



Financial Report for the Fiscal Year Ended February 28, 2018 **(Japanese Accounting Standards) (Consolidated)**

April 11, 2018

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:			
Regular general shareholders' meeting:	May 22, 2018		
Commencement of dividend payments:	May 23, 2018		
Submission of securities report:	May 22, 2018		
Supplementary documents for financial results:	Yes		
Results briefing:	Yes (for institutional investors and analysts)		

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

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

(1) Operating results

(Percentage figures represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
Fiscal year ended	million yen	%	million yen	%	million yen	%	million yen	%
Feb. 28, 2018	16,431	23.3	621	-15.4	668	-11.8	345	-28.7
Feb. 28, 2017	13,325	—	734	—	758	—	485	—

(Note) Comprehensive income: Fiscal year ended February 28, 2018: 344 million yen (-28.8%)

Fiscal year ended February 28, 2017: 484 million yen (-%)

	Profit per share	Diluted profit per share	Return on equity	Return on assets	Operating profit to net sales
Fiscal year ended	yen	yen	%	%	%
Feb. 28, 2018	31.11	30.56	9.1	8.7	3.8
Feb. 28, 2017	43.97	42.76	13.6	11.6	5.5

(Reference) Equity in earnings of affiliates

As of February 28, 2018 – million yen

As of February 28, 2017: – million yen

(2) Financial position

	Total assets	Net assets	Equity capital ratio	Net assets per share
	million yen	million yen	%	yen
As of Feb. 28, 2018	7,865	3,945	49.9	348.09
As of Feb. 28, 2017	7,495	3,698	49.2	333.69

(Reference) Shareholders' equity:

As of February 28, 2018: 3,926 million yen

As of February 28, 2017: 3,684 million yen

(3) Cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at year end
Fiscal year ended	million yen	million yen	million yen	million yen
Feb. 28, 2018	790	-517	-277	1,335
Feb. 28, 2017	331	-628	561	1,336

2. Dividends

	Dividend per share					Total dividend	Dividend payout ratio	Dividend on equity
	End of 1st quarter	End of 2nd quarter	End of 3rd quarter	Fiscal year end	Total			
Year ended	yen	yen	yen	yen	yen	million yen	%	%
Feb. 28, 2017	—	8.00	—	8.00	16.00	176	36.4	5.0
Feb. 28, 2018	—	8.00	—	8.00	16.00	179	51.4	4.6
Year ending Feb. 28, 2019 (forecast)	—	8.00	—	8.00	16.00		32.6	

3. Results forecast for the fiscal year ending February 28, 2019 (March 1, 2018 to February 28, 2019)

(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
First half	8,339	8.1	138	-12.5	149	-20.8	95	-20.9	8.42
Full year	17,799	8.3	818	31.6	841	25.7	554	60.2	49.12

* Notes

(1) Changes in important subsidiaries during the fiscal year 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) 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

(3) Number of shares issued and outstanding (common shares)

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

As of Feb. 28, 2018: 11,516,800 shares As of Feb. 28, 2017: 11,278,800 shares

[2] Treasury shares at period-end

As of Feb. 28, 2018: 237,731 shares As of Feb. 28, 2017: 237,731 shares

[3] Average number of shares issued

As of Feb. 28, 2018: 11,116,992 shares As of Feb. 28, 2017: 11,037,413 shares

Ref.: Overview of non-consolidated financial results

Non-consolidated financial results for the fiscal year ended February 28, 2018 (March 1, 2017 to February 28, 2018)

(1) Non-consolidated 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	%
Fiscal year ended								
Feb. 28, 2018	13,744	8.9	598	-24.5	620	-24.1	233	-55.4
Feb. 28, 2017	12,622	3.3	792	-27.0	817	-26.6	523	-34.9

	Profit per share	Diluted profit per share
	yen	yen
Fiscal year ended		
Feb. 28, 2018	20.99	20.61
Feb. 28, 2017	47.40	46.09

(2) Non-consolidated financial position

	Total assets	Net assets	Equity capital ratio	Net assets per share
	million yen	million yen	%	yen
As of Feb. 28, 2018	6,858	3,862	56.2	341.68
As of Feb. 28, 2017	6,610	3,728	56.3	337.23

(Reference) Shareholders' equity: As of February 28, 2018: 3,853 million yen As of February 28, 2017: 3,723 million yen

* This Financial Report is not subject to audit procedures performed by a certified public accountant or audit corporation.

* 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 1. Overview of Operating Results, etc., (4) Future outlook on page 5 of the accompanying materials.

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1. Overview of Operating Results, etc.

(1) Overview of Operating Results for the Fiscal Year Ended February 28, 2018

In the consolidated fiscal year ended February 28, 2018, the Japanese economy maintained general improvements in corporate earnings, employment, and income conditions and a moderate recovery in consumer spending despite the negative effect of factors such as labor shortages on corporate earnings.

In this business environment, the Treasure Factory companies (the “Group”) proceeded with operations with the aim of increasing the profitability of existing stores, opening 10 or more stores in Japan, improving the earnings of Treasure Factory’s consolidated subsidiary, Kindal, and establishing a base for business in Thailand in overseas operations as the key operating targets.

Consolidated net sales for the fiscal year under review rose 23.3% year on year, partly due to the inclusion of the sales earned by Kindal. Non-consolidated net sales for Treasure Factory as a whole increased 8.9% year on year, and net sales for the existing stores (stores that had opened before February 29, 2016; the same applies hereinafter) grew 1.0% year on year. By product category, net sales of apparel grew 26.8% year on year, thanks partly to the contribution of Kindal. Net sales of fashion items, hobby goods, and household items also climbed 46.7%, 15.0% and 9.5% year on year, respectively. The cost of purchased items rose 28.5% year on year.

Stores newly opened were recorded in the first half of the fiscal year ahead of the plan and accordingly, the costs for new stores resulted in a decrease in profits for the first six months of the fiscal year ended February 28, 2018. However, these new stores contributed to profits during the second half of the fiscal year. In addition, the business results of Kindal improved during the second half of the fiscal year and contributed to the full-year consolidated results. As a result, operating profit fell by 189,110 thousand yen from a year earlier during the first half of the fiscal year, however it increased by 76,306 thousand yen in the second half of the fiscal year, indicating a recovery trend.

Non-consolidated stores newly opened included 14 directly managed stores. By form of business, these consist of three Treasure Factory Stores as General Reuse Stores, 10 Treasure Factory Style stores as Fashion Reuse Stores, and one Treasure Factory Sports store as a Sports and Outdoor Reuse Store.

As a result, the non-consolidated number of stores as of the end of the fiscal year under review totaled 113, comprising 109 directly managed stores and four franchise stores. The number of stores by form of business included directly managed stores comprising 60 Treasure Factory stores as General Reuse Stores, 39 Treasure Factory Style stores as Fashion Reuse Stores, two Brand Collect stores as Brand-name Fashion Reuse Stores, three Treasure Factory Sports stores as Sports and Outdoor Reuse Stores, four UseLet stores as Fashion Outlet Reuse Stores, and one Treasure Factory Market as a Suburban Large-scale Reuse Store, and franchise stores consisting of four Treasure Factory Stores as General Reuse Stores.

Kindal opened six franchise stores, relocated and merged its directly managed Chayamachi store and HEP Ura store in November, and closed the Aeon Town Tomio Minami store at the end of January of the fiscal year under review. Consequently, the number of Kindal stores totaled 40, including 19 directly managed stores and 21 franchise stores, at the end of the fiscal year under review.

In Thailand, following the opening of its first General Reuse Store in July of the previous fiscal year, Treasure Factory opened its second General Reuse Store in November of the fiscal year under review and commenced the operation with multiple stores. As a result, the total number of stores in the Group as a whole stood at 155 as of the end of the fiscal year under review.

Looking at profits, the consolidated gross profit ratio was 61.5%, falling 2.5% year on year. Kindal, which began to be included in the full-year consolidated results in the fiscal year under review, mainly deals in fashion brands in a high price range, which resulted in a gross profit ratio that was lower than that of Treasure Factory, which reduced the consolidated gross profit ratio. Treasure Factory, meanwhile, discounted apparel and other slow-moving inventory to liquidate or promote the sale of such merchandise on a non-consolidated basis, especially during the first half of the fiscal year, which had the effect of pushing down the gross profit ratio by 1.1% year on year to 63.7% for the entire company and by 1.2% year on year to 63.8% for the existing stores.

The selling, general, and administration expenses ratio stood at 57.8%, decreasing 0.7% year on year, despite the expenses incurred for opening 14 new non-consolidated stores. The consolidated operating profit ratio came to 3.8%, down 1.7% from a year earlier, and the consolidated ordinary profit ratio came to 4.1%, falling 1.6%.

As a result, consolidated net sales rose 23.3% year on year, to 16,431,810 thousand yen, consolidated operating profit fell 15.4% year on year, to 621,725 thousand yen, consolidated ordinary profit dropped 11.8% year on year, to 668,867 thousand yen, and consolidated profit attributable to owners of parent decreased 28.7% year on year, to 345,868 thousand yen.

(i) Actual cost of purchases by product type

Item	Purchase Price (thousand yen)	Breakdown (%)	YoY Change (%)
Daily sundries	430,315	6.7	111.2
Apparel	2,730,935	42.2	133.3
Fashion items	1,600,937	24.8	148.8
Electric appliances	830,073	12.8	109.5
Furniture	251,353	3.9	103.5
Hobby-related items	248,068	3.8	118.0
Other	374,358	5.8	121.5
Total	6,466,042	100.0	128.5

- (Notes) 1. The consumption tax is not included in the prices above.
2. Additional costs of purchase are included in Other items.

(ii) Actual sales by business and product type

Business	Item	Sales (thousand yen)	Breakdown (%)	YoY Change (%)
Directly-managed businesses	Daily sundries	1,209,243	7.4	109.5
	Apparel	7,297,327	44.4	126.8
	Fashion items	3,662,936	22.3	146.7
	Electric appliances	2,289,065	13.9	102.6
	Furniture	1,007,336	6.1	104.2
	Hobby-related items	681,662	4.1	115.0
	Other items	11,339	0.1	80.7
	Subtotal	16,158,910	98.3	122.8
Franchise business		130,978	0.8	511.9
Other businesses		141,920	0.9	101.8
Total		16,431,810	100.0	123.3

- (Notes) 1. The consumption tax is not included in the prices above.
2. The Franchise business includes product sales, membership/consultation fees, royalties, etc.
3. Other businesses include rental, software, and Treasure Factory moving service sales.

(2) Overview of Financial Position during the Fiscal Year Ended February 28, 2018

Status of assets, liabilities and net assets

Total assets as of the end of the fiscal year under review came to 7,865,833 thousand yen, an increase of 369,962 thousand yen from the end of the previous fiscal year, due primarily to growth of 143,941 thousand yen in merchandise and 101,037 thousand yen in lease deposits.

Total liabilities as of the end of the fiscal year under review stood at 3,920,530 thousand yen, an increase of 123,534 thousand yen from the end of the previous fiscal year, largely as a result of a rise of 98,469 thousand yen in income taxes payable despite a decrease of 137,807 thousand yen in long-term loans payable.

Net assets as of the end of the fiscal year under review totaled 3,945,302 thousand yen, an increase of 246,427 thousand yen from the end of the previous fiscal year, after recognizing 345,868 thousand yen in profit attributable to owners of parent, among other factors.

(3) Overview of Cash Flow during the Fiscal Year Ended February 28, 2018

Cash and cash equivalents as of the end of the fiscal year under review amounted to 1,335,690 thousand yen. The status of each of the cash flow segments and contributing factors for the fiscal year under review are as follows.

(Cash flows from operating activities)

Net cash provided by operating activities during the fiscal year under review stood at 790,690 thousand yen. This chiefly reflects cash inflow of profit before income taxes of 656,713 thousand yen and depreciation of 266,059 thousand yen, which more than offset cash outflow, including income taxes paid of 175,808 thousand yen and an increase in inventories of 144,703 thousand yen.

(Cash flows from investing activities)

Net cash used in investing activities during the fiscal year under review stood at 517,649 thousand yen. This was primarily due to the purchase of property, plant and equipment of 357,338 thousand yen associated with new store openings and payments for lease and guarantee deposits of 132,237 thousand yen.

(Cash flows from financing activities)

Net cash used in financing activities during the fiscal year under review was 277,228 thousand yen. The main factors were proceeds from long-term loans payable of 200,000 thousand yen, repayments of long-term loans payable of 315,253 thousand yen, and cash dividends paid of 177,149 thousand yen.

(Reference) Changes in cash flow-related indicators

	Fiscal year ended February 28, 2017	Fiscal year ended February 28, 2018
Equity capital ratio (%)	49.2	49.9
Equity capital ratio based on market value (%)	118.7	119.4
Ratio of interest-bearing debt to cash flows (year)	7.0	2.7
Interest coverage ratio (x)	108.8	221.9

Equity capital ratio: Shareholders' equity/total assets

Equity capital ratio based on market value: Market capitalization/total assets

Ratio of interest-bearing debt to cash flows: Interest-bearing debt/operating cash flows

Interest coverage ratio: Operating cash flows/interest payments

(Note 1) All figures are calculated based on the consolidated financial results.

(Note 2) Market capitalization is calculated based on the number of shares issued excluding treasury shares.

(Note 3) The calculation of the operating cash flow and interest payments used the cash flow from operating activities and interest expenses paid stated in the Consolidated Statement of Cash Flows.

(Note 4) Interest-bearing debt includes all liabilities on the consolidated balance sheet, of which interest payments have been made.

(4) Future outlook

In the next fiscal year, Treasure Factory will work to increase earnings from the existing stores by increasing merchandise categories, improving online sales, and using other measures and plans to open approximately 12 new stores. Kindal, the subsidiary whose earnings improved in the previous fiscal year, will strive to further increase profit and also plans to open new stores.

Golf Kids Co., Ltd., which became a subsidiary of Treasure Factory in March 2018, will take measures to grow its earnings and facilitate an increase in sales of golf equipment at General Reuse Stores and Sports and Outdoor Reuse Stores by using its expertise in golf equipment appraisal and assessment information throughout the entire Group. The overseas subsidiary in Thailand will operate multiple stores to stabilize its business foundation.

As for the full-year forecast for consolidated results for the fiscal year ending February 28, 2019, the projections are net sales of 17,799 million yen (up 8.3% year on year), operating profit of 818 million yen (up 31.6% year on year), ordinary profit of 841 million yen (up 25.7% year on year), and profit attributable to owners of parent of 554 million yen (up 60.2% year on year).

2. Policy on the Choice of Accounting Standards

The Group has adopted the Japanese standards. The Company will take conditions in Japan and overseas into consideration to make an appropriate decision as to whether to adopt IFRS (International Financial Reporting Standards).

3. Consolidated Financial Statements and Major Notes

(1) Consolidated Balance Sheets

(Thousand yen)

	Previous Fiscal year (February 28, 2017)	Fiscal year under review (February 28, 2018)
Assets		
Current assets		
Cash and deposits	1,349,920	1,344,096
Accounts receivable - trade	340,364	372,662
Merchandise	2,552,420	2,696,362
Supplies	6,021	6,783
Deferred tax assets	117,682	148,618
Other	296,572	311,949
Total current assets	4,662,983	4,880,473
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	951,651	983,655
Land	141,555	141,555
Construction in progress	2,035	13,536
Other, net	232,735	290,695
Total property, plant and equipment	1,327,978	1,429,442
Intangible assets		
Goodwill	53,532	48,041
Other	39,417	45,907
Total intangible assets	92,950	93,948
Investments and other assets		
Long-term loans receivable	4,606	3,172
Deferred tax assets	75,186	26,659
Lease and guarantee deposits	1,193,109	1,294,146
Other	139,057	137,990
Total investments and other assets	1,411,959	1,461,968
Total non-current assets	2,832,887	2,985,360
Total assets	7,495,870	7,865,833

(Thousand yen)

	Previous Fiscal year (February 28, 2017)	Fiscal year under review (February 28, 2018)
Liabilities		
Current liabilities		
Accounts payable - trade	32,339	37,264
Short-term loans payable	970,000	904,900
Current portion of long-term loans payable	284,429	306,983
Income taxes payable	65,419	163,889
Provision for bonuses	188,700	214,914
Provision for shareholder benefit program	13,199	1,927
Provision for sales returns	22,686	21,125
Provision for point card certificates	37,999	33,866
Other	702,343	804,971
Total current liabilities	2,317,115	2,489,840
Non-current liabilities		
Long-term loans payable	1,054,754	916,947
Deferred tax liabilities	—	43,688
Asset retirement obligations	411,097	445,811
Other	14,029	24,242
Total non-current liabilities	1,479,880	1,430,689
Total liabilities	3,796,995	3,920,530
Net assets		
Shareholders' equity		
Capital stock	390,093	476,224
Capital surplus	325,093	411,224
Retained earnings	3,232,300	3,276,234
Treasury shares	-261,921	-235,209
Total shareholders' equity	3,685,565	3,928,473
Accumulated other comprehensive income		
Foreign currency translation adjustment	-1,277	-2,362
Total accumulated other comprehensive income	-1,277	-2,362
Subscription rights to shares	4,570	9,174
Non-controlling interests	10,016	10,016
Total net assets	3,698,874	3,945,302
Total liabilities and net assets	7,495,870	7,865,833

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

(Thousand yen)

	Previous Fiscal year (from March 1, 2016 to February 28, 2017)	Fiscal year under review (from March 1, 2017 to February 28, 2018)
Net sales	13,325,035	16,431,810
Cost of sales	4,793,158	6,321,979
Gross profit	8,531,876	10,109,830
Provision for sales returns	22,686	21,125
Reversal of provision for sales returns	21,868	22,686
Gross profit - net	8,531,058	10,111,391
Selling, general and administrative expenses	7,796,529	9,489,666
Operating profit	734,529	621,725
Non-operating income		
Interest income	193	257
Income from vending machines	14,000	13,483
Foreign exchange gains	—	4,355
Proceeds from damages	—	6,675
Insurance premiums refunded cancellation	—	8,000
Subsidy income	7,220	7,180
Income from sales of disposable items	4,894	6,702
Other	4,817	5,106
Total non-operating income	31,125	51,760
Non-operating expenses		
Interest expenses	3,043	3,609
Foreign exchange losses	3,340	—
Other	1,235	1,008
Total non-operating expenses	7,619	4,618
Ordinary profit	758,036	668,867
Extraordinary income		
Compensation income	—	78,772
Total extraordinary income	—	78,772
Extraordinary losses		
Loss on sales of non-current assets	386	—
Loss on retirement of non-current assets	2,333	11,831
Impairment loss	25,304	79,095
Total extraordinary losses	28,025	90,926
Profit before income taxes	730,011	656,713
Income taxes - current	264,424	249,566
Income taxes - deferred	-19,709	61,278
Total income taxes	244,715	310,845
Profit	485,296	345,868
Profit attributable to non-controlling interests	—	—
Profit attributable to owners of parent	485,296	345,868

(Consolidated Statement of Comprehensive Income)

(Thousand yen)

	Previous Fiscal year (from March 1, 2016 to February 28, 2017)	Fiscal year under review (from March 1, 2017 to February 28, 2018)
Profit	485,296	345,868
Other comprehensive income		
Foreign currency translation adjustment	-1,277	-1,085
Total other comprehensive income	-1,277	-1,085
Comprehensive income	484,019	344,782
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	484,019	344,782
Comprehensive income attributable to non-controlling interests	—	—

(3) Consolidated Statement of Changes in Equity

Previous Fiscal year (from March 1, 2016 to February 28, 2017)

(Thousand yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at the beginning of period	369,743	304,743	2,917,867	-150,070	3,442,284
Changes of items during period					
Issuance of new shares	20,349	20,349			40,699
Dividends of surplus			-170,863		-170,863
Profit attributable to owners of parent			485,296		485,296
Purchase of treasury shares				-111,851	-111,851
Net changes of items other than shareholders' equity					
Total changes of items during period	20,349	20,349	314,432	-111,851	243,280
Balance at the end of period	390,093	325,093	3,232,300	-261,921	3,685,565

	Accumulated other comprehensive income		Subscription rights to shares	Non-controlling interests	Total net assets
	Foreign currency translation adjustment	Total accumulated other comprehensive income			
Balance at the beginning of period	—	—	5,280	—	3,447,564
Changes of items during period					
Issuance of new shares					40,699
Dividends of surplus					-170,863
Profit attributable to owners of parent					485,296
Purchase of treasury shares					-111,851
Net changes of items other than shareholders' equity	-1,277	-1,277	-709	10,016	8,029
Total changes of items during period	-1,277	-1,277	-709	10,016	251,310
Balance at the end of period	-1,277	-1,277	4,570	10,016	3,698,874

Fiscal year under review (from March 1, 2017 to February 28, 2018)

(Thousand yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at the beginning of period	390,093	325,093	3,232,300	-261,921	3,685,565
Changes of items during period					
Issuance of new shares	86,131	86,131			172,263
Dividends of surplus			-177,194		-177,194
Profit attributable to owners of parent			345,868		345,868
Purchase of treasury shares				-98,028	-98,028
Retirement of treasury shares			-124,740	124,740	—
Net changes of items other than shareholders' equity					
Total changes of items during period	86,131	86,131	43,933	26,712	242,908
Balance at the end of period	476,224	411,224	3,276,234	-235,209	3,928,473

	Accumulated other comprehensive income		Subscription rights to shares	Non-controlling interests	Total net assets
	Foreign currency translation adjustment	Total accumulated other comprehensive income			
Balance at the beginning of period	-1,277	-1,277	4,570	10,016	3,698,874
Changes of items during period					
Issuance of new shares					172,263
Dividends of surplus					-177,194
Profit attributable to owners of parent					345,868
Purchase of treasury shares					-98,028
Retirement of treasury shares					—
Net changes of items other than shareholders' equity	-1,085	-1,085	4,604	—	3,518
Total changes of items during period	-1,085	-1,085	4,604	—	246,427
Balance at the end of period	-2,362	-2,362	9,174	10,016	3,945,302

(4) Consolidated Statement of Cash Flows

(Thousand yen)

	Previous Fiscal year (from March 1, 2016 to February 28, 2017)	Fiscal year under review (from March 1, 2017 to February 28, 2018)
Cash flows from operating activities		
Profit before income taxes	730,011	656,713
Depreciation	256,254	266,059
Impairment loss	25,304	79,095
Increase (decrease) in provision for bonuses	-1,805	26,214
Increase (decrease) in provision for shareholder benefit program	5,504	-11,272
Increase (decrease) in provision for point card certificates	5,494	-4,132
Increase (decrease) in provision for sales returns	817	-1,561
Interest and dividend income	-193	-297
Interest expenses	3,043	3,609
Foreign exchange losses (gains)	-1,194	-4,449
Compensation income	—	-78,772
Loss (gain) on sales and retirement of non-current assets	2,720	11,831
Decrease (increase) in notes and accounts receivable - trade	48,097	-32,298
Decrease (increase) in inventories	-264,364	-144,703
Increase (decrease) in notes and accounts payable - trade	-5,229	4,924
Other	8,033	114,802
Subtotal	812,496	885,764
Interest and dividend income received	194	298
Interest expenses paid	-3,045	-3,563
Proceeds from compensation	—	84,000
Income taxes paid	-478,232	-175,808
Cash flows from operating activities	331,412	790,690
Cash flows from investing activities		
Purchase of property, plant and equipment	-320,033	-357,338
Purchase of intangible assets	-17,942	-24,114
Payments for lease and guarantee deposits	-124,369	-132,237
Proceeds from collection of lease and guarantee deposits	34,023	20,869
Purchase of shares of subsidiaries resulting in change in scope of consolidation	-160,819	—
Other	-39,505	-24,829
Cash flows from investing activities	-628,648	-517,649
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	356,662	-65,100
Proceeds from long-term loans payable	616,000	200,000
Repayments of long-term loans payable	-177,040	-315,253
Proceeds from issuance of common shares	39,990	169,260
Purchase of treasury shares	-111,851	-98,028
Cash dividends paid	-170,688	-177,149
Proceeds from share issuance to non-controlling shareholders	10,016	—
Other	-1,683	9,041
Cash flows from financing activities	561,404	-277,228
Effect of exchange rate change on cash and cash equivalents	-82	3,363
Net increase (decrease) in cash and cash equivalents	264,085	-824
Cash and cash equivalents at beginning of period	1,072,428	1,336,514
Cash and cash equivalents at end of period	1,336,514	1,335,690

(5) Notes on Consolidated Financial Statements

(Notes on the going concern assumption)

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) to its consolidated financial results in the fiscal year under review.

(Segment information)

[Segment information]

The Company operates a reuse business and information on other business segments has been omitted as it has little importance.

(Per share information)

	Previous Fiscal year (from March 1, 2016 to February 28, 2017)	Fiscal year under review (from March 1, 2017 to February 28, 2018)
Net asset per share	333.69 yen	348.09 yen
Profit per share	43.97 yen	31.11 yen
Diluted profit per share	42.76 yen	30.56 yen

(Notes) 1. The basis for calculating net asset per share is as shown below.

	Previous Fiscal year (February 28, 2017)	Fiscal year under review (February 28, 2018)
Total net assets (thousand yen)	3,698,874	3,945,302
Amount deducted from the total net assets (thousand yen)	14,586	19,191
(of which the amount of subscription rights to shares (thousand yen))	(4,570)	(9,174)
(of which the amount of non-controlling interests (thousand yen))	(10,016)	(10,016)
Net assets associated with common shares at the end of the fiscal year (thousand yen)	3,684,287	3,926,111
Number of common shares at the end of the fiscal year used to calculate net asset per share (shares)	11,041,069	11,279,069

2. The basis for calculating profit per share and diluted profit per share is shown below.

	Previous Fiscal year (from March 1, 2016 to February 28, 2017)	Fiscal year under review (from March 1, 2017 to February 28, 2018)
Total net assets		
Amount of profit attributable to owners of parent (thousand yen)	485,296	345,868
Amount not attributable to common shareholders (thousand yen)	—	—
Amount of profit attributable to owners of parent associated with common stock (thousand yen)	485,296	345,868
Average number of shares outstanding during the fiscal year (shares)	11,037,413	11,116,992
Amount of diluted profit per share		
Amount of profit attributable to owners of parent (thousand yen)	—	—
Increase in the number of common shares (shares)	313,402	201,894
(of which the number of subscription rights to shares (shares))	(313,402)	(201,894)
Descriptions of potentially dilutive common shares that were not included in the computation of diluted profit per share because it does not have a dilutive effect.	—	—

(Significant subsequent events)

Purchase of a company, etc. through share acquisition

Treasure Factory's Board of Directors passed a resolution at the meeting held on February 28, 2018 to acquire the shares of Golf Kids Co., Ltd. and make it a subsidiary and purchased the shares of the said company on March 15, 2018.

(1) Purpose of share acquisition

The Group's policy is to expand its merchandise lines and customer segments to offer its reuse services in a broader range in the reuse retail industry. Meanwhile, Golf Kids has a history of more than 20 years as an established reuse store operator specializing in golf equipment with one directly-operated store and 20 franchise stores, mostly in the Kanto and Kansai regions. The Group decided to acquire the shares of Golf Kids to increase its earnings by building a structure of actively buying and selling golf equipment at the General Reuse Stores and Sports and Outdoor Reuse Stores of Treasure Factory through the addition of Golf Kids, which has expertise in golf equipment, to the Group.

(2) Name of the counterparty to the share acquisition

The counterparty to the share acquisition is a private person whose name is not disclosed in this notification. There are no capital, business or personal relationships required to be disclosed between the said private shareholder and Treasure Factory.

(3) Overview of the company acquired

Name:	Golf Kids Co., Ltd.
Location:	4-27-11 Higashi-Osawa, Koshigaya, Saitama Prefecture
Representative:	Tadashi Sato
Business line:	Purchase and sale of golf equipment
Capital:	10,000 thousand yen
Date of establishment:	January 20, 1997

(4) Timing of share acquisition

March 15, 2018 (date of share acquisition)
March 31, 2018 (deemed date of share acquisition)

(5) Number of shares acquired, acquisition value, and ownership ratio after acquisition

Number of shares acquired:	125 (ratio of voting rights: 100%)
Acquisition value:	195,000 thousand yen
Type of compensation:	195,000 thousand yen in cash

(6) Method of funding the payment

Treasure Factory borrowed 195,000 thousand yen from Sumitomo Mitsui Banking Corporation on March 15, 2018.

Acquisition of treasury shares

At a meeting of Board of Directors held on April 11, 2018, the Company reached the following resolutions on matters pertaining to a share repurchase based on Article 156 of the Companies Act as applied pursuant to the provisions of Article 165, Paragraph 3 of the Act.

1. Reason for the acquisition of treasury shares

The Company decided to acquire treasury shares from the perspective of further improving capital efficiency and comprehensive returns to shareholders.

2. Matters pertaining to the acquisition of treasury shares

(1) Class of shares to be acquired	Common stock of the Company
(2) Total number of shares that may be acquired	150,000 shares (maximum) (ratio of total outstanding shares (excluding treasury shares): 1.3%)
(3) Total acquisition value	120 million yen (maximum)
(4) Acquisition period	From April 12, 2018 to April 19, 2018
(5) Acquisition method	Purchase in after-hours trading through the Tokyo Stock Exchange (ToSTNet-3) and purchase on the market

Cancellation of treasury shares

At a meeting of Board of Directors held on April 11, 2018, the Company reached the following resolutions on the cancellation of treasury shares pursuant to the provisions of Article 178 of the Companies Act.

- | | |
|---|---|
| (1) Class of shares to be cancelled | Common stock of the Company |
| (2) Total number of shares to be cancelled | All the shares acquired based on 2. above |
| (3) Planned date of cancellation of treasury shares | April 19, 2018 |