



Financial Report for the First Quarter of the Fiscal Year Ending February 28, 2018 **(Japanese Accounting Standards) (Consolidated)**

July 13, 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/
Representative	President & CEO, Eigo Nosaka		
Contact	Director, General Manager of Administration Department, Eiji Kobayashi		
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Scheduled dates:			
Submission of statutory quarterly financial report	July 13, 2017		
Commencement of dividend payments	—		
Supplementary documents for quarterly results	Yes		
Quarterly results briefing	No		

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

1. Results for the first quarter of the fiscal year ending February 28, 2018 (March 1, 2017 to May 31, 2017)

(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	%
First quarter ended May 31, 2017	4,010	25.0	238	-35.8	254	-32.7	173	-29.7
First quarter ended May 31, 2016	3,209	—	371	—	377	—	246	—

(Note) Comprehensive income: First quarter ended May 31, 2017: 174 million yen (-29.3%) First quarter ended May 31, 2016: 246 million yen (—%)

	Net income per share	Diluted net income per share
	yen	yen
First quarter ended May 31, 2017	15.75	15.46
First quarter ended May 31, 2016	22.30	21.57

(2) Financial position

	Total assets	Net assets	Equity capital ratio
	million yen	million yen	%
As of May 31, 2017	7,743	3,767	48.4
As of February 28, 2017	7,495	3,698	49.2

(Reference) Shareholders' equity: As of May 31, 2017: 3,746 million yen As of February 28, 2017: 3,684 million yen

2. Dividends

	Dividend per share				
	End of 1st quarter	End of 2nd quarter	End of 3rd quarter	Fiscal year end	Total
	yen	yen	yen	yen	yen
Year ended Feb. 28, 2017	—	8.00	—	8.00	16.00
Year ending Feb. 28, 2018	—				
Year ending Feb. 28, 2018 (forecast)		8.00	—	8.00	16.00

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

3. Results forecast for the fiscal year ending February 28, 2018 (March 1, 2017 to February 28, 2018)

(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
First half	7,646	27.3	201	-42.0	215	-39.6	141	-37.8	12.74
Full year	16,420	23.2	853	16.1	881	16.2	581	19.7	52.48

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

* Notes

(1) Changes in important subsidiaries during the first quarter 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:

None

[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 May 31, 2017: 11,308,800 shares

As of Feb. 28, 2017:

11,278,800 shares

[2] Treasury shares at period-end

As of May 31, 2017: 237,731 shares

As of Feb. 28, 2017:

237,731 shares

[3] Average number of shares issued

As of May 31, 2017: 11,015,764 shares

As of May 31, 2016:

11,075,069 shares

* This Quarterly Financial Report is not subject to the quarterly review procedures.

* 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 (3) Explanation of Future Prospects Including Consolidated Results Forecasts in 1. Qualitative Information on the Financial Results for the First Quarter of the Fiscal Year Ending February 28, 2018 on page 2 of the accompanying materials.

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1. Qualitative Information on the Financial Results for the First Quarter of the Fiscal Year Ending February 28, 2018

(1) Description of Operating Results

During the first quarter of the fiscal year ending February 28, 2018, the Japanese economy benefited from firm corporate earnings and capital spending. However, consumer spending seemed to lack strong momentum, despite wage growth fueled by labor shortages.

In this business environment, the Company pushed forward with its operations, adopting improvement of profitability of existing stores, opening of 10 or more stores in Japan, improvement of earnings of its consolidated subsidiary Kindal, and establishment of a base for business in Thailand in overseas operations as its major operating targets for the fiscal year.

Consolidated net sales for the first quarter under review rose 25.0% year on year, partly due to the inclusion of the sales of consolidated subsidiary Kindal. Net sales at the Company's existing stores (stores that had opened before February 29, 2016; the same applies hereinafter) fell 0.4% year on year, exhibiting a trend of recovery since the second half of the previous fiscal year. By product category, net sales of apparel, fashion items and hobby goods increased 37.8%, 40.9% and 12.5% respectively. The consolidated cost of purchased items rose 26.6% year on year.

As part of its store-opening measures, the Company opened five directly managed new stores, consisting of one Treasure Factory as a General Reuse Store, three Treasure Factory Style stores as Fashion Reuse Stores, and one Treasury Factory Sports store as a Sports and Outdoor Reuse Store. The Company operated a total of 104 stores as of May 31, 2017, consisting of 100 directly managed stores made up of 58 Treasury Factory Stores as General Reuse Stores, 32 Treasury Factory Style stores as Fashion Reuse Stores, two Brand Collect stores as Brand-name Fashion Reuse Stores, three Treasury Factory Sports stores as Sports and Outdoor Reuse Stores, four UseLet stores as Fashion Outlet Reuse Stores, and one Treasury Factory Market as a Suburban Large-scale Reuse Store, as well as four Treasury Factory franchise stores. In addition, Kindal, a consolidated subsidiary of the Company, opened three new franchise stores in central Tokyo, bringing the total number of Kindal stores to 39, made up of 21 directly managed stores and 18 franchise stores. Accordingly, on a consolidated basis, including the General Reuse Store opened in Thailand, the total number of stores in the Group stood at 144 stores as of May 31, 2017.

Looking at profits, the consolidated gross profit ratio was 63.6%, falling 3.4% year on year, while the gross profit ratio of the Company's existing stores was 65.5%, down 1.2% from a year earlier. Kindal, a consolidated subsidiary of the Company, handles mainly high-end brands in the high price bracket and its gross profit ratio is lower than the Company's, which had the effect of pushing down the consolidated gross profit ratio.

The selling, general and administration expenses ratio stood at 57.7%, rising 2.4% year on year. The Company opened five new stores, an increase of four from the one store opened in the first quarter of the previous fiscal year. Accordingly, selling, general and administration expenses related to new store openings grew 53,485 thousand yen year on year. The consolidated operating income ratio came to 6.0%, down 5.6% from a year earlier, and the consolidated ordinary income ratio came to 6.3%, falling 5.5%.

As a result, consolidated net sales rose 25.0% year on year, to 4,010,253 thousand yen, consolidated operating income fell 35.8%, to 238,737 thousand yen, consolidated ordinary income dropped 32.7%, to 254,238 thousand yen, and consolidated profit attributable to owners of parent decreased 29.7%, to 173,528 thousand yen.

(2) Description of Financial Position

Total assets as of the end of the first quarter under review increased 248,023 thousand yen year on year, to 7,743,894 thousand yen, mainly reflecting increases of 50,212 thousand yen and 128,916 thousand yen in cash and deposits and merchandise respectively.

Total liabilities as of the end of the first quarter under review stood at 3,976,021 thousand yen, an increase of 179,025 thousand yen from a year earlier, largely due to a decrease of 84,301 thousand yen in provision for bonuses, which partially offset an increase of 110,000 thousand yen in short-term loans payable.

Net assets as of the end of the first quarter under review rose 68,998 thousand yen year on year, to 3,767,873 thousand yen, primarily due to the recording of profit attributable to owners of parent of 173,528 thousand yen.

(3) Explanation of Future Prospects Including Consolidated Results Forecasts

Consolidated results for the first quarter of the fiscal year ending February 28, 2018 were largely in line with the plan despite a decline in profits partly attributable to increased investment in new stores. Looking ahead, new store openings are progressing well and, despite the upfront cost that will be incurred, these new stores are expected to contribute to profits on a full-year basis. Consolidated results forecasts for the fiscal year ending February 28, 2018 remain unchanged from the figures stated in the Financial Report for the Fiscal Year Ended February 28, 2017 (Japanese Accounting Standards) (Consolidated) released by the Company on April 12, 2017.

2. Quarterly Consolidated Financial Statements and Primary Notes

(1) Quarterly Consolidated Balance Sheet

(Thousand yen)

	Previous consolidated fiscal year (February 28, 2017)	First quarter under review (May 31, 2017)
Assets		
Current assets		
Cash and deposits	1,349,920	1,400,133
Accounts receivable - trade	340,364	366,792
Merchandise	2,552,420	2,681,337
Other	420,277	401,409
Total current assets	4,662,983	4,849,672
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	951,651	956,690
Land	141,555	141,555
Other, net	234,771	279,051
Total property, plant and equipment	1,327,978	1,377,297
Intangible assets	92,950	88,342
Investments and other assets		
Lease and guarantee deposits	1,193,109	1,205,061
Other	218,849	223,519
Total investments and other assets	1,411,959	1,428,581
Total non-current assets	2,832,887	2,894,221
Total assets	7,495,870	7,743,894

(Thousand yen)

	Previous consolidated fiscal year (February 28, 2017)	First quarter under review (May 31, 2017)
Liabilities		
Current liabilities		
Accounts payable - trade	32,339	33,685
Short-term loans payable	970,000	1,080,000
Current portion of long-term loans payable	284,429	299,924
Income taxes payable	65,419	77,365
Provision for bonuses	188,700	104,398
Provision for sales returns	22,686	24,260
Provision for point card certificates	37,999	36,690
Other	715,542	808,617
Total current liabilities	2,317,115	2,464,941
Non-current liabilities		
Long-term loans payable	1,054,754	1,063,294
Asset retirement obligations	411,097	427,326
Other	14,029	20,459
Total non-current liabilities	1,479,880	1,511,080
Total liabilities	3,796,995	3,976,021
Net assets		
Shareholders' equity		
Capital stock	390,093	427,006
Capital surplus	325,093	362,006
Retained earnings	3,232,300	3,193,415
Treasury shares	-261,921	-235,209
Total shareholders' equity	3,685,565	3,747,218
Accumulated other comprehensive income		
Foreign currency translation adjustment	-1,277	-253
Total accumulated other comprehensive income	-1,277	-253
Subscription rights to shares	4,570	10,890
Non-controlling interests	10,016	10,016
Total net assets	3,698,874	3,767,873
Total liabilities and net assets	7,495,870	7,743,894

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

(Thousand yen)

	First quarter of previous consolidated fiscal year (from March 1, 2016 to May 31, 2016)	First quarter under review (from March 1, 2017 to May 31, 2017)
Net sales	3,209,079	4,010,253
Cost of sales	1,059,439	1,458,024
Gross profit	2,149,640	2,552,229
Provision for sales returns	21,868	22,686
Reversal of provision for sales returns	23,949	24,260
Gross profit - net	2,147,558	2,550,654
Selling, general and administrative expenses	1,775,626	2,311,917
Operating income	371,932	238,737
Non-operating income		
Interest income	46	55
Income from vending machines	3,080	2,791
Proceeds from damages	—	6,674
Other	4,547	7,467
Total non-operating income	7,675	16,989
Non-operating expenses		
Interest expenses	651	955
Foreign exchange losses	978	—
Other	62	532
Total non-operating expenses	1,692	1,487
Ordinary income	377,915	254,238
Extraordinary losses		
Loss on retirement of non-current assets	361	—
Total extraordinary losses	361	—
Profit before income taxes	377,554	254,238
Income taxes - current	74,900	55,828
Income taxes - deferred	55,713	24,881
Total income taxes	130,613	80,710
Profit	246,940	173,528
Profit attributable to non-controlling interests	—	—
Profit attributable to owners of parent	246,940	173,528

(Consolidated Statement of Comprehensive Income)

(Thousand yen)

	First quarter of previous consolidated fiscal year (from March 1, 2016 to May 31, 2016)	First quarter under review (from March 1, 2017 to May 31, 2017)
Profit	246,940	173,528
Other comprehensive income		
Foreign currency translation adjustment	—	1,023
Total other comprehensive income	—	1,023
Comprehensive income	246,940	174,552
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	246,940	174,552
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

(Additional information)

(Application of Implementation Guidance on Recoverability of Deferred Tax Assets)

The Company began applying the Implementation Guidance on Recoverability of Deferred Tax Assets (ASBJ Guidance No. 26, issued March 28, 2016) in the first quarter of the fiscal year under review.

(Segment information)

The main business of the Company and its consolidated subsidiaries is the reuse business and information on other business segments has been omitted as it has little importance.

(Significant subsequent events)

Not applicable