



# Financial Report for the First Six Months of the Fiscal Year Ending February 28, 2018 (Japanese Accounting Standards) (Consolidated)

October 11, 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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Scheduled dates:  
Submission of statutory quarterly financial report      October 11, 2017  
Commencement of dividend payments      November 1, 2017  
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, 2018 (March 1, 2017 to August 31, 2017)

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

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	million yen	%	million yen	%	million yen	%	million yen	%
Six months ended Aug. 31, 2017	7,716	28.5	157	(54.5)	188	(47.2)	120	(47.1)
Six months ended Aug. 31, 2016	6,004	—	346	—	356	—	226	—

(Note) Comprehensive income: First half ended August 31, 2017: 121 million yen (-46.4%) First half ended August 31, 2016: 226 million yen (-%)

	Net income per share	Diluted profit per share
	yen	yen
Six months ended Aug. 31, 2017	10.86	10.68
Six months ended Aug. 31, 2016	20.48	19.85

## (2) Financial position

	Total assets	Net assets	Equity capital ratio
	million yen	million yen	%
As of Aug. 31, 2017	7,575	3,733	49.0
As of Feb. 28, 2017	7,495	3,698	49.2

(Reference) Shareholders' equity: As of August 31, 2017: 3,712 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	—	8.00			
Year ending Feb. 28, 2018 (forecast)			—	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 profit		Ordinary profit		Profit attributable to owners of parent		Net income per share
	million yen	%	million yen	%	million yen	%	million yen	%	yen
Full year	16,420	23.2	853	16.1	881	16.2	581	19.7	52.30

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

\* 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: 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 Aug. 31, 2017: 11,346,000 shares As of Feb. 28, 2017: 11,278,800 shares

[2] Treasury stock at period-end

As of Aug. 31, 2017: 237,731 shares As of Feb. 28, 2017: 237,731 shares

[3] Average number of shares issued

As of Aug. 31, 2017: 11,052,892 shares As of Aug. 31, 2016: 11,069,178 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 Six Months of the Fiscal Year Ending February 28, 2018 on page 3 of the accompanying materials.

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

### (1) Description of Operating Results

During the first six months of the fiscal year ending February 28, 2018, the Japanese economy continued to struggle with sluggish consumption despite some improvement in employment and income conditions. Increased instability in overseas economies added to the ongoing uncertainty about the future.

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 six months under review rose 28.5% year on year, partly due to the inclusion of the sales of consolidated subsidiary Kindal. Non-consolidated net sales for the Company as a whole rose 8.5% year on year and net sales for the existing stores (stores that had opened before February 29, 2016; the same applies hereinafter) grew 1.6% year on year, showing signs of a recovery since the second half of the previous fiscal year. By product category, net sales of apparel were up 41.4% year on year thanks partly to the contribution of Kindal, and net sales of fashion items and hobby goods also climbed 50.6% and 14.5% year on year, respectively. The cost of purchased items rose 32.9% year on year.

Stores newly opened included nine directly managed stores, consisting of one Treasure Factory as a General Reuse Store, seven 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 108 stores as of August 31, 2017, consisting of 104 directly managed stores made up of 58 Treasury Factory Stores as General Reuse Stores, 36 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 four new franchise stores in central Tokyo, bringing the total number of Kindal stores to 40, with 21 directly managed stores and 19 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 149 as of August 31, 2017.

Looking at profits, the consolidated gross profit ratio was 62.4%, falling 3.9% year on year, while the non-consolidated gross profit ratio of the Company as a whole declined 1.7%, to 64.4%, and the gross profit ratio of the existing stores was reduced by 1.6%, to 64.5%, 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 that of the Company's. The Company meanwhile discounted apparel and other slow-moving inventory to liquidate or promote the sale of such merchandise on a non-consolidated basis, which had the effect of pushing down the consolidated gross profit ratio.

The selling, general and administration expenses ratio stood at 60.3%, declining 0.2% year on year. The consolidated operating profit ratio came to 2.0%, down 3.8% from a year earlier, and the consolidated ordinary profit ratio came to 2.4%, falling 3.5%.

As a result, consolidated net sales rose 28.5% year on year, to 7,716,565 thousand yen, consolidated operating profit fell 54.5%, to 157,678 thousand yen, consolidated ordinary profit dropped 47.2%, to 188,171 thousand yen, and consolidated profit attributable to owners of parent decreased 47.1%, to 120,033 thousand yen.

### (2) Description of Financial Position

Total assets as of the end of the first six months under review came to 7,575,311 thousand yen, an increase of 79,440 thousand yen from the end of the previous consolidated fiscal year, mainly reflecting growth of 134,114 thousand yen in merchandise, which offset a decrease of 253,905 thousand yen in cash and deposits.

Total liabilities as of the end of the first six months under review stood at 3,841,819 thousand yen, an increase of 44,823 thousand yen from the end of the previous consolidated fiscal year, largely due to a rise of 65,574 thousand yen in income taxes payable, which exceeded a decrease of 190,000 thousand yen in short-term loans payable.

Net assets as of the end of the first six months under review totaled 3,733,492 thousand yen, up 34,617 thousand yen from the end of the previous consolidated fiscal year, primarily due to the recording of profit attributable to owners of parent of 120,033 thousand yen.

#### (Analysis of cash flows)

Cash and cash equivalents as of the end of the first six months under review amounted to 1,087,608 thousand yen, a decrease of 248,905 thousand yen from the end of the previous consolidated fiscal year. 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 provided by operating activities during the first six months under review stood at 224,972 thousand yen (net cash used in operating activities in the same period of the previous fiscal year was 94,200 thousand yen). This chiefly reflects profit before income taxes of 188,160 thousand yen and depreciation of 124,293 thousand yen, which more than offset an increase in inventories of 132,910 thousand yen.

(Cash flows from investing activities)

Net cash used in investing activities during the first six months under review stood at 244,715 thousand yen (net cash used in investing activities in the same period of the previous fiscal year was 297,857 thousand yen). This was primarily due to the purchase of property, plant and equipment of 191,658 thousand yen associated with new store openings and payments for lease and guarantee deposits of 55,154 thousand yen.

(Cash flows from financing activities)

Net cash used in financing activities during the first six months under review was 231,739 thousand yen (net cash used in financing activities in the same period of the previous fiscal year was 13,752 thousand yen). The main factors included expenditure of 190,000 thousand yen for a net decrease in short-term loans payable and 153,596 thousand yen in repayments of long-term loans payable, which more than offset proceeds from long-term loans payable of 200,000 thousand yen.

(3) Explanation of Future Prospects Including Consolidated Results Forecasts

Consolidated operating profit and ordinary profit for the first six months of the fiscal year ending February 28, 2018, were below the forecasts by 43 million yen and 27 million yen, respectively, as a result of the advance payment of expenses for the nine new stores, four more than the number planned at the beginning of the fiscal year under review. These stores that opened ahead of schedule are expected to contribute to profit for the full-year of the fiscal year under review. Forecasts for the consolidated results for the fiscal year ending February 28, 2018, remain unchanged from the forecasts announced on April 12, 2017.

## 2. Quarterly Consolidated Financial Statements

## (1) Quarterly Consolidated Balance Sheet

(Thousand yen)

	Previous consolidated fiscal year (February 28, 2017)	First six months under review (August 31, 2017)
Assets		
Current assets		
Cash and deposits	1,349,920	1,096,015
Accounts receivable - trade	340,364	329,997
Merchandise	2,552,420	2,686,535
Other	420,277	465,231
Total current assets	4,662,983	4,577,779
Non-current assets		
Property, plant and equipment		
Buildings, net	951,651	998,000
Land	141,555	141,555
Other, net	234,771	312,730
Total property, plant and equipment	1,327,978	1,452,286
Intangible assets	92,950	87,170
Investments and other assets		
Lease and guarantee deposits	1,193,109	1,233,687
Other	218,849	224,386
Total investments and other assets	1,411,959	1,458,074
Total non-current assets	2,832,887	2,997,531
Total assets	7,495,870	7,575,311

(Thousand yen)

	Previous consolidated fiscal year (February 28, 2017)	First six months under review (August 31, 2017)
Liabilities		
Current liabilities		
Accounts payable - trade	32,339	34,631
Short-term loans payable	970,000	780,000
Current portion of long-term loans payable	284,429	320,443
Income taxes payable	65,419	130,993
Provision for bonuses	188,700	211,470
Provision for sales returns	22,686	24,799
Provision for point card certificates	37,999	39,516
Other	715,542	773,264
Total current liabilities	2,317,115	2,315,119
Non-current liabilities		
Long-term loans payable	1,054,754	1,065,144
Asset retirement obligations	411,097	439,801
Other	14,029	21,753
Total non-current liabilities	1,479,880	1,526,699
Total liabilities	3,796,995	3,841,819
Net assets		
Shareholders' equity		
Capital stock	390,093	435,809
Capital surplus	325,093	370,809
Retained earnings	3,232,300	3,141,634
Treasury shares	(261,921)	(235,209)
Total shareholders' equity	3,685,565	3,713,043
Accumulated other comprehensive income		
Foreign currency translation adjustment	(1,277)	(151)
Total accumulated other comprehensive income	(1,277)	(151)
Subscription rights to shares	4,570	10,583
Non-controlling interests	10,016	10,016
Total net assets	3,698,874	3,733,492
Total liabilities and net assets	7,495,870	7,575,311

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

(Thousand yen)

	First six months of previous consolidated fiscal year (from March 1, 2016 to August 31, 2016)	First six months under review (from March 1, 2017 to August 31, 2017)
Net sales	6,004,495	7,716,565
Cost of sales	2,025,539	2,904,672
Gross profit	3,978,955	4,811,892
Reversal of provision for sales returns	21,868	22,686
Provision for sales returns	23,881	24,799
Gross profit - net	3,976,942	4,809,779
Selling, general and administrative expenses	3,630,153	4,652,101
Operating income	346,788	157,678
Non-operating income		
Interest income	52	166
Income from vending machines	8,849	8,497
Foreign exchange gains	—	1,450
Proceeds from damages	—	6,675
Insurance premiums refunded cancellation	—	8,000
Other	7,928	8,255
Total non-operating income	16,830	33,045
Non-operating expenses		
Interest expenses	1,267	1,862
Foreign exchange losses	6,160	—
Other	74	688
Total non-operating expenses	7,502	2,551
Ordinary income	356,115	188,171
Extraordinary losses		
Loss on retirement of non-current assets	1,063	10
Total extraordinary losses	1,063	10
Profit before income taxes	355,051	188,160
Income taxes - current	113,600	91,157
Income taxes - deferred	14,718	(23,030)
Total income taxes	128,318	68,127
Profit	226,732	120,033
Profit attributable to non-controlling interests	—	—
Profit attributable to owners of parent	226,732	120,033



## Quarterly Consolidated Statement of Comprehensive Income

(Thousand yen)

	First six months of previous consolidated fiscal year (from March 1, 2016 to August 31, 2016)	First six months under review (from March 1, 2017 to August 31, 2017)
Profit	226,732	120,033
Other comprehensive income		
Foreign currency translation adjustment	(557)	1,125
Total other comprehensive income	(557)	1,125
Comprehensive income	226,175	121,159
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	226,175	121,159
Comprehensive income attributable to non-controlling interests	—	—

## (3) Quarterly Consolidated Statement of Cash Flows

(Thousand yen)

	First six months of previous consolidated fiscal year (from March 1, 2016 to August 31, 2016)	First six months under review (from March 1, 2017 to August 31, 2017)
Cash flows from operating activities		
Profit before income taxes	355,051	188,160
Depreciation	127,347	124,293
Increase (decrease) in provision for bonuses	(3,567)	22,770
Increase (decrease) in provision for point card certificates	(736)	1,517
Increase (decrease) in provision for sales returns	2,013	2,113
Interest and dividend income	(52)	(166)
Interest expenses	1,267	1,862
Foreign exchange losses (gains)	3,560	(1,450)
Loss on retirement of non-current assets	1,063	10
Decrease (increase) in notes and accounts receivable - trade	16,487	10,367
Decrease (increase) in inventories	(270,071)	(132,910)
Increase (decrease) in notes and accounts payable - trade	(3,918)	2,292
Other	(64,410)	51,318
Subtotal	164,034	270,179
Interest and dividend income received	52	166
Interest expenses paid	(1,237)	(1,815)
Income taxes paid	(257,049)	(43,557)
Cash flows from operating activities	(94,200)	224,972
Cash flows from investing activities		
Purchase of property, plant and equipment	(226,759)	(191,658)
Purchase of intangible assets	(9,310)	(3,625)
Payments for lease and guarantee deposits	(63,840)	(55,154)
Proceeds from collection of lease and guarantee deposits	18,668	11,249
Other	(16,615)	(5,526)
Cash flows from investing activities	(297,857)	(244,715)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	136,662	(190,000)
Proceeds from long-term loans payable	90,000	200,000
Repayments of long-term loans payable	(60,572)	(153,596)
Proceeds from issuance of common shares	9,300	97,445
Purchase of treasury shares	(111,851)	(98,028)
Cash dividends paid	(83,059)	(88,278)
Proceeds from share issuance to non-controlling shareholders	6,609	—
Other	(841)	717
Cash flows from financing activities	(13,752)	(231,739)
Effect of exchange rate change on cash and cash equivalents	(4,117)	2,576
Net increase (decrease) in cash and cash equivalents	(409,928)	(248,905)
Cash and cash equivalents at beginning of period	1,072,428	1,336,514
Cash and cash equivalents at end of period	662,500	1,087,608

(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

(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.

(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