a year by combining multiple numbers of store types.

The Company's medium-term objective is to further raise the level of profitability by growing sales at a double-digit pace and realizing ordinary income ratio of 10%.

(4) The Company's Challenges

Competition in the industry is picking up steam, with the second-hand retail industry witnessing an acceleration of multiple store developments by major reuse store chains; entries from other industries; and an increase in the number of services for buying and selling of second-hand items via the Internet, among other developments.

In order to promote further business growth in this environment, the challenges include firmly establishing a structure that enables store development in large areas, securing products as well as human resources and cultivating them as well as strengthening buying and selling goods via the Internet. Specific challenges and their countermeasures are as shown below.

(i) Store development in large areas

The Company has been opening directly-managed stores through a dominant strategy (note) centered on Tokyo in order to realize efficient distribution, improve recognition in the region and optimize advertising, among other initiatives. Going forward, the Company will continue to focus store openings on Tokyo, while simultaneously working on proactively opening stores in other regions. The Company will move forward with strengthening its store development structure, swiftly and sufficiently securing properties for store openings as well as strengthening a product support structure for distant stores to have the capability to open multiple stores in large areas.

(Note) Refers to store openings that focus on a specific region.

(ii) Strengthening product purchasing

The Company will strengthen general purchasing based on three pillars: namely in-store purchases, home-visit purchases, which involve purchasing by visiting customers' homes, and home-delivery purchases, which respond to requests for purchases from a distant location using home-delivery services. Specifically, the Company will work on reinforcing general purchasing by securing customers for in-store purchases by utilizing a point service, strengthening purchases of items like large-scale home appliances and furniture by reinforcing the home-visit purchasing structure and strengthening the purchase of fashion items from around the country by utilizing home-delivery services. The Company will also promote its ties with companies such as condominium management companies, moving companies and Internet mail-order companies in a bid to introduce its purchasing services to customers of each of these firms and for their ultimate use.

Meanwhile, the Company will continue to strengthen corporate purchases from dealers that handle new and second-hand items, which make up around 25% of the Company's purchases. The Company will move forward with developing large-lot purchases from dealers by utilizing its distribution center to secure sufficient supplementary stock for new store inventory as well as for existing stores.

(iii) Securing and cultivating human resources

The businesses the Company operates are required to operate stores in a flexible manner not relying solely on manuals in order to handle a diverse group of merchandise and respond to ever-changing customer needs. Consequently, securing and cultivating independent human resources that have the ability to consider matters and act of their own volition in response to any situation is necessary.

In light of its plan to open at least 10 stores every year, the Company will continue to work on securing human resources by strengthening its efforts to hire newly graduated as well as mid-career candidates, along with proactively turning part-timers into full-fledged employees as a way to sufficiently secure outstanding human resources.

In addition, the Company will work on making the secured human resources competitive workforce early by establishing a dedicated training department and enhancing the content of training for an early development of human resources.

(iv) Development of new store types

Needs among consumers for reused items are increasingly getting stronger in various product categories year after year. The Company continues to work on developing new store types in order to unearth and satisfy such needs. In developing new store types, the Company will establish models for such store types by fully utilizing its expertise and track record it has cultivated in developing its current reuse business.

(v) Strengthening buying and selling via the Internet

Purchases and sales of reused items via the Internet are expanding as a result of the popularization of smartphones, among other factors. The Company is working on continuously strengthening home-visit purchases of apparel and fashion items. On the sale side, in addition to the Company’s own website, products are also sold on the Rakuten Shopping and Yahoo Auction websites. The Company started reinforcing purchases and sales via the Internet as it received the Brand Collect website – a website that specializes in brand-name second-hand clothing – through a transfer from another company in October 2014. The Company will enhance convenience and expand the product lineup on each website going forward in order to establish a purchasing and selling structure via the Internet, while simultaneously coordinating them with physical stores in an effective manner as a way to expand purchases and sales of reuse items.

4. Financial Statements

(1) Balance Sheets

(Thousand yen)

	Previous fiscal year (February 28, 2014)	Fiscal year under review (February 28, 2015)
Assets		
Current assets		
Cash and deposits	866,810	1,152,841
Accounts receivable - trade	90,242	117,446
Merchandise	1,232,362	1,499,409
Supplies	10,096	9,176
Advance payments - trade	429	43
Prepaid expenses	141,386	152,049
Deferred tax assets	101,260	119,275
Other	22,504	23,112
Total current assets	2,465,092	3,073,354
Non-current assets		
Property, plant and equipment		
Buildings	*1 1,034,639	*1 1,199,284
Accumulated depreciation	-454,573	-541,591
Buildings, net	580,066	657,693
Structures	66,278	73,004
Accumulated depreciation	-46,343	-51,170
Structures, net	19,935	21,833
Tools, furniture and fixtures	449,883	507,070
Accumulated depreciation	-295,580	-356,240
Tools, furniture and fixtures, net	154,302	150,829
Rental assets,	22,695	31,327
Accumulated depreciation	-16,738	-22,713
Rental assets, net	5,957	8,614
Land	*1 141,555	*1 141,555
Leased assets	7,925	11,532
Accumulated depreciation	-7,525	-8,459
Leased assets, net	399	3,072
Construction in progress	–	1,528
Total property, plant and equipment	902,217	985,127
Intangible assets		
Goodwill	2,443	900
Trademark right	107	231
Software	8,951	36,511
Telephone subscription right	228	228
Total intangible assets	11,731	37,871
Investments and other assets		
Investment securities	853	238
Investments in capital	10	50
Long-term prepaid expenses	91,553	110,873
Deferred tax assets	28,605	37,963
Lease and guarantee deposits	677,571	788,723
Other	6,789	5,798
Total investments and other assets	805,384	943,647
Total non-current assets	1,719,332	1,966,646
Total assets	4,184,425	5,040,000

(Thousand yen)

	Previous fiscal year (February 28, 2014)	Fiscal year under review (February 28, 2015)
Liabilities		
Current liabilities		
Accounts payable - trade	23,021	39,812
Short-term loans payable	*1 378,000	*1 370,000
Current portion of long-term loans payable	*1 119,694	*1 99,818
Lease obligations	419	1,683
Accounts payable - other	181,455	224,529
Accrued expenses	205,384	265,360
Income taxes payable	206,749	277,779
Accrued consumption taxes	44,827	148,560
Advances received	509	529
Deposits received	4,392	23,355
Unearned revenue	2,873	337
Provision for bonuses	120,457	157,672
Provision for shareholder benefit program	3,599	3,797
Provision for sales returns	18,192	20,178
Provision for point card certificates	32,964	35,989
Total current liabilities	1,342,540	1,669,403
Non-current liabilities		
Long-term loans payable	*1 189,902	*1 164,756
Lease obligations	–	1,823
Asset retirement obligations	217,715	248,413
Total non-current liabilities	407,617	414,993
Total liabilities	1,750,158	2,084,397
Net assets		
Shareholders' equity		
Capital stock	367,043	369,743
Capital surplus		
Legal capital surplus	302,043	304,743
Total capital surplus	302,043	304,743
Retained earnings		
Other retained earnings		
Retained earnings brought forward	1,765,289	2,275,946
Total retained earnings	1,765,289	2,275,946
Treasury shares	-109	-109
Total shareholders' equity	2,434,267	2,950,323
Subscription rights to shares	–	5,280
Total net assets	2,434,267	2,955,603
Total liabilities and net assets	4,184,425	5,040,000

(2) Statements of Income

(Thousand yen)

	Previous fiscal year (from March 1, 2013 to February 28, 2014)	Fiscal year under review (from March 1, 2014 to February 28, 2015)
Net sales		
Net sales of goods	9,065,017	10,619,292
Sales of software	1,152	2,071
Rental sales	63,234	60,921
Total net sales	9,129,404	10,682,286
Cost of sales		
Cost of goods sold		
Beginning goods	1,071,492	1,232,362
Cost of purchased items	3,330,441	3,906,518
Funds received via business transfer	–	51,703
Total	4,401,933	5,190,583
Transfer to other account	*1 2,909	*1 2,573
Ending goods	1,232,362	1,499,409
Cost of goods sold	*2 3,166,662	*2 3,688,601
Cost of rental sales	11,352	7,232
Total cost of goods sold	3,178,014	3,695,833
Gross profit	5,951,389	6,986,452
Provision for sales returns	18,192	20,178
Reversal of provision for sales returns	14,242	18,192
Gross profit - net	5,947,439	6,984,467
Selling, general and administrative expenses		
Advertising expenses	96,907	122,044
Directors' compensations	74,140	80,376
Salaries and allowances	1,891,177	2,146,729
Bonuses	119,382	151,927
Provision for bonuses	120,457	157,672
Legal welfare expenses	250,401	286,910
Welfare expenses	6,152	6,800
Retirement benefit expenses	15,070	15,407
Depreciation	156,111	173,546
Rent expenses	1,245,291	1,413,104
Utilities expenses	223,272	227,243
Supplies expenses	193,217	255,244
Job advertising expenses	122,602	137,560
Commission fee	171,962	219,883
Leasing fee	30,868	31,034
Provision for shareholder benefit program	3,599	3,797
Provision for point card certificates	955	3,024
Amortization of goodwill	1,543	1,543
Other	514,556	594,969
Total selling, general and administrative expenses	5,237,670	6,028,821
Operating income	709,768	955,645

(Thousand yen)

	Previous fiscal year (from March 1, 2013 to February 28, 2014)	Fiscal year under review (from March 1, 2014 to February 28, 2015)
Non-operating income		
Interest income	122	179
Income from vending machines	11,884	13,152
Subsidy income	3,000	3,254
Insurance income	103	3,605
Income from sales of disposable items	3,602	4,700
Other	6,452	7,397
Total non-operating income	25,165	32,290
Non-operating expenses		
Interest expenses	4,725	3,628
Listing-related expenses	–	16,736
Other	119	802
Total non-operating expenses	4,844	21,166
Ordinary income	730,089	966,769
Extraordinary losses		
Loss on retirement of non-current assets	*3 642	*3 1,074
Impairment loss	–	*4 6,064
Loss on valuation of investment securities	–	615
Total extraordinary losses	642	7,754
Income before income taxes	729,447	959,015
Income taxes - current	333,900	420,200
Income taxes - deferred	-21,738	-27,371
Total income taxes	312,161	392,828
Net income	417,285	566,187

(3) Statement of Changes in Equity

Previous fiscal year (from March 1, 2013 to February 28, 2014)

(Thousand yen)

	Shareholders' equity							Total net assets
	Capital stock	Capital surplus		Retained earnings		Treasury shares	Total shareholders' equity	
		Legal capital surplus	Total capital surplus	Other retained earnings Retained earnings brought forward	Total retained earnings			
Balance at the beginning of period	365,543	300,543	300,543	1,395,001	1,395,001	-20	2,061,068	2,061,068
Changes of items during period								
Issuance of new shares	1,500	1,500	1,500				3,000	3,000
Dividends of surplus				-46,997	-46,997		-46,997	-46,997
Net income				417,285	417,285		417,285	417,285
Purchase of treasury shares						-89	-89	-89
Total changes of items during period	1,500	1,500	1,500	370,288	370,288	-89	373,198	373,198
Balance at the end of period	367,043	302,043	302,043	1,765,289	1,765,289	-109	2,434,267	2,434,267

Fiscal year under review (from March 1, 2014 to February 28, 2015)

(Thousand yen)

	Shareholders' equity							Subscription rights to shares	Total net assets
	Capital stock	Capital surplus		Retained earnings		Treasury shares	Total shareholders' equity		
		Legal capital surplus	Total capital surplus	Other retained earnings Retained earnings brought forward	Total retained earnings				
Balance at the beginning of period	367,043	302,043	302,043	1,765,289	1,765,289	-109	2,434,267	-	2,434,267
Changes of items during period									
Issuance of new shares	2,700	2,700	2,700				5,400		5,400
Dividends of surplus				-55,530	-55,530		-55,530		-55,530
Net income				566,187	566,187		566,187		566,187
Purchase of treasury shares								5,280	5,280
Total changes of items during period	2,700	2,700	2,700	510,656	510,656	-	516,056	5,280	521,336
Balance at the end of period	369,743	304,743	304,743	2,275,946	2,275,946	-109	2,950,323	5,280	2,955,603

(4) Statement of Cash Flows

(Thousand yen)

	Previous fiscal year (from March 1, 2013 to February 28, 2014)	Fiscal year under review (from March 1, 2014 to February 28, 2015)
Cash flows from operating activities		
Income before income taxes	729,447	959,015
Depreciation	165,336	180,591
Impairment loss	–	6,064
Amortization of goodwill	1,543	1,543
Increase (decrease) in provision for bonuses	19,346	37,215
Increase (decrease) in provision for shareholder benefit program	530	198
Increase (decrease) in provision for point card certificates	955	3,024
Increase (decrease) in provision for sales returns	3,950	1,985
Interest and dividend income	-122	-179
Interest expenses	4,725	3,628
Listing-related expenses	–	16,736
Loss on retirement of non-current assets	642	1,074
Loss (gain) on valuation of investment securities	–	615
Purchase of assets for lease	-6,330	-9,889
Decrease (increase) in notes and accounts receivable - trade	-19,404	-27,204
Decrease (increase) in inventories	-161,157	-214,423
Increase (decrease) in notes and accounts payable - trade	-4,043	16,791
Increase (decrease) in accounts payable - other	43,236	55,544
Other	35,420	205,800
Subtotal	814,075	1,238,133
Interest and dividend income received	122	179
Interest expenses paid	-4,576	-3,467
Income taxes paid	-270,683	-351,631
Cash flows from operating activities	538,938	883,213
Cash flows from investing activities		
Purchase of property, plant and equipment	-179,877	-225,314
Purchase of intangible assets	-1,053	-6,102
Payments for lease and guarantee deposits	-106,148	-123,825
Proceeds from collection of lease and guarantee deposits	15,090	9,153
Purchase of long-term prepaid expenses	-14,588	-32,124
Payments for asset retirement obligations	-1,838	-2,552
Payments for transfer of business	–	※2 -100,873
Other	–	-40
Cash flows from investing activities	-288,416	-481,680
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	49,000	-8,000
Proceeds from long-term loans payable	130,000	80,000
Repayments of long-term loans payable	-146,865	-125,022
Proceeds from issuance of common shares	3,000	5,400
Proceeds from issuance of subscription rights to shares	–	5,280
Purchase of treasury shares	-89	–
Payments of listing-related expenses	–	-16,736
Cash dividends paid	-47,080	-55,724
Other	-1,666	-700
Cash flows from financing activities	-13,701	-115,503
Net increase (decrease) in cash and cash equivalents	236,819	286,030
Cash and cash equivalents at beginning of period	616,584	853,404
Cash and cash equivalents at end of period	※1 853,404	※1 1,139,435

(5) Notes on Financial Statements

(Notes on the going concern assumption)

Not applicable

(Significant accounting policies)

1. Securities valuation standards and methods

Other securities

Those without a current market price

The moving-average cost method is used.

2. Valuation standards and methods for inventories

(1) Merchandise

- Individual products managed with a bar code

Cost method based on the specific identification method is used (lowering the book value as a result of lower profitability).

- Products other than those mentioned above

The moving-average cost method (lowering the book value as a result of lower profitability) is used.

(2) Supplies

Last cost method (lowering the book value as a result of lower profitability) is used.

3. Depreciation method for non-current assets

(1) Property, plant and equipment (excludes leased assets)

The declining balance method is used.

However, the straight-line method is used for buildings (excludes facilities attached to buildings) as well as rental assets that were acquired on or after April 1, 1998.

The useful life of these assets is as follows:

Buildings	3-27 years
Structures	10-20 years
Tools, furniture and fixtures	3-8 years
Rental assets	2 years

(2) Intangible assets (excludes leased assets)

The straight-line method is used.

Regarding goodwill, the straight-line method based on the period (five years) during which the expenses continue to have effect is used.

As for software (used by the Company only), the straight-line method based on the in-house useful life (within five years) is used.

(3) Leased assets

The Company uses the straight-line method, assuming the lease period as the useful life and no residual value.

(4) Long-term prepaid expenses

The straight-line method is used.

4. Disposable method for deferred assets

Share issuance cost

The entire cost is disposed at the time of payments.

5. Posting standards for provisions

(1) Allowance for doubtful accounts

In order to be prepared for losses resulting from bad debt, the Company posts an estimated bad debt amount by using the actual bad debt ratio for general liabilities and separately examining collectability for specified liabilities such as doubtful accounts receivable.

(2) Provision for bonuses

The Company posts the portion it expects to pay in bonuses for the current fiscal year out of the estimated amount of bonuses in order to prepare for bonus payments to employees.

(3) Provision for shareholder benefit program

The Company posts an estimated amount for the following fiscal year in order to prepare for expenses expected to incur from the shareholder benefit program.

(4) Provision for point card certificates

The Company posts an estimated amount of expenses to be incurred in the future based on the actual usage rate in order to prepare for the expected amount expenses from the use of point card certificates.

(5) Provision for sales returns

The Company posts an estimated amount of expenses for next fiscal year based on the actual rate of sales returns in order to prepare for expenses expected to incur from sales returns.

6. The scope of funds in the statement of cash flows

The funds consist of cash on hand, deposits available for withdrawal at any time and short-term investments that can be easily turned into cash and carry little risk of price volatility with less than three months remaining from the time of purchase until maturity.

7. Other significant items that serve as basis for creating financial statements

Accounting procedure for the consumption tax, etc.

Consumption tax, etc. are accounted for using the tax-exclusion method.

(Balance sheets)

*1 Pledged assets and secured liabilities

Assets pledged as collateral are as follows. (Thousand yen)

	Previous fiscal year (February 28, 2014)	Fiscal year under review (February 28, 2015)
Buildings	34,327	31,399
Land	141,555	141,555
Total	175,883	172,954

Liabilities that correspond to the aforementioned assets are as follows. (Thousand yen)

	Previous fiscal year (February 28, 2014)	Fiscal year under review (February 28, 2015)
Long-term loans payable and short-term loans payable (includes current portion of long-term loans payable)	140,000	140,000

(Statements of income)

*1 Previous fiscal year (from March 1, 2013 to February 28, 2014)

Transfer to other account consists of expenses for furniture and fixtures, etc.

Fiscal year under review (from March 1, 2014 to February 28, 2015)

Transfer to other account consists of expenses for furniture and fixtures, etc.

*2 Ending goods are the amount equal to the decline in book value as a result of lower profitability, and the loss on valuation of inventories below is included in the cost of goods sold.

(Thousand yen)

Previous fiscal year (from March 1, 2013 to February 28, 2014)	Fiscal year under review (from March 1, 2014 to February 28, 2015)
15,963	25,110

*3 Loss on retirement of non-current assets (Thousand yen)

	Previous fiscal year (from March 1, 2013 to February 28, 2014)	Fiscal year under review (from March 1, 2014 to February 28, 2015)
Buildings	190	831
Structures	–	66
Tools, furniture and fixtures	451	176
Total	642	1,074

*4 Impairment loss

The Company has posted an impairment loss for the following asset group.

Fiscal year under review (from March 1, 2014 to February 28, 2015)

Location	Use	Type	Impairment loss (thousand yen)
Yokohama Nagatsuda store	Store	Building, structures, tools, furniture and fixtures, long-term prepaid expenses	6,064

The Company regards each store as a group, by considering it to be a basic and minimum unit for generating independent cash flows.

The Yokohama Nagatsuda store has remained profitable as a standalone store at the operating income level, but since it has continued to post operating losses after paying for common expenses, it has posted an impairment loss (6,064,000 yen) to account for the resultant decline in the book value to the recoverable amount.

The breakdown of this amount is as follows: 3,277,000 yen for buildings; 415,000 yen for structures; 1,209,000 yen for tools, furniture and fixtures; and 1,162,000 yen for long-term prepaid expenses.

The recoverable amount for this asset group is gauged based on its utility value, but it is assessed at zero due to negative future cash flows.

(Statement of changes in equity)

Previous fiscal year (from March 1, 2013 to February 28, 2014)

1. Matters related to the number of issued shares

	Number of shares issued at the beginning of period	Increase in the number of shares issued during period	Decrease in the number of shares issued during period	Number of shares issued at the end of period
Common shares (shares)	2,764,600	12,000	—	2,776,600

(Note) The increase of 12,000 shares in the number of common shares issued is a result of an increase from exercising subscription rights to shares.

2. Matters related to treasury shares

	Number of shares issued at the beginning of period	Increase in the number of shares issued during period	Decrease in the number of shares issued during period	Number of shares issued at the end of period
Common shares (shares)	22	52	—	74

(Note) The increase of 52 shares in the number of treasury shares out of common shares is a result of an increase from purchase of shares that are less than one unit.

3. Matters related to subscription rights to shares

Breakdown of subscription rights to shares	Type of shares subject to subscription rights to shares	Number of shares issued subject to subscription rights to shares				Balance at the end of period (thousand yen)
		Beginning of period	Increase	Decrease	End of period	
Subscription rights to shares as stock options	—	—	—	—	—	—

4. Matters related to dividends

(1) Dividend payment amount

(Resolution)	Type of shares	Total dividends (thousand yen)	Dividend per share (yen)	Record date	Effective date
May 24, 2013 Regular shareholders' meeting	Common shares	46,997	17	February 28, 2013	May 27, 2013

(2) Dividends for which the effective date falls during the next fiscal year out of the dividends that have a record date during the fiscal year under review

(Resolution)	Type of shares	Total dividends (thousand yen)	Source of dividends	Dividend per share (yen)	Record date	Effective date
May 28, 2014 Regular shareholders' meeting	Common shares	55,530	Retained earnings	20	February 28, 2014	May 29, 2014

Fiscal year under review (from March 1, 2014 to February 28, 2015)

1. Matters related to the number of issued shares

	Number of shares issued at the beginning of period	Increase in the number of shares issued during period	Decrease in the number of shares issued during period	Number of shares issued at the end of period
Common shares (shares)	2,776,600	2,819,800	—	5,596,400

(Note) The increase of 2,819,800 shares in common shares issued is due to an additional 43,200 shares from exercising subscription rights to shares and an increase of 2,776,600 shares from a stock split.

2. Matters related to treasury shares

	Number of shares issued at the beginning of period	Increase in the number of shares issued during period	Decrease in the number of shares issued during period	Number of shares issued at the end of period
Common shares (shares)	74	74	—	148

(Note) The increase of 84 treasury shares of common shares is due to a stock split.

3. Matters related to subscription rights to shares

Breakdown of subscription rights to shares	Type of shares subject to subscription rights to shares	Number of shares issued subject to subscription rights to shares				Balance at the end of period (thousand yen)
		Beginning of period	Increase	Decrease	End of period	
No. 3 subscription rights to shares	—	—	—	—	—	5,280

4. Matters related to dividends

(1) Dividend payment amount

(Resolution)	Type of shares	Total dividends (thousand yen)	Dividend per share (yen)	Record date	Effective date
May 28, 2014 Regular shareholders' meeting	Common shares	55,530	20	February 28, 2014	May 29, 2014

(2) Dividends for which the effective date falls during the next fiscal year out of the dividends that have a record date during the fiscal year under review

A resolution is scheduled as per the following.

(Resolution)	Type of shares	Total dividends (thousand yen)	Source of dividends	Dividend per share (yen)	Record date	Effective date
May 27, 2015 Regular shareholders' meeting	Common shares	100,732	Retained earnings	18	February 28, 2015	May 28, 2015

(Statement of cash flows)

*1 Cash and cash equivalents at end of period and its relationship with the amounts posted on balance sheets

(Thousand yen)

	Previous fiscal year (from March 1, 2013 to February 28, 2014)	Fiscal year under review (from March 1, 2014 to February 28, 2015)
Cash and deposits	866,810	1,152,841
Time deposits (period exceeding three months)	-13,406	-13,406
Cash and cash equivalents	853,404	1,139,435

*2 Main content of assets and liabilities that increased as a result of business transfer

The relationship between assets and liabilities acquired from First The Wave Co., Ltd. during the period and payments is as follows.

	(Thousand yen)
Current assets	58,879
Non-current assets	45,781
Total assets	104,661
Current liabilities	-1,683
Non-current liabilities	-2,104
Total liabilities	-3,787
Deduction: Payments for transfer of business	100,873

(Retirement benefits)

1. Overview of the retirement benefit system adopted

   The Company adopted a defined contribution pension plan in March 2010.

2. Matters related to retirement benefit expenses.

(Thousand yen)

	Previous fiscal year (from March 1, 2013 to February 28, 2014)	Fiscal year under review (from March 1, 2014 to February 28, 2015)
Amount of contributions associated with the defined contribution pension plan	15,070	15,407

(Stock options, etc.)

1. Initial amount of assets posted and name of item associated with treasury stock options

	Previous fiscal year	Fiscal year under review
Cash and deposits	—	5,280

2. Content, size and changes in stock options and treasury stock options

(1) Content of stock options and treasury stock options

	<No. 2 subscription rights to shares> Special resolution date of the general shareholders' meeting (May 25, 2005)	<No. 3 subscription rights to shares> Resolution date of the Board of Directors (April 11, 2014)
Classification and number of those with vested interest	2 directors and 29 employees	4 directors and 28 employees
Number of stock option based on type of shares (Note) 2	Common shares 156,800 shares	Common shares 320,000 shares
Grant date	April 18, 2006	April 28, 2014
Vesting requirements	Need to have been continuously employed from the grant date (April 18, 2006) to the vesting date (May 26, 2007). However, this restriction does not apply if a legitimate reason, as approved by the Board of Directors, applies, such as a resignation due to an expiration of an office term; compulsory retirement; a resignation/retirement resulting from the Company's circumstances; a resignation as a result of illness caused by work; and a transfer.	(Note) 3
Valid employment period	April 18, 2006 – May 25, 2007	Not established
Exercise period	May 26, 2007 – May 25, 2015	June 1, 2016 – April 27, 2018

(Notes) 1. The No. 2 subscription rights to shares are stock options, while No. 3 subscription rights to shares are treasury stock options and are not applicable as stock options.

2. Stated here after conversion into number of shares. The number of shares stated is after conversion following stock splits on February 28, 2007 (2-for-1 stock split), March 1, 2010 (200-for-1 stock split) and September 1, 2014 (2-for-1 stock split).

3. Matters related to vesting requirements for subscription rights to shares are as follows.

(i) Those with subscription rights to shares can exercise their subscription rights from the 1st of the following month after the submission date of the securities report for the fiscal year ending February 2016 if the operating income – in the Company's audited statements of income (consolidated statements of income if consolidated financial statements are prepared) from the fiscal year ended February 2015 and the fiscal year ending February 2016 – meets all of the requirements stated in each of the items below. The Board of Directors shall separately establish indicators that should be used as reference if major changes are made to the concept behind operating income and other items that are deemed to be used as reference as a result of applying International Financing Reporting Standards, among other changes.

(a) If the operating income for the year ended February 2015 exceeded 740 million yen.

(b) If the operating income for the year ending February 2016 exceeds 820 million yen.

(ii) Regardless of achieving requirement (1) stated above, those with subscription rights to shares cannot exercise their subscription rights to shares if the Company's stock price trades below the levels specified in each of the items below.

(a) If the average price of the closing price of the Company's common shares trading on a financial instruments exchange during 21 contiguous regular trading days from the allotment date of the subscription rights to April 27, 2015 falls even once below 80% of the exercise price.

(b) If the average price of the closing price of the Company's common shares trading on a financial instruments exchange during the contiguous 21 regular trading days from April 28, 2015 to April 27, 2016 falls even once below 100% of the exercise price.

However, if the exercise price is adjusted, the adjustment shall be appropriately made.

(iii) Those with subscription rights to shares must be a director, an auditor or an employee of the Company or its affiliated companies when exercising their subscription rights to shares. This restriction does not apply if a legitimate reason, as approved by the Board of Directors, applies, such as a resignation due to an expiration of an office term and compulsory retirement.

(2) Size and changes to stock options and treasury stock options

These apply to stock options and treasury stock options that were outstanding as of the fiscal year under review (fiscal year ended February 2015). The number of stock options and treasury stock options are shown after conversion into the number of shares issued.

(i) Number of stock options and treasury stock options

	<No. 2 subscription rights to shares> Special resolution date of the general shareholders' meeting (May 25, 2005)	<No. 3 subscription rights to shares> Resolution date of the Board of Directors (April 11, 2014)
Before satisfaction of vesting requirements (number of shares)		
End of the previous fiscal year	—	—
Vesting	—	320,000
Expirations	—	—
Vesting requirements met	—	—
Vesting requirements not met	—	320,000
After satisfaction of vesting requirements (number of shares)		
End of the previous fiscal year	43,200	—
Vesting requirements met	—	—
Rights exercised	43,200	—
Expirations	—	—
Balance of unexercised rights	—	—

(Note) The number of shares stated is after conversion following stock splits on February 28, 2007 (2-for-1 stock split), March 1, 2010 (200-for-1 stock split) and September 1, 2014 (2-for-1 stock split).

(ii) Unit price information

	<No. 2 subscription rights to shares> Special resolution date of the general shareholders' meeting (May 25, 2005)	<No. 3 subscription rights to shares> Resolution date of the Board of Directors (April 11, 2014)
Exercise price (yen)	125	929
Average share price at time of exercise (yen)	2,690	—
Fair valuation unit price (grant date) (yen)	—	3,300

(Notes) 1. The number of shares stated is after conversion following stock splits on February 28, 2007 (2-for-1 stock split), March 1, 2010 (200-for-1 stock split) and September 1, 2014 (2-for-1 stock split).

2. A fair valuation unit price refers to a unit price for one subscription right to shares (200 shares).

(3) Method for estimating fair valuation unit price for treasury stock options

The method used to estimate the fair valuation unit price for No. 3 treasury stock options granted during the fiscal year under review (fiscal year ended February 2015) is as follows.

(i) Valuation method used: Monte Carlo simulation

(ii) Main standard value and method used for estimating

	<No. 3 subscription rights to shares> Resolution date of the Board of Directors (April 11, 2014)
Stock price volatility (Note) 1	37.29%
Period until maturity	4 years
Estimated dividend (Note) 2	1.08%
Risk-free interest rate (Note) 3	0.143%

(Notes) 1. The calculation was made based on the following criteria while adhering to Guidelines for Application of the Accounting Standard for Stock Options, Corporate Accounting Standard Guidelines No. 11

(i) Period used to gather information on share price: Most recent period that corresponds to period until maturity (four years)

(ii) Frequency of price monitoring: weekly

(iii) Extraordinary information: No applicable items

(iv) Non-sequential changes surrounding the corporation: No applicable items

2. Calculated based on the most recent dividend estimate.

3. Refers to distribution rate for long-term government bonds No. 290 maturing on March 20, 2018, which is in line with the period until maturity (from *Reference Statistical Prices for OTC Bond Transactions*, Japan Securities Dealers Association).

(4) Method used to estimate number of treasury stock options that will meet vesting requirements

Due to the difficulty of making a reasonable estimate of the number of expirations for the future, the Company uses a method that reflects the actual number of expirations.

(Matters related to tax-effect accounting)

1. Breakdown of major causes for deferred tax assets and deferred tax liabilities (Thousand yen)

	Previous fiscal year (February 28, 2014)	Fiscal year under review (February 28, 2015)
Deferred tax assets		
Accrued enterprise tax	16,671	21,491
Accrued business office taxes	6,847	6,988
Provision for bonuses	45,785	56,194
Provision for point card certificates	12,529	12,826
Provision for sales returns	6,915	7,191
Impairment loss	—	2,161
Asset retirement obligations	77,593	88,534
Valuation loss on goods	4,690	6,273
Other	8,044	8,730
Deferred tax assets subtotal	179,079	210,393
Valuation allowance	—	—
Total deferred tax assets	179,079	210,393
Deferred tax liabilities		
Assets corresponding to asset retirement obligations	-49,212	-53,155
Total deferred tax liabilities	-49,212	-53,155
Deferred tax assets, net	129,866	157,238

2. Breakdown of main items that could cause a significant difference between the effective statutory tax rate and the burden rate for income taxes after applying tax-effect accounting

	Previous fiscal year (February 28, 2014)	Fiscal year under review (February 28, 2015)
Effective statutory tax rate	38.0%	38.0%
(adjustment)		
Inhabitant tax on per capita basis	1.4	1.2
Accumulated earnings tax	3.5	3.8
Tax deduction for tax system to promote employment	—	-2.9
Impact from change in tax rate	—	0.8
Other	-0.1	0.1
Burden rate for income taxes after applying tax-effect accounting	42.8	41.0

3. Revisions to deferred tax assets and deferred tax liabilities after changes made to the effective statutory tax rate

   With the promulgation of the Act for Partial Amendment of the Income Tax Act, etc. (Act No. 10 of 2014) on March 31, 2014, the special corporate tax for reconstruction was no longer levied for fiscal years starting on April 1, 2014.

   In association with this move, the effective statutory tax rate used to calculate deferred tax assets and deferred tax liabilities has been changed from 38.01% to 35.64% for the temporary difference, which is expected to be eliminated for fiscal years starting March 1, 2015. The impact from this change to the tax rate is negligible.

4. Change to rates for income taxes after the earnings announcement date

   With the promulgation of the Act for Partial Amendment of the Income Tax Act, etc. (Act No. 9 of 2015) on March 31, 2015, a reduction in income taxes was to be instituted for fiscal years starting on April 1, 2015.

   In association with this move, the effective statutory tax rate used to calculate deferred tax assets and deferred tax liabilities will be changed from 35.64% to 33.10% for the temporary difference, which is expected to be eliminated for fiscal years starting March 1, 2016, and the rate will be 32.34% for fiscal years starting on March 1, 2017.

   The impact from these changes to the tax rate is negligible.

(Matters related to business combinations)

(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 business of fashion items)

(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 items 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 transfer

(2) Earnings period for the acquired business to be included in financial statements
October 15, 2014 to February 28, 2015

(3) Cost of acquisition of acquired business and breakdown
Cash 100,873,000 yen

(4) Amount of assets and liabilities received on the day of business combination

	(Thousand yen)
Current assets	58,879
Non-current assets	45,781
Total assets	104,661
Current liabilities	1,683
Non-current liabilities	2,104
Total liabilities	3,787

(5) Estimated amount of the impact on the statements of income for the fiscal year under review on the assumption that the business combination is complete on the first date of the fiscal year under review and the calculation method
It has been omitted as there is little numerical importance attached to the said impact.

(Equity in earnings, etc.)

No applicable items as the Company does not have any subsidiaries or affiliated companies.

(Matters related to asset retirement obligations)

Asset retirement obligations that are posted on balance sheets

a. Outline of the asset retirement obligations

Refers to the obligation to restore conditions to the original state associated with building lease contracts for stores, etc.

b. Calculation method for the asset retirement obligations

The asset retirement obligations are calculated based on an estimated period of use of 15 years from acquisition and a government bond yield used as the discount rate.

c. Changes in total asset retirement obligations during the fiscal year under review (Thousand yen)

	Previous fiscal year (from March 1, 2013 to February 28, 2014)	Fiscal year under review (from March 1, 2014 to February 28, 2015)
Balance at the beginning of period	191,524	217,715
Increase resulting from purchase of property, plant and equipment	28,738	31,070
Adjustment due to passage of time	3,175	3,363
Increase (decrease) resulting from changes in estimate	—	-1,184
Decrease resulting from fulfilling asset retirement obligations	-5,722	-2,552
Balance at the end of period	217,715	248,413

(Segment information)

[Segment information]

The Company operates a reuse business and information on other business segments has been omitted as it has little importance.

(Per share information)

Previous fiscal year (from March 1, 2013 to February 28, 2014)		Fiscal year under review (from March 1, 2014 to February 28, 2015)	
Net asset per share	438.37 yen	Net asset per share	527.20 yen
Net income per share	75.37 yen	Net income per share	101.82 yen
Diluted net income per share	74.70 yen	Diluted net income per share	99.14 yen

(Note) 1. The Company conducted a 2-for-1 stock split on September 1, 2014. Net asset per share, net income per share and diluted net income per share have been calculated based on the assumption that the stock split was conducted at the beginning of the previous fiscal year.

(Note) 2. The basis for calculating net asset per share is as shown below.

	Previous fiscal year (February 28, 2014)	Fiscal year under review (February 28, 2015)
Total net assets (thousand yen)	2,434,267	2,955,603
Amount deducted from the total net assets (thousand yen)	—	5,280
Net assets associated with common shares at the end of the fiscal year (thousand yen)	2,434,267	2,950,323
Number of common shares at the end of the fiscal year used to calculate net asset per share (shares)	5,553,052	5,596,252

(Note) 3. The basis for calculating net income per share and diluted net income per share is as shown below.

	Previous fiscal year (from March 1, 2013 to February 28, 2014)	Fiscal year under review (from March 1, 2014 to February 28, 2015)
Net income (thousand yen)	417,285	566,187
Amount not belonging to common shareholders (thousand yen)	—	—
Net income associated with common shares (thousand yen)	417,285	566,187
Average number of shares issued during the fiscal year (shares)	5,536,614	5,560,635
Adjusted net income (thousand yen)	—	—
Main breakdown of the increase in the number of common shares used to calculate diluted net income per share Subscription rights to shares (shares)	49,651	150,075
Increase in the number of common shares (shares)	49,651	150,075
Outline of dilutive shares that were not included in calculating the diluted net income per share as there are no dilutive shares that has dilution effect	—	—

(Significant subsequent events)

The Company passed a resolution for a stock split at a Board of Directors meeting on April 10, 2015, as shown below.

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 May 31, 2015. 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: 5,596,400
   Increase in the number of shares through the stock split: 5,596,400
   Number of issued shares after the stock split: 11,192,800
   Number of authorized shares after the stock split: 28,160,000

   (3) Schedule

   Date of announcement of the record date: May 14, 2015
   Record date: May 31, 2015
   Effective date: June 1, 2015

3. Impact on per share information

   Per share information for the previous fiscal year and the fiscal year under review is as shown below on the assumption that the stock split was conducted at the beginning of the previous fiscal year.

	Previous fiscal year (from March 1, 2013 to February 28, 2014)	Fiscal year under review (from March 1, 2014 to February 28, 2015)
Net asset per share	219.18 yen	263.60 yen
Net income per share	37.68 yen	50.91 yen
Diluted net income per share	37.35 yen	49.57 yen

4. Adjustment to subscription rights to shares

   The exercise price per share for subscription rights to shares was adjusted as below in association with the stock split.

	Before adjustment		After adjustment	
	Number of shares	Exercise price	Number of shares	Exercise price
No. 3 subscription rights to shares (resolution passed at the Board of Directors meeting on April 11, 2014)	320,000	929 yen	640,000	465 yen

5. Other

(1) Director Transfers

Will be disclosed when disclosure contents are finalized.

(2) Other

No applicable items