Financial Report for the Fiscal Year Ended February 29, 2016
(Japanese Accounting Standards) (Non-consolidated)

April 13, 2016

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:

Regular general shareholders' meeting:	May 27, 2016
Commencement of dividend payments:	May 30, 2016
Submission of securities report:	May 27, 2016
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 29, 2016 (March 1, 2015 to February 29, 2016)

(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. 29, 2016	12,216	14.3	1,086	13.2	1,114	15.3	804	42.0
Feb. 28, 2015	10,686	17.1	959	35.2	966	32.4	566	35.7

	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. 29, 2016	72.07	69.48	25.2	20.9	8.9
Feb. 28, 2015	50.91	49.57	21.0	21.0	9.0

(Reference) Equity in earnings of affiliates As of February 29, 2016: − million yen As of February 28, 2015: − million yen

The Company conducted 2-for-1 stock splits on September 1, 2014 and 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	Net assets per share
	million yen	million yen	%	yen
As of Feb. 29, 2016	5,618	3,447	61.3	310.81
As of Feb. 28, 2015	5,040	2,955	58.5	263.60

(Reference) Shareholders' equity: As of February 29, 2016: 3,442 million yen As of February 28, 2015: 2,950 million yen

(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. 29, 2016	613	-506	-174	1,072
Feb. 28, 2015	883	-481	-115	1,139

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, 2015	−	0.00	−	18.00	18.00	100	17.7	3.7
Feb. 29, 2016	−	5.50	−	7.50	13.00	144	18.0	4.5
Year ending Feb. 28, 2017 (forecast)	−	8.00	−	8.00	16.00		24.5	

The Company conducted a 2-for-1 stock split on June 1, 2015.

3. Results forecast for the fiscal year ending February 28, 2017 (March 1, 2016 to February 28, 2017)

(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	6,192	8.3	414	-4.0	429	-4.6	266	-1.4	24.02
Full year	13,281	8.7	1,137	4.7	1,168	4.8	724	-10.0	65.37

(Note) The forecast above is a non-consolidated results forecast. The Company has established a subsidiary and will be a company that will prepare consolidated financial statements in the fiscal year ending February 28, 2017. It is difficult to calculate a reasonable consolidated results forecast now, and the Company will announce a consolidated results forecast when it comes to be able to do that.

* 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. 29, 2016: 11,192,800 shares   As of Feb. 28, 2015: 11,192,800 shares

[2] Treasury stock at period-end

As of Feb. 29, 2016: 117,731 shares   As of Feb. 28, 2015: 296 shares

[3] Average number of shares issued

As of Feb. 29, 2016: 11,158,210 shares   As of Feb. 28, 2015: 11,121,271 shares

The Company conducted 2-for-1 stock splits on September 1, 2014 and on June 1, 2015. The number of shares issued and outstanding (common shares) is calculated based on the assumption that the stock splits were conducted at the beginning of the previous fiscal year.

* 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 29, 2016, the Japanese economy recovered moderately with corporate earnings and employment improving, although consumer spending remained flat.

The reuse industry expanded, with increasing numbers of newcomers entering the industry, on the back of consumers' increasing needs for reuse and growing transactions involving reuse items.

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

(a) Strengthening existing stores

Of purchases from general customers, in-store purchases, which is the main procurement channel, home-visit purchases, which are made by visiting a customer's home, and home-delivery purchases, which utilize nationwide home-delivery services, all grew steadily. Purchases at existing stores (stores that opened by February 28, 2014; the same applies hereinafter) rose 9.1% year on year, and sales increased 5.2% year on year. The Company took steps to increase profitability at stores and relocated and renewed Treasure Factory Tokorozawa store, which was aging, and Treasure Factory Style Kawagoe store, which was undersized.

(b) New store openings

The Company relocated three existing stores and opened nine new stores in the fiscal year under review. By store type, during the fiscal year, the Company opened four General Reuse Stores Treasure Factory (directly managed); three Fashion Reuse Stores Treasure Factory Style (directly managed); one Sports and Outdoor Reuse Stores Treasure Factory Sports (directly managed); and one Fashion Outlet Reuse Stores UseLet (directly managed). As a result, the Company operated a total of 91 stores as of the end of the fiscal year under review, consisting of directly-managed stores made up of 54 Treasure Factory stores, 27 Treasure Factory Style stores, two Brand Collect stores, two Treasure Factory Sports store and two UseLet (second-hand clothing outlet) store, and four Treasure Factory franchise stores.

(c) New business development

In the fiscal year under review, UseLet, a new type of fashion outlet reuse stores, and Treasure Factory Sports, sports and outdoor stores, each opened their second store, establishing a foothold for more store openings. Brand Collect, the brand-name fashion reuse stores, worked to establish an earnings model, taking advantage of their locations in Harajuku and bringing in inbound travelers as customers.

(d) Strengthening EC business

Home-delivery purchases, purchases nationwide in response to requests via the Internet, grew steadily, rising 75.8% year on year. Online sales rose 53.4% year on year, reflecting the promotion of sales mainly through Style Online, an online shopping website specializing in clothing, Brand Collect, an online shopping website specializing in brand-name second-hand fashion items, and Rakuten Ichiba Online Shop.

For the fiscal year under review, sales at all stores rose 14.3% year on year. By product category, sales of electric appliances rose 16.1% year on year, chiefly due to an increase in home-visit purchases. Sales of apparel, fashion items and hobby items increased 13.2%, 14.3%, and 17.3%, respectively. The cost of purchased items rose 16.7% year on year. Purchases from general customers grew by 20.7% year on year.

Looking at profits, the gross profit ratio fell 0.7 percentage points year on year, to 64.7%, and the existing-store gross profit ratio declined 0.9 percentage points, to 64.8%. From the beginning of the fiscal year under review, the outsourcing of delivery of goods purchased through home visits made good progress, and delivery costs for purchases increased, which in turn raised the cost to sales ratio. However, thanks to the outsourcing of delivery, the Company has established a system for stable home-visit purchases, which resulted in increases in purchases and sales of electric appliances and furniture. The gross profit ratio-net declined 0.8 percentage points, to 64.6%.

The selling, general and administrative expenses ratio declined by 0.6 percentage points, to 55.8%. As a result, the operating income ratio fell 0.1 percentage points year on year, to 8.9%, while the ordinary income ratio increased 0.1 percentage points, to 9.1%. Compensation income of 134,178,000 yen was posted as extraordinary income in association with the relocation of the fulfillment center. Income before income taxes stood at 1,239,208,000 yen, up 29.2% year on year.

Reflecting the results above, for the fiscal year under review, net sales, operating income, and ordinary income stood at 12,216,941,000 yen (up 14.3% year on year), 1,086,420,000 yen (up 13.2%) and 1,114,495,000 yen (up 15.3%), respectively. Net income was 804,212,000 yen (up 42.0%).

(i) Actual cost of purchases by product type

Item	Purchase price (thousand yen)	Breakdown (%)	Year on year (%)
Daily sundries	388,583	8.4	118.2
Apparel	1,765,972	38.2	118.4
Fashion items	941,205	20.4	119.2
Electric appliances	798,371	17.3	99.4
Furniture	243,648	5.3	114.0
Hobby-related items	203,882	4.4	121.9
Other	276,193	6.0	169.2
Total	4,617,859	100.0	116.7

(Notes) 1. The consumption tax is not included in the prices above.
2. Additional costs of purchase are included in Other items.

(ii) Actual sales by business and product type

Business	Item	Sales (thousand yen)	Breakdown (%)	Year on year (%)
Directly-managed businesses	Daily sundries	1,059,009	8.6	113.0
	Apparel	5,023,939	41.1	113.2
	Fashion items	2,216,446	18.1	114.3
	Electric appliances	2,279,170	18.7	116.1
	Furniture	930,828	7.6	112.8
	Hobby-related items	569,369	4.7	117.3
	Other items	20,044	0.2	223.9
	Subtotal	12,098,809	99.0	114.2
Franchise business		27,541	0.2	131.9
Other businesses		90,590	0.8	130.4
Total		12,216,941	100.0	114.3

(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, and Treasure Factory moving service sales.

(Outlook for next fiscal year)

For next fiscal year, the Company will continue to expand in-store purchases, home-visit purchases, home-delivery purchases, and purchases from dealers. Net sales and gross profit ratio are expected to remain more or less at the same levels as the fiscal year under review. The Company aims to open around 12 stores in Japan next fiscal year in Tokyo, Kansai, and other metropolitan areas, including Nagoya and Fukuoka. The Company will seek to develop new businesses and will open multiple stores of different types. For sustainable growth in the medium to long term, the Company is beginning to develop overseas operations. In March 2016, the Company established a subsidiary in Thailand and will operate reuse stores in Bangkok.

As for the results forecast for the fiscal year ending February 28, 2017, net sales are expected at 13,281 million yen (up 8.7% year on year), operating income at 1,137 million yen (up 4.7% year on year), ordinary income at 1,168 million yen (up 4.8% year on year) and net income at 724 million yen (down 10.0% 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 578,745,000 yen from the end of the previous fiscal year to 5,618,746,000 yen. This was primarily due to an increase of 307,318,000 yen in merchandise and an increase of 136,878,000 yen in lease and guarantee deposits.

Total liabilities as of the end of the fiscal year under review increased 86,785,000 yen from the end of the previous fiscal year to 2,171,182,000 yen. This was mainly attributable to an increase of 43,338,000 yen in short-term loans payable and 84,247,000 yen in long-term loans payable, and a decrease of 47,018,000 yen in accounts payable-other.

Total net assets as of the end of the fiscal year under review increased 491,960,000 yen from the end of the previous fiscal year to 3,447,564,000 yen. This was mostly due to an increase of 804,212,000 yen in retained earnings as a result of net income, a decline of 162,291,000 yen from dividends of surplus, and a decrease of 149,960,000 yen resulting from the acquisition of treasury stock.

(ii) State of cash flows

Cash and cash equivalents as of the end of the fiscal year under review fell 67,006,000 yen from the end of the previous fiscal year, to 1,072,428,000 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 613,817,000 yen (compared with net cash provided of 888,213,000 yen during the previous fiscal year). This chiefly reflects cash inflows of income before income taxes of 1,239,208,000 yen and depreciation of 239,582,000 yen, which more than offset cash outflows, including income taxes paid of 450,116,000 yen and an increase in inventories of 305,569,000 yen.

(Cash flows from investing activities)

Net cash used in investing activities stood at 506,003,000 yen (compared with net cash used of 481,680,000 yen during the previous fiscal year). This was primarily due to the purchase of property, plant and equipment of 317,037,000 yen associated primarily with new store openings and payments for lease and guarantee deposits of 166,679,000 yen.

(Cash flows from financing activities)

Net cash used in financing activities was 174,820,000 yen (compared with net cash used of 115,503,000 yen during the previous fiscal year). The main factors were proceeds from long-term loans payable of 210,000,000 yen, cash dividends paid of 162,069,000 yen, and the purchase of treasury shares of 149,960,000 yen.

Indicators associated with the Company's cash flows

	Fiscal year ended February 28, 2015	Fiscal year ended February 29, 2016
Equity capital ratio (%)	58.5	61.3
Equity capital ratio based on market value (%)	306.1	223.5
Ratio of interest-bearing debt to cash flows (year)	0.7	1.2
Interest coverage ratio (x)	254.7	197.7

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) Market capitalization is calculated based on the number of shares issued excluding treasury stock.

(Note 2) 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 3) 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 year-end dividend is expected to be 7.5 yen per share in view of the aforementioned dividend policy and healthy earnings. The annual dividend per share will be 13 yen, effectively rising 4 yen from the previous fiscal year.

For next fiscal year, an annual dividend of 16 yen per share (8 yen for interim dividends, 8 yen for year-end dividends) is planned. The annual dividend will be 3 yen more than that for the fiscal year under review. 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 13, 2016).

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 29, 2016. 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 29, 2012	Fiscal year ended February 28, 2013	Fiscal year ended February 28, 2014	Fiscal year ended February 28, 2015	Fiscal year ended February 29, 2016
New store openings (number of stores)	6	7	7	9	9
Store closings (number of stores)	–	–	–	–	–
Stores at end of FY (number of stores)	55	62	69	78	87

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 925,601,000 yen (16.5% of the amount for total assets) as of the end of the fiscal year ended February 29, 2016.

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 29, 2016 stood at 775,290,000 yen, which equals 13.8% 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 91 stores as of the end of the fiscal year ended February 29, 2016, 80 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 640,000 as of the end of the fiscal year ended February 29, 2016, 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.

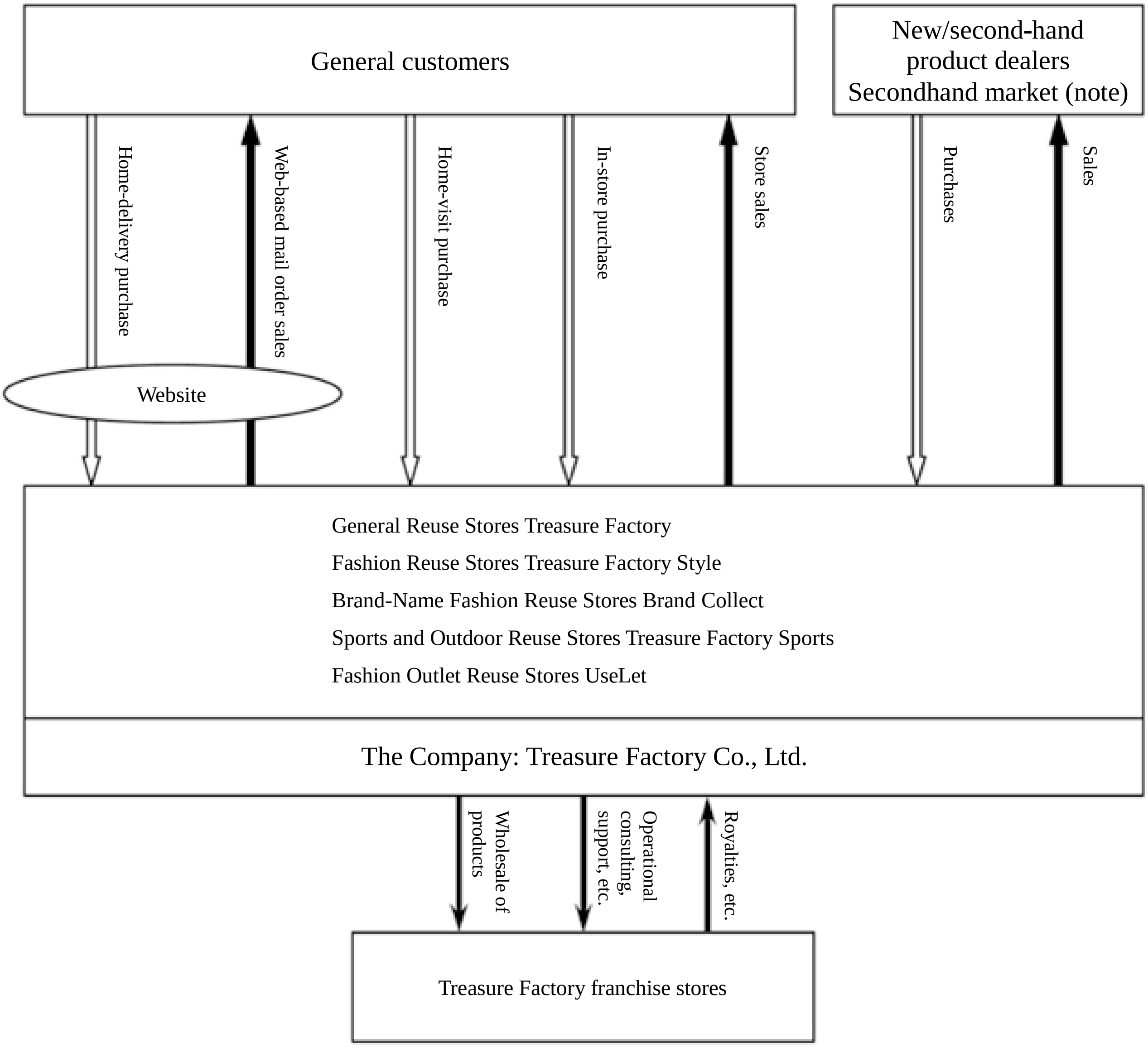
The status of stores as of February 29, 2016, is as follows.

<table>
<tr><th>Name</th><th>Location</th></tr>
<tr><td>Head office</td><td>3-32-6, Umejima, Adachi-ku, Tokyo</td></tr>
<tr><td>Distribution center</td><td>Minami-ku, Saitama, Saitama Prefecture</td></tr>
<tr><td>Style center</td><td>Midori-ku, Sagamihara, Kanagawa Prefecture</td></tr>
<tr><td>Fulfillment center</td><td>Minato-ku, Tokyo</td></tr>
<tr><td rowspan="7">General Reuse Stores
Treasure Factory
(54 directly-managed stores)</td><td>(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, Fuchu store</td></tr>
<tr><td>(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</td></tr>
<tr><td>(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</td></tr>
<tr><td>(Chiba Prefecture) Chiba Mitsuwadai store, Nagareyama store, Minami-Kashiwa store, Makuhari store, Matsudo store, Narashino store, Ichikawa store, Oyumino store, Kamagaya store</td></tr>
<tr><td>(Ibaraki Prefecture) Ushiku store</td></tr>
<tr><td>(Hyogo Prefecture) Kobe Shinnagata store</td></tr>
<tr><td>(Osaka Prefecture) Kishiwada store, Yao store, Higashi-Osaka store, Matubara store</td></tr>
<tr><td rowspan="6">Fashion Reuse Stores
Treasure Factory Style
(27 directly managed stores)</td><td>(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, Chofu-Kokuryo store</td></tr>
<tr><td>(Saitama Prefecture) Kawagoe store, Kawaguchi store, Kotesashi store</td></tr>
<tr><td>(Kanagawa Prefecture) Kawasaki store, Hashimoto store, Atsugi store, Higashi-Totsuka store, Yokohama-Tsuzuki store</td></tr>
<tr><td>(Chiba Prefecture) Inage store, Funabashi store, Yachiyo store, Chiba store, Motoyawata store</td></tr>
<tr><td>(Hyogo Prefecture) Amagasaki store</td></tr>
<tr><td>(Osaka Prefecture) America-mura store</td></tr>
</table>

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 (two directly-managed stores)	(Kanagawa Prefecture) Aobadai store, Kashiwa store
Fashion Outlet Reuse Stores UseLet (two directly-managed stores)	(Saitama Prefecture) Kuki store, Honkawagoe 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. Policy on the Choice of Accounting Standards

The Company adopts the Japanese standards. The Company will take conditions in Japan and overseas into consideration to make an appropriate decision as to whether to adopt IFRS (International Financial Reporting Standards).

5. Financial Statements

(1) Balance Sheets

(Thousand yen)

	Previous fiscal year (February 28, 2015)	Fiscal year under review (February 29, 2016)
Assets		
Current assets		
Cash and deposits	1,152,841	1,085,834
Accounts receivable - trade	117,446	167,388
Merchandise	1,499,409	1,806,727
Work in process	–	858
Supplies	9,176	6,569
Advance payments - trade	43	–
Prepaid expenses	152,049	174,802
Deferred tax assets	119,275	128,445
Other	23,112	29,357
Total current assets	3,073,354	3,399,982
Non-current assets		
Property, plant and equipment		
Buildings	*1 1,199,284	*1 1,305,471
Accumulated depreciation	-541,591	-612,146
Buildings, net	657,693	693,325
Structures	73,004	83,501
Accumulated depreciation	-51,170	-56,472
Structures, net	21,833	27,029
Tools, furniture and fixtures	507,070	662,184
Accumulated depreciation	-356,240	-436,621
Tools, furniture and fixtures, net	150,829	225,563
Rental assets	31,327	40,003
Accumulated depreciation	-22,713	-29,795
Rental assets, net	8,614	10,207
Land	*1 141,555	*1 141,555
Leased assets	11,532	11,532
Accumulated depreciation	-8,459	-10,062
Leased assets, net	3,072	1,469
Construction in progress	1,528	1,529
Total property, plant and equipment	985,127	1,100,680
Intangible assets		
Goodwill	900	–
Trademark right	231	119
Software	36,511	27,631
Telephone subscription right	228	228
Total intangible assets	37,871	27,979
Investments and other assets		
Investment securities	238	–
Investments in capital	50	50
Long-term prepaid expenses	110,873	121,046
Deferred tax assets	37,963	38,597
Lease and guarantee deposits	788,723	925,601
Other	5,798	4,808
Total investments and other assets	943,647	1,090,103
Total non-current assets	1,966,646	2,218,764
Total assets	5,040,000	5,618,746

(Thousand yen)

	Previous fiscal year (February 28, 2015)	Fiscal year under review (February 29, 2016)
Liabilities		
Current liabilities		
Accounts payable - trade	39,812	37,352
Short-term loans payable	*1 370,000	*1 413,338
Current portion of long-term loans payable	*1 99,818	*1 111,266
Lease obligations	1,683	1,683
Accounts payable - other	224,529	177,510
Accrued expenses	265,360	283,142
Income taxes payable	277,779	271,321
Accrued consumption taxes	148,560	101,440
Advances received	529	987
Deposits received	23,355	5,388
Unearned revenue	337	2,275
Provision for bonuses	157,672	184,556
Provision for shareholder benefit program	3,797	7,694
Provision for sales returns	20,178	21,868
Provision for point card certificates	35,989	32,504
Asset retirement obligations	–	2,625
Total current liabilities	1,669,403	1,654,955
Non-current liabilities		
Long-term loans payable	*1 164,756	*1 249,003
Lease obligations	1,823	–
Asset retirement obligations	248,413	267,223
Total non-current liabilities	414,993	516,226
Total liabilities	2,084,397	2,171,182
Net assets		
Shareholders' equity		
Capital stock	369,743	369,743
Capital surplus		
Legal capital surplus	304,743	304,743
Total capital surplus	304,743	304,743
Retained earnings		
Other retained earnings		
Retained earnings brought forward	2,275,946	2,917,867
Total retained earnings	2,275,946	2,917,867
Treasury shares	-109	-150,070
Total shareholders' equity	2,950,323	3,442,284
Subscription rights to shares	5,280	5,280
Total net assets	2,955,603	3,447,564
Total liabilities and net assets	5,040,000	5,618,746

(2) Statements of Income

(Thousand yen)

	Previous fiscal year (from March 1, 2014 to February 28, 2015)	Fiscal year under review (from March 1, 2015 to February 29, 2016)
Net sales		
Net sales of goods	10,619,292	12,128,420
Sales of software	2,071	872
Rental sales	60,921	75,515
Other sales	4,179	12,132
Total net sales	10,686,465	12,216,941
Cost of sales		
Cost of goods sold		
Beginning goods	1,232,362	1,499,409
Cost of purchased items	3,906,518	4,617,859
Funds received via business transfer	51,703	–
Total	5,190,583	6,117,268
Transfer to other account	*1 2,573	*1 1,936
Ending goods	1,499,409	1,806,727
Cost of goods sold	*2 3,688,601	*2 4,308,604
Cost of rental sales	7,232	8,563
Total cost of goods sold	3,695,833	4,317,167
Gross profit	6,990,632	7,899,773
Provision for sales returns	20,178	21,868
Reversal of provision for sales returns	18,192	20,178
Gross profit - net	6,988,646	7,898,083
Selling, general and administrative expenses		
Advertising expenses	122,044	78,071
Directors' compensations	80,376	84,610
Salaries and allowances	2,146,729	2,495,724
Bonuses	151,927	172,094
Provision for bonuses	157,672	184,457
Legal welfare expenses	286,910	337,637
Welfare expenses	6,800	8,239
Retirement benefit expenses	15,407	16,946
Depreciation	173,546	231,045
Rent expenses	1,413,104	1,622,962
Utilities expenses	227,243	213,574
Supplies expenses	255,244	268,313
Job advertising expenses	137,560	170,494
Commission fee	219,883	288,113
Leasing fee	31,034	31,149
Provision for shareholder benefit program	3,797	7,694
Provision for point card certificates	3,024	-3,485
Amortization of goodwill	1,543	900
Other	594,969	603,120
Total selling, general and administrative expenses	6,028,821	6,811,662
Operating income	959,825	1,086,420

(Thousand yen)

	Previous fiscal year (from March 1, 2014 to February 28, 2015)	Fiscal year under review (from March 1, 2015 to February 29, 2016)
Non-operating income		
Interest income	179	183
Income from vending machines	13,152	14,973
Subsidy income	3,254	7,897
Insurance income	3,605	490
Income from sales of disposable items	4,700	4,784
Other	3,218	2,961
Total non-operating income	28,111	31,291
Non-operating expenses		
Interest expenses	3,628	3,029
Listing-related expenses	16,736	–
Other	802	186
Total non-operating expenses	21,166	3,216
Ordinary income	966,769	1,114,495
Extraordinary income		
Compensation income	–	134,178
Total extraordinary income	–	134,178
Extraordinary losses		
Loss on retirement of non-current assets	*3 1,074	*3 1,526
Impairment loss	*4 6,064	–
Loss on valuation of investment securities	615	238
Litigation settlement	–	7,700
Total extraordinary losses	7,754	9,465
Income before income taxes	959,015	1,239,208
Income taxes - current	420,200	444,800
Income taxes - deferred	-27,371	-9,804
Total income taxes	392,828	434,995
Net income	566,187	804,212

(3) Statement of Changes in Equity

Previous fiscal year (from March 1, 2014 to February 28, 2015)

(Thousand yen)

	Shareholders' equity							Subscription rights to shares	Total net assets
		Capital surplus		Retained earnings					
	Capital stock	Legal capital surplus	Total capital surplus	Other retained earnings: Retained earnings brought forward	Total retained earnings	Treasury shares	Total shareholders' equity		
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
Issuance of subscription rights to 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

Fiscal year under review (from March 1, 2015 to February 29, 2016)

(Thousand yen)

	Shareholders' equity							Subscription rights to shares	Total net assets
		Capital surplus		Retained earnings					
	Capital stock	Legal capital surplus	Total capital surplus	Other retained earnings: Retained earnings brought forward	Total retained earnings	Treasury shares	Total shareholders' equity		
Balance at the beginning of period	369,743	304,743	304,743	2,275,946	2,275,946	-109	2,950,323	5,280	2,955,603
Changes of items during period									
Dividends of surplus				-162,291	-162,291		-162,291		-162,291
Net income				804,212	804,212		804,212		804,212
Purchase of treasury shares						-149,960	-149,960		-149,960
Total changes of items during period	−	−	−	641,921	641,921	-149,960	491,960	−	491,960
Balance at the end of period	369,743	304,743	304,743	2,917,867	2,917,867	-150,070	3,442,284	5,280	3,447,564

(4) Statement of Cash Flows

(Thousand yen)

	Previous fiscal year (from March 1, 2014 to February 28, 2015)	Fiscal year under review (from March 1, 2015 to February 29, 2016)
Cash flows from operating activities		
Income before income taxes	959,015	1,239,208
Depreciation	180,591	239,582
Impairment loss	6,064	–
Amortization of goodwill	1,543	900
Increase (decrease) in provision for bonuses	37,215	26,884
Increase (decrease) in provision for shareholder benefit program	198	3,896
Increase (decrease) in provision for point card certificates	3,024	-3,485
Increase (decrease) in provision for sales returns	1,985	1,690
Interest and dividend income	-179	-183
Interest expenses	3,628	3,029
Compensation income	–	-134,178
Listing-related expenses	16,736	–
Loss on retirement of non-current assets	1,074	1,526
Loss (gain) on valuation of investment securities	615	238
Litigation settlement	–	7,700
Purchase of assets for lease	-9,889	-10,156
Decrease (increase) in notes and accounts receivable - trade	-27,204	-49,941
Decrease (increase) in inventories	-214,423	-305,569
Increase (decrease) in notes and accounts payable - trade	16,791	-2,460
Increase (decrease) in accounts payable - other	55,544	-36,436
Other	205,800	-43,996
Subtotal	1,238,133	938,249
Interest and dividend income received	179	183
Interest expenses paid	-3,467	-3,104
Proceeds from compensation	–	136,306
Litigation settlement paid	–	-7,700
Income taxes paid	-351,631	-450,116
Cash flows from operating activities	883,213	613,817
Cash flows from investing activities		
Purchase of property, plant and equipment	-225,314	-317,037
Purchase of intangible assets	-6,102	-2,088
Payments for lease and guarantee deposits	-123,825	-166,679
Proceeds from collection of lease and guarantee deposits	9,153	28,576
Purchase of long-term prepaid expenses	-32,124	-35,383
Payments for asset retirement obligations	-2,552	-13,390
Payments for transfer of business	*2 -100,873	–
Other	-40	–
Cash flows from investing activities	-481,680	-506,003
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	-8,000	43,338
Proceeds from long-term loans payable	80,000	210,000
Repayments of long-term loans payable	-125,022	-114,305
Proceeds from issuance of common shares	5,400	–
Proceeds from issuance of subscription rights to shares	5,280	–
Purchase of treasury shares	–	-149,960
Payments of listing-related expenses	-16,736	–
Cash dividends paid	-55,724	-162,069
Other	-700	-1,823
Cash flows from financing activities	-115,503	-174,820
Net increase (decrease) in cash and cash equivalents	286,030	-67,006
Cash and cash equivalents at beginning of period	853,404	1,139,435
Cash and cash equivalents at end of period	*1 1,139,435	*1 1,072,428

(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) Work in process

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

(3) 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.

(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 “Other sales” under “Net 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, 4,179,000 yen that was included in “Other” under “Non-operating Income” is included in “Other sales” under “Net sales.”

(Balance sheets)

*1 Pledged assets and secured liabilities

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

	Previous fiscal year (February 28, 2015)	Fiscal year under review (February 29, 2016)
Buildings	31,399	28,742
Land	141,555	141,555
Total	172,954	170,298

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

	Previous fiscal year (February 28, 2015)	Fiscal year under review (February 29, 2016)
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, 2014 to February 28, 2015)

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

Fiscal year under review (from March 1, 2015 to February 29, 2016)

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, 2014 to February 28, 2015)	Fiscal year under review (from March 1, 2015 to February 29, 2016)
25,110	24,235

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

	Previous fiscal year (from March 1, 2014 to February 28, 2015)	Fiscal year under review (from March 1, 2015 to February 29, 2016)
Buildings	831	1,378
Structures	66	119
Tools, furniture and fixtures	176	29
Total	1,074	1,526

*4 Impairment loss

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

Previous fiscal year (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, longterm 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, 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 40,000 shares from exercising subscription rights to shares and an increase of 2,779,800 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 74 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

(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

Fiscal year under review (from March 1, 2015 to February 29, 2016)

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)	5,596,400	5,596,400	–	11,192,800

(Note) The increase of 5,596,400 shares in the number of common shares issued is a result of 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)	148	117,583	–	117,731

(Note) The increase of 117,583 treasury shares out of common shares is a result of the purchase of 117,400 treasury shares by resolution of the Board of Directors, an increase of 148 shares resulting from a stock split, and an increase of 35 shares from the 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	
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 27, 2015 Regular shareholders' meeting	Common shares	100,732	18	February 28, 2015	May 28, 2015
October 13, 2015 Board of Directors meeting	Common shares	61,558	5.5	August 31, 2015	November 2, 2015

(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, 2016 Regular shareholders' meeting	Common shares	83,063	Retained earnings	7.5	February 29, 2016	May 30, 2016

(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, 2014 to February 28, 2015)	Fiscal year under review (from March 1, 2015 to February 29, 2016)
Cash and deposits	1,152,841	1,085,834
Time deposits (period exceeding three months)	-13,406	-13,406
Cash and cash equivalents	1,139,435	1,072,428

*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 previous fiscal year 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, 2014 to February 28, 2015)	Fiscal year under review (from March 1, 2015 to February 29, 2016)
Amount of contributions associated with the defined contribution pension plan	15,407	16,946

(Stock options, etc.)

1. Initial amount of assets posted and name of item associated with treasury stock options (Thousand yen)

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

2. Content, size and changes in treasury stock options

(1) Content of treasury stock options

	<No. 3 subscription rights to shares> Resolution date of the Board of Directors (April 11, 2014)
Classification and number of those with vested interest	4 directors and 28 employees
Number of treasury stock options based on type of shares (Note) 2	Common shares 640,000 shares
Grant date	April 28, 2014
Vesting requirements	(Note) 3
Valid employment period	Not established
Exercise period	June 1, 2016 – April 27, 2018

(Notes)
1. The 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 September 1, 2014 (2-for-1 stock split) and on June 1, 2015 (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 ended 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 ended 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 ended 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 treasury stock options

These apply to treasury stock options that were outstanding as of the fiscal year under review (fiscal year ended February 2016). The number of treasury stock options are shown after conversion into the number of shares issued.

(i) Number of treasury stock options

	<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	640,000
Vesting	–
Expirations	–
Vesting requirements met	–
Vesting requirements not met	640,000
After satisfaction of vesting requirements (number of shares)	
End of the previous fiscal year	–
Vesting requirements met	–
Rights exercised	–
Expirations	–
Balance of unexercised rights	–

(Note) The number of shares stated is after conversion following stock splits on September 1, 2014 (2-for-1 stock split) and June 1, 2015 (2-for-1 stock split).

(ii) Unit price information

	<No. 3 subscription rights to shares> Resolution date of the Board of Directors (April 11, 2014)
Exercise price (yen)	465
Average share price at time of exercise (yen)	–
Fair valuation unit price (grant date) (yen)	3,300

(Notes) 1. The exercise price is after conversion following stock splits on September 1, 2014 (2-for-1 stock split) and June 1, 2015 (2-for-1 stock split).

2. A fair valuation unit price refers to a unit price for one subscription right to shares (400 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 subscription rights to shares that existed in the fiscal year under review (fiscal year ended February 2016) 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, 2015)	Fiscal year under review (February 29, 2016)
Deferred tax assets		
Accrued enterprise tax	21,491	23,384
Accrued business office taxes	6,988	7,836
Provision for bonuses	56,194	61,014
Provision for point card certificates	12,826	10,745
Provision for sales returns	7,191	7,229
Impairment loss	2,161	2,251
Asset retirement obligations	88,534	87,074
Valuation loss on goods	6,273	4,547
Other	8,730	13,258
Deferred tax assets subtotal	210,393	217,343
Valuation allowance	–	–
Total deferred tax assets	210,393	217,343
Deferred tax liabilities		
Assets corresponding to asset retirement obligations	-53,155	-50,300
Total deferred tax liabilities	-53,155	-50,300
Deferred tax assets, net	157,238	167,043

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, 2015)	Fiscal year under review (February 29, 2016)
Effective statutory tax rate	38.0%	There are no notes because the difference between the effective statutory tax rate and the burden rate for income taxes after applying tax-effect accounting is 5% of the effective statutory tax rate or less.
(adjustment)		
Inhabitant tax on per capita basis	1.2	
Accumulated earnings tax	3.8	
Tax deduction for tax system to promote employment	-2.9	
Impact from change in tax rate	0.8	
Other	0.1	
Burden rate for income taxes after applying tax-effect accounting	41.0	

3. Changes to deferred tax assets and deferred tax liabilities associated with changes in the income tax rates

On March 31, 2015, the Act on Partial Revision of the Income Tax Act (Act No. 9 of 2015) and the Act on Partial Revision of the Local Tax Act (Act No. 2 of 2015) were promulgated, and the corporate tax rates have been lowered from fiscal years starting on or after April 1, 2015.

With the amendment, the effective statutory tax rate used to calculate deferred tax assets and deferred tax liabilities has changed from 35.6% to 33.1% in association with temporary differences expected to be eliminated from the fiscal year starting March 1, 2016 and to 32.3% in association with temporary differences expected to be eliminated from the fiscal year starting March 1, 2017.

The impact from this change to the tax rate is negligible.

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

On March 31, 2016, the Act on Partial Revision of the Income Tax Act (Act No. 15 of 2016) and the Act on Partial Revision of the Local Tax Act (Act No. 13 of 2016) were introduced, and the income tax rates have been lowered from fiscal years starting on or after April 1, 2016.

With the amendment, the effective statutory tax rate used to calculate deferred tax assets and deferred tax liabilities has changed from 32.3% to 30.9% in association with temporary differences expected to be eliminated from the fiscal year starting March 1, 2017 and to 30.6% in association with temporary differences expected to be eliminated from the fiscal year starting March 1, 2019.

The impact from this change to the tax rate is negligible.

(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, 2014 to February 28, 2015)	Fiscal year under review (from March 1, 2015 to February 29, 2016)
Balance at the beginning of period	217,715	248,413
Increase resulting from purchase of property, plant and equipment	31,070	32,414
Adjustment due to passage of time	3,363	3,338
Increase (decrease) resulting from changes in estimate	-1,184	-915
Decrease resulting from fulfilling asset retirement obligations	-2,552	-13,402
Balance at the end of period	248,413	269,849

(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, 2014 to February 28, 2015)		Fiscal year under review (from March 1, 2015 to February 29, 2016)	
Net asset per share	263.60 yen	Net asset per share	310.81 yen
Net income per share	50.91 yen	Net income per share	72.07 yen
Diluted net income per share	49.57 yen	Diluted net income per share	69.48 yen

(Note) 1. The Company conducted a 2-for-1 stock split on September 1, 2014 and another 2-for-1 stock split on June 1, 2015. 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, 2015)	Fiscal year under review (February 29, 2016)
Total net assets (thousand yen)	2,955,603	3,447,564
Amount deducted from the total net assets (thousand yen)	5,280	5,280
Net assets associated with common shares at the end of the fiscal year (thousand yen)	2,950,323	3,442,284
Number of common shares at the end of the fiscal year used to calculate net asset per share (shares)	11,192,504	11,075,069

(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, 2014 to February 28, 2015)	Fiscal year under review (from March 1, 2015 to February 29, 2016)
Net income (thousand yen)	566,187	804,212
Amount not belonging to common shareholders (thousand yen)	–	–
Net income associated with common shares (thousand yen)	566,187	804,212
Average number of shares issued during the fiscal year (shares)	11,121,271	11,158,210
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)	299,784	415,730
Increase in the number of common shares (shares)	299,784	415,730
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)

(Establishment of a subsidiary)

The Company established a subsidiary under a resolution at a meeting of the Board of Directors held on March 18, 2016. Details are as follows:

1. Purpose of the establishment of a subsidiary

   To achieve sustainable growth in the medium to long term, the Company is looking to develop the Reuse Business not only in Japan but overseas as well, and has decided to establish a local subsidiary to develop the Reuse Business in Thailand, where the consumer market is growing.

2. Outline of the subsidiary

   (1) Business name: Treasure Factory (Thailand) Co., Ltd.
   (2) Location: Bangkok, Thailand
   (3) Representative: Eigo Nosaka (President & CEO of Treasure Factory)
   (4) Business: Operation of reuse stores
   (5) Establishment: March 24, 2016
   (6) Fiscal year end: November 30
   (7) Capital: 4 million Thai baht (approximately 13,280,000 yen)
   (8) Capital contribution: The Company holds an approximately 49% stake.
   Three local consulting companies hold a 51% stake.

6. Other

(1) Director Transfers

(i) Change in representative director

Not applicable

(ii) Changes in other officers

Will be disclosed when disclosure contents are finalized