



Financial Summary for the First Six Months of the Fiscal Year Ending February 29, 2016 (Japanese Accounting Standards) (Non-consolidated)

October 13, 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		
Contact	Director, General Manager of Administration Department, Eiji Kobayashi		
Telephone	+81-3-3880-8822		
Scheduled dates:			
Submission of statutory quarterly financial report	October 13, 2015		
Commencement of dividend payments	November 2, 2015		
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 29, 2016 (March 1, 2015 to August 31, 2015)

(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, 2015	5,719	16.3	432	0.4	449	1.2	270	10.8
Six months ended Aug. 31, 2014	4,919	16.3	430	55.8	444	54.3	243	53.3

	Net income per share	Diluted net income per share
	yen	yen
Six months ended Aug. 31, 2015	24.15	23.25
Six months ended Aug. 31, 2014	21.96	21.53

The Company conducted a 2-for-1 stock split on September 1, 2014, and again on June 1, 2015. Net income per share and diluted net income per share stated are based on the assumption that the stock splits were 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, 2015	4,982	3,125	62.6
As of Feb. 28, 2015	5,040	2,955	58.5

(Reference) Shareholders' equity: As of August 31, 2015: 3,119 million yen
As of February 28, 2015: 2,950 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, 2015	—	0.00	—	18.00	18.00
Year ending Feb. 29, 2016	—	5.50			
Year ending Feb. 29, 2016 (forecast)			—	5.50	11.00

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

On June 1, 2015, the Company conducted a 2-for-1 stock split. The dividend per share for the year ending February 29, 2016 (forecast) is based on the number of shares after the stock split.

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
Full year	11,853	10.9	1,039	8.2	1,052	8.8	631	11.4	56.38

(Note) Revisions to results forecast published most recently: None

On June 1, 2015, 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, 2015:	11,192,800 shares	As of Feb. 28, 2015:	11,192,800 shares
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[2] Treasury stock at period-end

As of Aug. 31, 2015:	296 shares	As of Feb. 28, 2015:	296 shares
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[3] Average number of shares issued

As of Aug. 31, 2015:	11,192,504 shares	As of Aug. 31, 2014:	11,106,190 shares
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(Note) The Company conducted a 2-for-1 stock split on September 1, 2014, and again on June 1, 2015. The number of shares outstanding (common shares) has been calculated on the assumption that the stock splits were 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

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.

Accompanying Materials — Contents

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1. Qualitative Information on the Financial Results for the First Six Months of the Fiscal Year Ending February 29, 2016

(1) Description of Operating Results

During the first six months of the fiscal year ending February 29, 2016, the Japanese economy maintained a moderate recovery based on an improvement in corporate earnings, employment, and workers' income, among other factors. However, the future of the economy was uncertain due to factors such as the slowing of the Chinese economy, which became more apparent as the year continued.

In this business environment, during the first six months under review the Company steadily expanded its network of stores, opening four new stores and relocating and renewing two stores. The Company's stores performed well overall, with purchases and sales both rising from a year ago. Expenses for the relocation of stores (two stores in August and one store in September) in the second quarter exceeded the plan, which reduced operating income and ordinary income. The increases in income were smaller than planned.

During the first six months under review, sales at all stores rose 16.3% year on year, and sales at existing stores (stores that were opened by the end of the fiscal year ended February 28, 2014; the same applies hereinafter) increased 7.1% year on year. By product category, sales of electric appliances climbed 19.9% year on year, apparel 15.1% year on year, and fashion items 15.3% year on year. The overall cost of purchased items rose 19.7% year on year, with purchases also continuing to grow. Overall purchases by general customers grew by 24.3%, and those for existing stores increased 11.9%.

As part of its store-opening measures, the Company opened two new Treasury Factory General Reuse Stores, which are directly managed stores, in Chiba City, Chiba Prefecture and Fuchu City, Tokyo, and opened a new Treasury Factory Style store as a directly managed Fashion Reuse Store in Ichikawa City, Chiba Prefecture. The Company also opened a new UseLet store as a directly managed Fashion Outlet Reuse Store in Kawagoe City, Saitama Prefecture. In August, the Treasury Factory Tokorozawa store, a General Reuse Store, which was getting older, and Treasury Factory Style Kawagoe store, a Fashion Reuse Store, which needed more space, were relocated to different locations in their respective areas and renewed. The Company operated a total of 86 stores as of August 31, 2015, consisting of 82 directly managed stores made up of 52 Treasury Factory stores as General Reuse Stores, 25 Treasury Factory Style stores as Fashion Reuse Stores, two Brand Collect stores as Brand-name Fashion Reuse Stores, one Treasury Factory Sports store as a Sports and Outdoor Reuse Store, and two UseLet stores as Fashion Outlet Reuse Stores, as well as four Treasury Factory franchise stores.

Looking at profits, the gross profit of the entire company rose 14.2% year on year, and gross profit at existing stores climbed 5.0%. The gross profit ratio of the entire company declined 1.2% year on year, to 65.0%, while the existing-store gross profit ratio decreased 1.2%, to 65.2%. The main factors of the decline in the gross profit ratio were an increase in discounts for apparel and other goods given to promote sales, and a rise in purchase charges due to a climb in expenses for outsourced delivery incurred through home-visit purchases. The gross profit ratio-net fell by 1.2% year on year, to 64.9%.

The selling, general and administrative expenses ratio remained unchanged from a year ago, standing at 57.4%. In the second quarter, temporary expenses of 36,254,000 yen were incurred as a result of relocating the two stores in August and one in September, including expenses for opening new stores and additional restoration expenses for the vacated stores. Due to these expenses, the operating income fell short of the plan. The operating income ratio fell 1.2% year on year, to 7.6%, while the ordinary income ratio dropped 1.1% year on year, to 7.9%.

As a result, net sales, operating income, and ordinary income for the first six months under review stood at 5,719,625,000 yen (up 16.3% year on year), 432,044,000 yen (up 0.4% year on year), and 449,715,000 yen (up 1.2% year on year), respectively, and net income was 270,316,000 yen (up 10.8% year on year).

(2) Description of Financial Position

Total assets as of the end of the first six months under review amounted to 4,982,953,000 yen, a decrease of 57,047,000 yen from the end of the previous fiscal year, primarily due to a fall of 416,179,000 yen in cash and deposits and increases of 116,820,000 yen in merchandise and 79,306,000 yen in lease and guarantee deposits.

Total liabilities as of the end of the first six months under review stood at 1,857,765,000 yen, a decline of 226,632,000 yen from the end of the previous year. This was attributable mainly to a decrease of 82,780,000 yen in income taxes payable and a decrease of 107,962,000 yen in "Other" in current liabilities.

Total net assets as of the end of the first six months under review came to 3,125,188,000 yen, up 169,584,000 yen from the end of the previous fiscal year. This was mostly due to the inclusion of net income amounting to 270,316,000 yen.

(Analysis of cash flows)

Cash and cash equivalents as of the end of the first six months under review fell 416,179,000 yen from the end of the previous fiscal year, to 723,256,000 yen.

The circumstances and factors for each category of cash flows for the first six months under review are as follows:

(Cash flows from operating activities)

Net cash used in operating activities during the first six months under review stood at 25,483,000 yen (compared with net cash provided of 332,031,000 yen during the first six months of the previous fiscal year). This chiefly reflects cash outflows, including an increase in inventories of 114,368,000 yen, income taxes paid of 262,387,000 yen, and a large amount of “Other” (including a decrease in accrued consumption taxes), which more than offset income before income taxes of 455,513,000 yen and a depreciation of 117,154,000 yen.

(Cash flows from investing activities)

Net cash used in investing activities stood at 235,764,000 yen (compared with net cash used of 214,340,000 yen during the first six months of the previous fiscal year). This was primarily due to the purchase of property, plant and equipment of 132,484,000 yen associated primarily with new store openings and payments for lease and guarantee deposits of 79,630,000 yen.

(Cash flows from financing activities)

Net cash used in financing activities was 154,931,000 yen (compared with net cash used of 154,167,000 yen during the first six months of the previous fiscal year). The main factors were the repayments of long-term loans payable of 53,346,000 yen and cash dividends paid of 100,593,000 yen.

(3) Explanation on Results Forecasts

No changes have been made to the forecasts for the fiscal year ending February 29, 2016 that were announced on April 10, 2015.

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) Additional Information

Changes in presentation

The income from brokerage in the moving business, which had been included in “Other” under “Non-operating Income” until the previous fiscal year, has been included in “Sales” from the beginning of the fiscal year under review as the segment has grown into a substantial business and the significance of the income from the business has increased.

As a result, the amount of 1,559,000 yen that had been included in “Other” under “Non-operating Income” in the income statement for the first six months of the previous fiscal year has been transferred to “Sales.”

3. Quarterly Financial Statements

(1) Quarterly Balance Sheets

(Thousand yen)

	Previous fiscal year (February 28, 2015)	First six months under review (August 31, 2015)
Assets		
Current assets		
Cash and deposits	1,152,841	736,662
Accounts receivable - trade	117,446	151,854
Merchandise	1,499,409	1,616,229
Other	303,657	340,091
Total current assets	3,073,354	2,844,836
Non-current assets		
Property, plant and equipment		
Buildings, net	657,693	679,142
Land	141,555	141,555
Other, net	185,878	255,447
Total property, plant and equipment	985,127	1,076,146
Intangible assets	37,871	31,849
Investments and other assets		
Lease and guarantee deposits	788,723	868,029
Other	154,924	162,091
Total investments and other assets	943,647	1,030,120
Total non-current assets	1,966,646	2,138,116
Total assets	5,040,000	4,982,953
Liabilities		
Current liabilities		
Accounts payable - trade	39,812	27,228
Short-term loans payable	370,000	369,990
Current portion of long-term loans payable	99,818	83,730
Income taxes payable	277,779	194,998
Provision for bonuses	157,672	162,514
Provision for sales returns	20,178	25,425
Provision for point card certificates	35,989	32,443
Asset retirement obligations	—	13,402
Other	668,153	560,190
Total current liabilities	1,669,403	1,469,922
Non-current liabilities		
Long-term loans payable	164,756	127,498
Asset retirement obligations	248,413	259,502
Other	1,823	841
Total non-current liabilities	414,993	387,842
Total liabilities	2,084,397	1,857,765

(Thousand yen)

	Previous fiscal year (February 28, 2015)	First six months under review (August 31, 2015)
Net assets		
Shareholders' equity		
Capital stock	369,743	369,743
Capital surplus	304,743	304,743
Retained earnings	2,275,946	2,445,530
Treasury shares	(109)	(109)
Total shareholders' equity	2,950,323	3,119,908
Subscription rights to shares	5,280	5,280
Total net assets	2,955,603	3,125,188
Total liabilities and net assets	5,040,000	4,982,953

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

(Thousand yen)

	Previous first six months (from March 1, 2014 to August 31, 2014)	First six months under review (from March 1, 2015 to August 31, 2015)
Net sales	4,919,834	5,719,625
Cost of sales	1,663,064	2,001,491
Gross profit	3,256,770	3,718,133
Reversal of provision for sales returns	18,192	20,178
Provision for sales returns	21,351	25,425
Gross profit - net	3,253,611	3,712,886
Selling, general and administrative expenses	2,823,079	3,280,841
Operating income	430,532	432,044
Non-operating income		
Interest income	88	94
Income from vending machines	7,720	8,870
Other	8,342	10,328
Total non-operating income	16,151	19,293
Non-operating expenses		
Interest expenses	1,906	1,506
Other	439	115
Total non-operating expenses	2,345	1,622
Ordinary income	444,338	449,715
Extraordinary income		
Compensation income	—	7,326
Total extraordinary income	—	7,326
Extraordinary losses		
Loss on retirement of non-current assets	978	1,290
Loss on valuation of investment securities	615	238
Total extraordinary losses	1,593	1,529
Income before income taxes	442,745	455,513
Income taxes - current	209,600	180,500
Income taxes - deferred	(10,788)	4,696
Total income taxes	198,811	185,196
Net income	243,933	270,316

(3) Quarterly Statement of Cash Flows

(Thousand yen)

	Previous first six months (from March 1, 2014 to August 31, 2014)	First six months under review (from March 1, 2015 to August 31, 2015)
Cash flows from operating activities		
Income before income taxes	442,745	455,513
Depreciation	81,778	117,154
Amortization of goodwill	771	771
Increase (decrease) in provision for bonuses	24,991	4,842
Increase (decrease) in provision for shareholder benefit program	(3,599)	(3,797)
Increase (decrease) in provision for point card certificates	(1,596)	(3,546)
Increase (decrease) in provision for sales returns	3,158	5,246
Interest and dividend income	(88)	(94)
Interest expenses	1,906	1,506
Compensation income	—	(7,326)
Loss on retirement of non-current assets	978	1,290
Loss (gain) on valuation of investment securities	615	238
Purchase of assets for lease	(2,562)	(4,876)
Decrease (increase) in notes and accounts receivable - trade	(27,433)	(34,407)
Decrease (increase) in inventories	(106,929)	(114,368)
Increase (decrease) in notes and accounts payable - trade	5,630	(12,584)
Increase (decrease) in accounts payable - other	(6,145)	(57,081)
Other	113,176	(117,432)
Subtotal	527,396	231,046
Interest and dividend income received	88	94
Interest expenses paid	(1,783)	(1,564)
Proceeds from compensation	—	7,326
Income taxes paid	(193,669)	(262,387)
Cash flows from operating activities	332,031	(25,483)
Cash flows from investing activities		
Purchase of property, plant and equipment	(113,756)	(132,484)
Purchase of intangible assets	(682)	(1,213)
Payments for lease and guarantee deposits	(84,431)	(79,630)
Proceeds from collection of lease and guarantee deposits	3,600	324
Purchase of long-term prepaid expenses	(19,030)	(22,761)
Other	(40)	—
Cash flows from investing activities	(214,340)	(235,764)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(38,000)	(10)
Repayments of long-term loans payable	(66,194)	(53,346)
Proceeds from issuance of common shares	800	—
Proceeds from issuance of subscription rights to shares	5,280	—
Cash dividends paid	(55,633)	(100,593)
Other	(419)	(981)
Cash flows from financing activities	(154,167)	(154,931)
Net increase (decrease) in cash and cash equivalents	(36,476)	(416,179)
Cash and cash equivalents at beginning of period	853,404	1,139,435
Cash and cash equivalents at end of period	816,928	723,256

(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)
Not applicable