



Financial Report for the First Six Months of the Fiscal Year Ending February 28, 2017 **(Japanese Accounting Standards) (Consolidated)**

October 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:			
Submission of statutory quarterly financial report	October 13, 2016		
Commencement of dividend payments	November 1, 2016		
Supplementary documents for quarterly results	Yes		
Quarterly results briefing	Yes (for institutional investors and analysts)		

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

1. Results for the first six months of the fiscal year ending February 28, 2017 (March 1, 2016 to August 31, 2016)

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

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	million yen	%	million yen	%	million yen	%	million yen	%
Six months ended Aug. 31, 2016	6,004	—	346	—	356	—	226	—
Six months ended Aug. 31, 2015	—	—	—	—	—	—	—	—

(Note) Comprehensive income: First half ended August 31, 2016: 226 million yen (—%) First half ended August 31, 2015: — million yen (—%)

	Net income per share	Diluted net income per share
	yen	yen
Six months ended Aug. 31, 2016	20.48	19.85
Six months ended Aug. 31, 2015	—	—

(Note) Figures for the six months ended August 31, 2015 and year-on-year changes are not stated in this Report because Treasure Factory Co., Ltd. (hereinafter referred to as the "Company") began preparing quarterly consolidated financial statements in the first quarter of the fiscal year ending February 28, 2017.

(2) Financial position

	Total assets	Net assets	Equity capital ratio
	million yen	million yen	%
As of Aug. 31, 2016	5,732	3,494	60.8
As of Feb. 29, 2016	—	—	—

(Reference) Shareholders' equity: As of August 31, 2016: 3,483 million yen

As of February 29, 2016: — million yen

(Note) Figures as of February 29, 2016 are not stated in this Report because the Company began preparing quarterly consolidated financial statements in the first quarter of the fiscal year ending February 28, 2017.

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. 29, 2016	—	5.50	—	7.50	13.00
Year ending Feb. 28, 2017	—	8.00	—	—	—
Year ending Feb. 28, 2017 (forecast)	—	—	—	8.00	16.00

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

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		Profit attributable to owners of parent		Net income per share
	million yen	%	million yen	%	million yen	%	million yen	%	yen
Full year	13,680	—	998	—	1,023	—	639	—	57.97

(Note) Revisions to results forecast published most recently: Yes

(Note) Year-on-year and quarter-on-quarter changes are not stated in this Report because the Company began preparing quarterly consolidated financial statements in the first quarter of the fiscal year ending February 28, 2017.

* Notes

(1) Changes in important subsidiaries during the first six months under review (changes in specified subsidiaries that caused changes in the scope of consolidation): None
 Number of new companies (their names): Number of excluded companies (their names):

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

(3) Changes to accounting policies, changes of accounting estimates, and revisions and restatements

[1] Changes in accounting policies in accordance with changes in accounting principles: Yes

[2] Changes in accounting policies other than the above: None

[3] Changes in accounting estimates: None

[4] Revisions and restatements: None

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

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

As of Aug. 31, 2016: 11,212,800 shares As of Feb. 29, 2016: 11,192,800 shares

[2] Treasury stock at period-end

As of Aug. 31, 2016: 237,731 shares As of Feb. 29, 2016: 117,731 shares

[3] Average number of shares issued

As of Aug. 31, 2016: 11,069,178 shares As of Aug. 31, 2015: 11,192,504 shares

* Status of quarterly review

Although a review of the quarterly consolidated financial statements 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

Future statements in this Report, including results forecasts, are based on information available to the Company at the time of its preparation and certain assumptions that the Company judges to be rational. The Company does not intend these statements to promise their achievement. Actual results and the like may also differ significantly from these forecasts due to various factors. Please refer to (3) Explanation of Future Prospects Including Consolidated Results Forecasts in 1. Qualitative Information on the Financial Results for the First Six Months of the Fiscal Year Ending February 28, 2017 on page 3 of the accompanying materials for the points to note regarding the preconditions for results forecasts and their use.

Accompanying Materials — Contents

1. Qualitative Information on the Financial Results for the First Six Months of the Fiscal Year Ending February 28, 2017.....	2
(1) Description of Operating Results	2
(2) Description of Financial Position	2
(3) Explanation of Future Prospects Including Consolidated Results Forecasts.....	3
2. Matters Related to Summary Information (Notes).....	3
(1) Changes in Important Subsidiaries during the First Six Months under Review.....	3
(2) Adoption of Accounting Unique to the Preparation of Quarterly Consolidated Financial Statements	3
(3) Changes in Accounting Policies and Changes or Restatements of Accounting Estimates	3
3. Quarterly Consolidated Financial Statements	4
(1) Quarterly Consolidated Balance Sheet.....	4
(2) Quarterly Consolidated Statement of Income and Quarterly Consolidated Statement of Comprehensive Income	6
Quarterly Consolidated Statement of Income	
First six months	6
Quarterly Consolidated Statement of Comprehensive Income	
First six months	7
(3) Quarterly Consolidated Statement of Cash Flows.....	8
(4) Notes on Quarterly Consolidated Financial Statements	9
(Notes on the going concern assumption)	9
(Notes if there is a significant change in the amount of shareholders' equity)	9
(Segment information)	9
(Significant subsequent events).....	9

1. Qualitative Information on the Financial Results for the First Six Months of the Fiscal Year Ending February 28, 2017

A comparative analysis against the results for the first six months of the previous fiscal year and for the previous fiscal year is not performed because the Company did not prepare quarterly consolidated financial statements for the first six months of the previous fiscal year.

(1) Description of Operating Results

During the first six months of the fiscal year ending February 28, 2017, the Japanese economy continued to be buffeted by forces such as the appreciation of the yen and business slowdowns in emerging nations in Asia and resource-rich countries, and corporate earnings were sluggish. Poor weather brought about by multiple typhoons during the summer also took its toll, and consumer spending remained in the doldrums.

In this business environment, the Company focused on its operations, adopting the opening of 10 or more stores, the development of new types of business and overseas business expansion as its major operating targets for the fiscal year.

Consolidated net sales for the first six months under review amounted to 6,004,495 thousand yen. By product category, net sales for household items and apparel came to 540,712 thousand yen and 2,335,546 thousand yen, respectively. The consolidated cost of purchased items was 2,291,134 thousand yen for the first six months under review.

As part of its store-opening measures, the Company opened its first stores in the Chubu and Kyushu regions, establishing one new Treasure Factory, a directly managed General Reuse Store, in Nagoya City, Aichi Prefecture, and one in Kasuga City, Fukuoka Prefecture. The Company opened one new Treasury Factory Style as a directly managed Fashion Reuse Store in Machida City, Tokyo, and one in Minho City, Osaka.

As a new business format, the Company developed Treasury Factory Market, a Suburban Large-scale Reuse business format, and opened its first Treasury Factory Market in Chiba City, Chiba Prefecture in August. Treasury Factory Market is a large-scale reuse store developed specifically for suburban areas and characterized by a product line-up consisting predominantly of electric appliances and furniture.

The Company operated a total of 96 stores as of August 31, 2016, consisting of 92 directly managed stores made up of 56 Treasure Factory stores as General Reuse Stores, 29 Treasury Factory Style stores as Fashion Reuse Stores, two Brand Collect stores as Brand-name Fashion Reuse Stores, two Treasury Factory Sports Stores as a Sports and Outdoor Reuse Store, and two UseLet stores as Fashion Outlet Reuse Stores, as well as four Treasury Factory franchise stores.

In overseas operations, the Company established a local subsidiary in Thailand in March 2016 and opened its first overseas store as a General Reuse Store in Bangkok in July.

Looking at profits, the gross profit ratio was 66.3% for the entire Company and 65.9% for existing stores. The consolidated gross profit ratio - net came to 66.2%.

The selling, general and administration expenses ratio stood at 60.5%. Consequently, the consolidated operating income ratio came to 5.8% and the consolidated ordinary income ratio came to 5.9%.

As a result, consolidated net sales, consolidated operation income, consolidated ordinary income, and consolidated profit attributable to owners of parent amounted to 6,004,495 thousand yen, 346,788 thousand yen, 356,115 thousand yen and 226,732 thousand yen, respectively.

(2) Description of Financial Position

Total assets as of the end of the first six months under review came to 5,732,180 thousand yen. They consisted mainly of cash and deposits of 675,906 thousand yen, merchandise of 2,077,850 thousand yen and lease and guarantee deposits of 970,373 thousand yen.

Total liabilities as of the end of the first six months under review stood at 2,237,444 thousand yen. They consisted chiefly of short-term loans payable of 550,000 thousand yen.

Net assets as of the end of the first six months under review totaled 3,494,735 thousand yen. They consisted primarily of capital stock of 374,476 thousand yen, capital surplus of 309,476 thousand yen and retained earnings of 3,061,537 thousand yen.

(Analysis of cash flows)

Cash and cash equivalents as of the end of the first six months under review amounted to 662,500,000 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 94,200 thousand yen. This chiefly reflects cash outflows, including an increase in inventories of 270,071 thousand yen, income taxes paid of 257,049 thousand yen, which more than offset profit before income taxes of 355,051 thousand yen and a depreciation of 127,347 thousand yen.

(Cash flows from investing activities)

Net cash used in investing activities stood at 297,857 thousand yen. This was primarily due to the purchase of property, plant and equipment of 226,759 thousand yen associated primarily with new store openings and payments for lease and guarantee deposits of 63,840 thousand yen.

(Cash flows from financing activities)

Net cash used in financing activities was 13,752 thousand yen. The main factors were expenditure of 111,851,000 yen for the purchase of treasury shares and cash dividends paid of 83,059,000 yen, which more than offset an inflow of 136,662,000 yen due to a net increase in short-term loans payable.

(3) Explanation of Future Prospects Including Consolidated Results Forecasts

With the conversion of K.K. Kindal (hereinafter “Kindal”) into a subsidiary in September 2016, the Company factored the results of Kindal and advisory expenses related to the acquisition of Kindal shares into its consolidated results forecasts and also reflected results for the first six months of the fiscal year under review into its consolidated results forecast. Due to the resulting fluctuation in sales and profits, the Company revised its consolidated results forecasts.

Based on the deemed acquisition date of November 30, 2016, the revised consolidated results forecasts only take Kindal’s results for the first three months from December 2016 to February 2017 into consideration.

Please refer to “Treasure Factory Revises Forecast for the Fiscal 2017” released October 13, 2016 for further details.

2. Matters Related to Summary Information (Notes)

(1) Changes in Important Subsidiaries during the First Six Months under Review

Not applicable. For your information, the Company added Treasure Factory (Thailand) Co., Ltd. to the scope of consolidation during the first quarter of this fiscal year due to its establishment, even though its establishment did not correspond to any changes in the specified subsidiaries.

(2) Adoption of Accounting Unique to the Preparation of Quarterly Consolidated Financial Statements

Not applicable

(3) Changes in Accounting Policies and Changes or Restatements of Accounting Estimates

(Application of the Practical Solution to the Change in the Depreciation Method Due to Tax Reform 2016)

With the amendment of the Corporation Tax Act, the Company began applying the Practical Solution to the Change in the Depreciation Method Due to Tax Reform 2016 (PITF No. 32 issued on June 17, 2016) in the first quarter of this fiscal year, and changed the depreciation method for facilities attached to buildings and structures acquired on or after April 1, 2016 from the declining balance method to the straight-line method.

This change produced insignificant effects on consolidated operating income, consolidated ordinary income and consolidated profit before income taxes for the first six months under review.

3. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheet

(Thousand yen)

	First six months under review (August 31, 2016)
Assets	
Current assets	
Cash and deposits	675,906
Accounts receivable - trade	150,900
Merchandise	2,077,850
Other	359,327
Total current assets	3,263,985
Non-current assets	
Property, plant and equipment	
Buildings, net	871,812
Land	141,555
Other, net	278,630
Total property, plant and equipment	1,291,998
Intangible assets	38,659
Investments and other assets	
Lease and guarantee deposits	970,373
Other	167,162
Total investments and other assets	1,137,536
Total non-current assets	2,468,194
Total assets	5,732,180

	(Thousand yen)
	First six months under review (August 31, 2016)
Liabilities	
Current liabilities	
Accounts payable - trade	33,433
Short-term loans payable	550,000
Current portion of long-term loans payable	122,002
Income taxes payable	135,532
Provision for bonuses	180,989
Provision for sales returns	23,881
Provision for point card certificates	31,767
Asset retirement obligations	10,400
Other	545,896
Total current liabilities	1,633,903
Non-current liabilities	
Long-term loans payable	267,695
Asset retirement obligations	335,846
Total non-current liabilities	603,541
Total liabilities	2,237,444
Net assets	
Shareholders' equity	
Capital stock	374,476
Capital surplus	309,476
Retained earnings	3,061,537
Treasury shares	(261,921)
Total shareholders' equity	3,483,567
Accumulated other comprehensive income	
Foreign currency translation adjustment	(557)
Total accumulated other comprehensive income	(557)
Subscription rights to shares	5,115
Non-controlling interests	6,609
Total net assets	3,494,735
Total liabilities and net assets	5,732,180

(2) Quarterly Consolidated Statement of Income and Quarterly Consolidated Statement of Comprehensive Income
Quarterly Consolidated Statement of Income

(Thousand yen)

	First six months under review (from March 1, 2016 to August 31, 2016)
Net sales	6,004,495
Cost of sales	2,025,539
Gross profit	3,978,955
Reversal of provision for sales returns	21,868
Provision for sales returns	23,881
Gross profit - net	3,976,942
Selling, general and administrative expenses	3,630,153
Operating income	346,788
Non-operating income	
Interest income	52
Income from vending machines	8,849
Other	7,928
Total non-operating income	16,830
Non-operating expenses	
Interest expenses	1,267
Foreign exchange losses	6,160
Other	74
Total non-operating expenses	7,502
Ordinary income	356,115
Extraordinary losses	
Loss on retirement of non-current assets	1,063
Total extraordinary losses	1,063
Profit before income taxes	355,051
Income taxes - current	113,600
Income taxes - deferred	14,718
Total income taxes	128,318
Profit	226,732
Profit attributable to non-controlling interests	—
Profit attributable to owners of parent	226,732

Quarterly Consolidated Statement of Comprehensive Income

(Thousand yen)

	First six months under review (from March 1, 2016 to August 31, 2016)
Profit	226,732
Other comprehensive income	
Foreign currency translation adjustment	(557)
Total other comprehensive income	(557)
Comprehensive income	226,175
Comprehensive income attributable to	
Comprehensive income attributable to owners of parent	226,175
Comprehensive income attributable to non-controlling interests	—

(3) Quarterly Consolidated Statement of Cash Flows

(Thousand yen)

	First six months under review (from March 1, 2016 to August 31, 2016)
Cash flows from operating activities	
Profit before income taxes	355,051
Depreciation	127,347
Increase (decrease) in provision for bonuses	(3,567)
Increase (decrease) in provision for point card certificates	(736)
Increase (decrease) in provision for sales returns	2,013
Interest and dividend income	(52)
Interest expenses	1,267
Foreign exchange losses (gains)	3,560
Loss on retirement of non-current assets	1,063
Decrease (increase) in notes and accounts receivable - trade	16,487
Decrease (increase) in inventories	(270,071)
Increase (decrease) in notes and accounts payable - trade	(3,918)
Other	(64,410)
Subtotal	164,034
Interest and dividend income received	52
Interest expenses paid	(1,237)
Income taxes paid	(257,049)
Cash flows from operating activities	(94,200)
Cash flows from investing activities	
Purchase of property, plant and equipment	(226,759)
Purchase of intangible assets	(9,310)
Payments for lease and guarantee deposits	(63,840)
Proceeds from collection of lease and guarantee deposits	18,668
Other	(16,615)
Cash flows from investing activities	(297,857)
Cash flows from financing activities	
Net increase (decrease) in short-term loans payable	136,662
Proceeds from long-term loans payable	90,000
Repayments of long-term loans payable	(60,572)
Proceeds from issuance of common shares	9,300
Purchase of treasury shares	(111,851)
Cash dividends paid	(83,059)
Proceeds from share issuance to non-controlling shareholders	6,609
Other	(841)
Cash flows from financing activities	(13,752)
Effect of exchange rate change on cash and cash equivalents	(4,117)
Net increase (decrease) in cash and cash equivalents	(409,928)
Cash and cash equivalents at beginning of period	1,072,428
Cash and cash equivalents at end of period	662,500

(4) Notes on Quarterly Consolidated Financial Statements

(Notes on the going concern assumption)

Not applicable

(Notes if there is a significant change in the amount of shareholders' equity)

Not applicable

(Segment information)

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)

(Acquisition of company, etc. through the purchase of shares)

At the meeting of the Board of Directors held on August 16, 2016, the Company resolved to acquire 100% of the issued and outstanding shares of K.K. Kindal (hereinafter "Kindal"), making Kindal its wholly owned subsidiary, and the Company acquired Kindal's shares on September 14, 2016.

(1) Purpose of purchase of shares

The Company's policy is to pursue expansion in the genres it handles and its customer groups to make the Company's reuse services available in a wider range of areas in the reuse retail industry. Kindal enjoys high recognition in the brand vintage clothing industry, with a large number of stores mainly in the Kansai region and central Tokyo and a customer base consisting of many fans and regular customers.

The Company decided to purchase Kindal's shares, with the intention of accelerating growth of reuse services in the brand vintage clothing market by welcoming Kindal, with its high level of recognition and expertise in the brand vintage clothing sector, into the Group

(2) Name of party from whom the shares were purchased

The party from whom the shares were purchased was an individual shareholder whose name is omitted here but there is no significant capital relationship, business relationship or personal relationship between the individual shareholder in question and the Company.

(3) Outline of acquired company

Name	K.K. Kindal
Address	1338 Ikadachi Minamisho-cho, Otsu-shi, Shiga
Representative	Yasutaka Tanaka
Business activities	Purchase and sale of second-hand goods (brand clothing, bags, watches, jewelry, etc.)
Capital	10,000 thousand yen
Date of establishment	February 27, 1993

(4) Timing of share purchases

September 14, 2016 (Share purchase date)

November 30, 2016 (Deemed acquisition date)

(5) Number of shares purchased, purchase price, and ownership ratio after purchase

Number of shares acquired 200 shares (ownership ratio: 100%)

Purchase price 427,200 thousand yen

Advisory expenses, etc. 55,932 thousand yen

(6) Fundraising method

The Company drew down a loan of 213,000, 000 yen from the Bank of Tokyo-Mitsubishi UFJ, Ltd. and a loan of 213,000,000 from Sumitomo Mitsui Banking Corporation on September 14, 2016.