



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

January 12, 2017

Company name	Treasure Factory Co., Ltd.	Listings	The First Section of the Tokyo Stock Exchange
Securities code	3093	URL	http://www.treasurefactory.co.jp/
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Contact	Director, General Manager of Administration Department, Eiji Kobayashi		
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Scheduled dates:			
Submission of statutory quarterly financial report	January 12, 2017		
Commencement of dividend payments	-		
Supplementary documents for quarterly results	Yes		
Quarterly results briefing	None		

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

1. Results for the first nine months of the fiscal year ending February 28, 2017 (March 1, 2016 to November 30, 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	%
Nine months ended Nov. 30, 2016	9,334	-	588	-	604	-	383	-
Nine months ended Nov. 30, 2015	-	-	-	-	-	-	-	-

(Note) Comprehensive income: Nine months ended November 30, 2016: 382 million yen (-%)
Nine months ended November 30, 2015: - million yen (-%)

	Net income per share	Diluted net income per share
	yen	yen
Nine months ended Nov. 30, 2016	34.71	33.70
Nine months ended Nov. 30, 2015	-	-

(Note) Figures for the nine months ended November 30, 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 Nov. 30, 2016	7,545	3,575	47.2
As of Feb. 29, 2016	-	-	-

(Reference) Shareholders' equity: As of November 30, 2016: 3,563 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	-	57.92

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

(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 nine 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 Nov. 30, 2016: 11,238,800 shares As of Feb. 29, 2016: 11,192,800 shares

[2] Treasury stock at period-end

As of Nov. 30, 2016: 237,731 shares As of Feb. 29, 2016: 117,731 shares

[3] Average number of shares issued

As of Nov. 30, 2016: 11,043,229 shares As of Nov. 30, 2015: 11,185,716 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 Nine 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.

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

A comparative analysis against the results for the first nine 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 nine months of the previous fiscal year.

(1) Description of Operating Results

During the first three quarters of the fiscal year ending February 28, 2017, the outlook for the Japanese economy remained uncertain, partly due to the sluggish growth of personal consumption, slower demand from inbound tourism and growing uncertainty in overseas economies, despite a trend toward improvement in employment conditions.

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

Consolidated net sales for the first nine months under review amounted to 9,334,994 thousand yen. By product category, net sales for household items, apparel, and electric appliances came to 809,242 thousand yen, 3,863,166 thousand yen and 1,690,082 thousand yen, respectively. The consolidated cost of purchased items was 3,543,451 thousand yen for the first nine months under review.

As its store-opening measures, the Company opened six stores in Japan. Specifically, 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. The Company opened one new UseLet store as a directly managed Fashion Outlet Reuse Store in Iruma City, Saitama Prefecture in September 2016.

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 97 stores as of November 30, 2016, consisting of 93 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, three UseLet stores as Fashion Outlet Reuse Stores, and one Treasury Factory Market as a large-scale reuse store developed specifically for suburban area, 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.

In addition, the Company acquired all the shares of K.K. Kindal in September to make it a subsidiary. As a result, a total of 36 stores consisting of 21 directly managed stores and 15 franchise stores (as of November 30, 2016) of Kindal, a reuse store specialized in second-hand goods of brand clothing, bags and watches, etc., joined the consolidated group of the Company.

Looking at profits, the gross profit ratio was 65.8% for the entire Company and 65.6% for existing stores. The consolidated gross profit ratio - net came to 65.8%.

The selling, general and administrative expenses ratio stood at 59.5%. The Company posted as selling, general and administrative expenses 55,932 thousand yen used to acquire the shares of K.K. Kindal to convert it to a subsidiary. Consequently, the consolidated operating income ratio came to 6.3% and the consolidated ordinary income ratio came to 6.5%.

As a result, consolidated net sales, consolidated operation income, consolidated ordinary income, and consolidated profit attributable to owners of parent amounted to 9,334,994 thousand yen, 588,218 thousand yen, 604,856 thousand yen and 383,257 thousand yen, respectively.

(2) Description of Financial Position

Total assets as of the end of the first nine months under review came to 7,545,853 thousand yen. They consisted mainly of cash and deposits of 1,178,555 thousand yen, merchandise of 2,661,564 thousand yen and lease and guarantee deposits of 1,154,601 thousand yen.

Total liabilities as of the end of the first nine months under review stood at 3,970,690 thousand yen. They consisted chiefly of short-term loans payable of 1,180,000 thousand yen.

Net assets as of the end of the first nine months under review totaled 3,575,162 thousand yen. They consisted primarily of capital stock of 380,628 thousand yen, capital surplus of 315,628 thousand yen and retained earnings of 3,130,261 thousand yen.

(3) Explanation of Future Prospects Including Consolidated Results Forecasts

Because the Company has shifted to consolidated settlement of accounts in the fiscal year ending February 28, 2017 (March 1, 2016 to February 28, 2017), full-year consolidated results forecasts for the fiscal year ending February 28, 2017 are values including results forecasts for Treasure Factory (Thailand) Co., Ltd. and K.K. Kindal, which are subject to consolidation.

For the results of K.K. Kindal, which was converted into a subsidiary in September 2016, the cumulative results of the subsidiary for only three months from December 2016 to February 2017 are incorporated into consolidated results forecasts because the deemed acquisition date is November 30, 2016.

No changes have been made to the consolidated results forecasts for the fiscal year ending February 28, 2017 that were announced on October 13, 2016.

2. Matters Related to Summary Information (Notes)

(1) Changes in Important Subsidiaries during the First Nine 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.

In addition, the Company acquired all the shares of K.K. Kindal in the third quarter of this fiscal year and added it to the scope of consolidation. Because the deemed acquisition date is November 30, 2016, only the balance sheets of K.K. Kindal are consolidated in the third quarter of this fiscal year.

(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 nine months under review.

3. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheet

(Thousand yen)

	First nine months under review (November 30, 2016)
Assets	
Current assets	
Cash and deposits	1,178,555
Accounts receivable - trade	471,509
Merchandise	2,661,564
Other	416,727
Total current assets	4,728,357
Non-current assets	
Property, plant and equipment	
Buildings, net	946,041
Land	141,555
Other, net	280,417
Total property, plant and equipment	1,368,014
Intangible assets	82,694
Investments and other assets	
Lease and guarantee deposits	1,154,601
Other	212,185
Total investments and other assets	1,366,787
Total non-current assets	2,817,495
Total assets	7,545,853

(Thousand yen)

	First nine months under review (November 30, 2016)
Liabilities	
Current liabilities	
Accounts payable - trade	36,359
Short-term loans payable	1,180,000
Current portion of long-term loans payable	288,926
Provision for bonuses	98,465
Provision for sales returns	23,250
Provision for point card certificates	30,992
Other	773,313
Total current liabilities	2,431,306
Non-current liabilities	
Long-term loans payable	1,122,890
Asset retirement obligations	404,439
Other	12,054
Total non-current liabilities	1,539,384
Total liabilities	3,970,690
Net assets	
Shareholders' equity	
Capital stock	380,628
Capital surplus	315,628
Retained earnings	3,130,261
Treasury shares	(261,921)
Total shareholders' equity	3,564,596
Accumulated other comprehensive income	
Foreign currency translation adjustment	(943)
Total accumulated other comprehensive income	(943)
Subscription rights to shares	4,900
Non-controlling interests	6,609
Total net assets	3,575,162
Total liabilities and net assets	7,545,853

(2) Quarterly Consolidated Statement of Income and Quarterly Consolidated Statement of Comprehensive Income
 (Quarterly Consolidated Statement of Income)
 (First nine months)

	(Thousand yen)
	First nine months under review (from March 1, 2016 to November 30, 2016)
Net sales	9,334,994
Cost of sales	3,193,269
Gross profit	6,141,725
Reversal of provision for sales returns	21,868
Provision for sales returns	23,250
Gross profit - net	6,140,343
Selling, general and administrative expenses	5,552,125
Operating income	588,218
Non-operating income	
Interest income	100
Income from vending machines	11,644
Subsidy income	4,925
Other	5,819
Total non-operating income	22,488
Non-operating expenses	
Interest expenses	2,091
Foreign exchange losses	3,603
Other	155
Total non-operating expenses	5,850
Ordinary income	604,856
Extraordinary losses	
Loss on retirement of non-current assets	2,237
Total extraordinary losses	2,237
Profit before income taxes	602,619
Income taxes - current	177,000
Income taxes - deferred	42,361
Total income taxes	219,361
Profit	383,257
Profit attributable to non-controlling interests	—
Profit attributable to owners of parent	383,257

Quarterly Consolidated Statement of Comprehensive Income
(First nine months)

(Thousand yen)

	First nine months under review (from March 1, 2016 to November 30, 2016)
Profit	383,257
Other comprehensive income	
Foreign currency translation adjustment	(943)
Total other comprehensive income	(943)
Comprehensive income	382,313
Comprehensive income attributable to	
Comprehensive income attributable to owners of parent	382,313
Comprehensive income attributable to non-controlling interests	—

(3) 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)

Not applicable