



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

January 12, 2018

Company name	Treasure Factory Co., Ltd.	Listings	The First Section of the Tokyo Stock Exchange
Securities code	3093	URL	<a href="http://www.treasurefactory.co.jp/">http://www.treasurefactory.co.jp/</a>
Representative	President & CEO, Eigo Nosaka		
Contact	General Manager of Corporate Planning Department, Eiji Kobayashi		
Telephone	+81-3-3880-8822		
Scheduled dates:			
Submission of statutory quarterly financial report	January 12, 2018		
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, 2018 (March 1, 2017 to November 30, 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	%
Nine months ended Nov. 30, 2017	12,075	29.4	460	(21.7)	501	(17.0)	334	(12.6)
Nine months ended Nov. 30, 2016	9,334	—	588	—	604	—	383	—

(Note) Comprehensive income: Nine months ended November 30, 2017: 336 million yen (-12.0%)  
Nine months ended November 30, 2016: 382 million yen (-%)

	Profit per share	Diluted profit per share
	yen	yen
Nine months ended Nov. 30, 2017	30.22	29.69
Nine months ended Nov. 30, 2016	34.71	33.70

## (2) Financial position

	Total assets	Net assets	Equity capital ratio
	million yen	million yen	%
As of Nov. 30, 2017	7,990	3,884	48.4
As of Feb. 28, 2017	7,495	3,698	49.2

(Reference) Shareholders' equity: As of November 30, 2017: 3,864 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		Profit 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	52.04

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

\* 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: 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 Nov. 30, 2017: 11,401,200 shares As of Feb. 28, 2017: 11,278,800 shares

[2] Treasury stock at period-end

As of Nov. 30, 2017: 237,731 shares As of Feb. 28, 2017: 237,731 shares

[3] Average number of shares issued

As of Nov. 30, 2017: 11,081,717 shares As of Nov. 30, 2016: 11,043,229 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 Nine 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 Nine Months of the Fiscal Year Ending February 28, 2018

## (1) Description of Operating Results

During the first nine months of the fiscal year ending February 28, 2018, the Japanese economy continued to struggle with sluggish consumption due to continued strong mind of saving despite the trend of improvement in employment and income conditions as well as corporate earnings and signs of moderate recovery of individual consumption.

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 nine months under review rose 29.4% 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 8.8% year on year and net sales for the existing stores (stores that had opened before February 29, 2016; the same applies hereinafter) grew 1.2% 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 40.7% year on year thanks partly to the contribution of Kindal. Net sales of fashion items, hobby goods and household items also climbed 52.9%, 15.1% and 11.0% year on year, respectively. The cost of purchased items rose 36.0% year on year.

Stores newly opened were recorded in the first half ahead of the plan and accordingly the costs for new stores decreased profits for the first six months of the fiscal year ending February 28, 2018. However, for the third quarter, these stores newly opened contributed to profits. In addition, the business results of Kindal, a consolidated subsidiary of the Company, improved for the third quarter, contributing to the consolidated results. In Thailand, following the opening of the first store in July for the previous fiscal period, the second General Reuse Store was opened in November for the third quarter, starting business expansion with multiple stores.

Stores newly opened included 12 directly managed stores, consisting of two Treasure Factory Stores as a General Reuse Stores, nine 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 111 stores as of November 30, 2017, consisting of 107 directly managed stores made up of 59 Treasury Factory Stores as General Reuse Stores, 38 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, while five franchise stores of Kindal, a consolidated subsidiary of the Company, were opened in central Tokyo, relocation and integration of the directly managed Chayamachi store and HEP Ura store in November brought the total number of Kindal stores to 40, with 20 directly managed stores and 20 franchise stores. Accordingly, on a consolidated basis, including two General Reuse Stores opened in Thailand, the total number of stores in the Group stood at 153 as of November 30, 2017.

Looking at profits, the consolidated gross profit ratio was 62.2%, falling 3.6% year on year, due to lower gross profit ratio of Kindal, a consolidated subsidiary of the Company, mainly dealing in high fashion brands of a high price range which is not included in the consolidated profit and loss for the same period of the previous year. The Company meanwhile discounted apparel and other slow-moving inventory to liquidate or promote the sale of such merchandise on a non-consolidated basis especially for the first half, which had the effect of pushing down the consolidated gross profit ratio by 1.4% to 64.3% for the entire company and by 1.3% to 64.4% for the existing stores.

The selling, general and administration expenses ratio stood at 58.4%, declining 1.1% year on year. The consolidated operating profit ratio came to 3.8%, down 2.5% from a year earlier, and the consolidated ordinary profit ratio came to 4.2%, falling 2.3%.

As a result, consolidated net sales rose 29.4% year on year, to 12,075,137 thousand yen, consolidated operating profit fell 21.7%, to 460,711 thousand yen, consolidated ordinary profit dropped 17.0%, to 501,805 thousand yen, and consolidated profit attributable to owners of parent decreased 12.6%, to 334,843 thousand yen.

## (2) Description of Financial Position

Total assets as of the end of the third quarter under review came to 7,990,140 thousand yen, an increase of 494,269 thousand yen from the end of the previous consolidated fiscal year, mainly reflecting growth of 251,152 thousand yen in merchandise, which offset a decrease of 186,568 thousand yen in cash and deposits.

Total liabilities as of the end of the third quarter under review stood at 4,105,189 thousand yen, an increase of 308,193 thousand yen from the end of the previous consolidated fiscal year, largely due to a rise of 210,000 thousand yen in short-term loans payable, which exceeded a decrease of 82,607 thousand yen in provision for bonuses.

Net assets as of the end of the third quarter under review totaled 3,884,951 thousand yen, up 186,076 thousand yen from the end of the previous consolidated fiscal year, primarily due to the recording of profit attributable to owners of parent of 334,843 thousand yen.

(3) Explanation of Future Prospects Including Consolidated Results Forecasts

No changes have been made to the consolidated results forecasts for the fiscal year ending February 28, 2018 that were announced 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 nine months under review (November 30, 2017)
Assets		
Current assets		
Cash and deposits	1,349,920	1,163,351
Accounts receivable - trade	340,364	486,977
Merchandise	2,552,420	2,803,573
Other	420,277	424,183
Total current assets	4,662,983	4,878,086
Non-current assets		
Property, plant and equipment		
Buildings, net	951,651	1,028,478
Land	141,555	141,555
Other, net	234,771	312,911
Total property, plant and equipment	1,327,978	1,482,945
Intangible assets	92,950	102,339
Investments and other assets		
Lease and guarantee deposits	1,193,109	1,287,033
Other	218,849	239,736
Total investments and other assets	1,411,959	1,526,769
Total non-current assets	2,832,887	3,112,054
Total assets	7,495,870	7,990,140

(Thousand yen)

	Previous consolidated fiscal year (February 28, 2017)	First nine months under review (November 30, 2017)
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable - trade	32,339	50,830
Short-term loans payable	970,000	1,180,000
Current portion of long-term loans payable	284,429	313,493
Income taxes payable	65,419	60,754
Provision for bonuses	188,700	106,092
Provision for sales returns	22,686	21,936
Provision for point card certificates	37,999	33,449
Other	715,542	880,647
<b>Total current liabilities</b>	<b>2,317,115</b>	<b>2,647,204</b>
<b>Non-current liabilities</b>		
Long-term loans payable	1,054,754	989,820
Asset retirement obligations	411,097	445,141
Other	14,029	23,023
<b>Total non-current liabilities</b>	<b>1,479,880</b>	<b>1,457,984</b>
<b>Total liabilities</b>	<b>3,796,995</b>	<b>4,105,189</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Capital stock	390,093	448,871
Capital surplus	325,093	383,871
Retained earnings	3,232,300	3,267,067
Treasury shares	(261,921)	(235,209)
<b>Total shareholders' equity</b>	<b>3,685,565</b>	<b>3,864,600</b>
<b>Accumulated other comprehensive income</b>		
Foreign currency translation adjustment	(1,277)	101
<b>Total accumulated other comprehensive income</b>	<b>(1,277)</b>	<b>101</b>
Subscription rights to shares	4,570	10,128
Non-controlling interests	10,016	10,121
<b>Total net assets</b>	<b>3,698,874</b>	<b>3,884,951</b>
<b>Total liabilities and net assets</b>	<b>7,495,870</b>	<b>7,990,140</b>

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

(Thousand yen)

	First nine months of previous consolidated fiscal year (from March 1, 2016 to November 30, 2016)	First nine months under review (from March 1, 2017 to November 30, 2017)
Net sales	9,334,994	12,075,137
Cost of sales	3,193,269	4,564,854
Gross profit	6,141,725	7,510,282
Reversal of provision for sales returns	21,868	22,686
Provision for sales returns	23,250	21,936
Gross profit - net	6,140,343	7,511,032
Selling, general and administrative expenses	5,552,125	7,050,320
Operating profit	588,218	460,711
Non-operating income		
Interest income	100	230
Income from vending machines	11,644	11,141
Foreign exchange gains	—	4,959
Proceeds from damages	—	6,675
Insurance premiums refunded cancellation	—	8,000
Subsidy income	4,925	5,100
Other	5,819	8,596
Total non-operating income	22,488	44,703
Non-operating expenses		
Interest expenses	2,091	2,712
Foreign exchange losses	3,603	—
Other	155	897
Total non-operating expenses	5,850	3,610
Ordinary profit	604,856	501,805
Extraordinary losses		
Loss on retirement of non-current assets	2,237	5,072
Impairment loss	—	6,312
Total extraordinary losses	2,237	11,385
Profit before income taxes	602,619	490,419
Income taxes - current	177,000	149,785
Income taxes - deferred	42,361	5,790
Total income taxes	219,361	155,575
Profit	383,257	334,843
Profit attributable to non-controlling interests	—	—
Profit attributable to owners of parent	383,257	334,843



## Quarterly Consolidated Statement of Comprehensive Income

(Thousand yen)

	First nine months of previous consolidated fiscal year (from March 1, 2016 to November 30, 2016)	First nine months under review (from March 1, 2017 to November 30, 2017)
Profit	383,257	334,843
Other comprehensive income		
Foreign currency translation adjustment	(943)	1,483
Total other comprehensive income	(943)	1,483
Comprehensive income	382,313	336,326
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	382,313	336,221
Comprehensive income attributable to non-controlling interests	—	105

(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.

(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