Financial Report for the First Quarter of the Fiscal Year Ending February 28, 2019
(Japanese Accounting Standards) (Consolidated)

July 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/
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 11, 2018
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, 2019 (March 1, 2018 to May 31, 2018)

(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	%
First quarter ended May 31, 2018	4,354	8.6	306	28.4	315	24.0	195	12.5
First quarter ended May 31, 2017	4,010	25.0	238	-35.8	254	-32.7	173	-29.7

(Note) Comprehensive income: First quarter ended May 31, 2018: 195 million yen (11.9%)
First quarter ended May 31, 2017: 174 million yen (-29.3%)

	Profit per share	Diluted profit per share
	yen	yen
First quarter ended May 31, 2018	17.27	–
First quarter ended May 31, 2017	15.75	15.46

(2) Financial position

	Total assets	Net assets	Equity capital ratio
	million yen	million yen	%
As of May 31, 2018	8,432	4,058	47.9
As of February 28, 2018	7,865	3,945	49.9

(Reference) Shareholders' equity: As of May 31, 2018: 4,040 million yen As of February 28, 2018: 3,926 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, 2018	–	8.00	–	8.00	16.00
Year ending Feb. 28, 2019	–				
Year ending Feb. 28, 2019 (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, 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		Net income 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	8.36
Full year	17,799	8.3	818	31.6	841	25.7	554	60.2	48.76

(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:	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 May 31, 2018:	11,598,800 shares	As of Feb. 28, 2018:	11,516,800 shares

[2] Treasury shares at period-end

As of May 31, 2018:	237,731 shares	As of Feb. 28, 2018:	237,731 shares

[3] Average number of shares issued

As of May 31, 2018:	11,309,182 shares	As of May 31, 2017:	11,015,764 shares

* 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 (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, 2019 on page 2 of the accompanying materials.

Accompanying Materials — Contents

1. Qualitative Information on the Financial Results for the First Quarter of the Fiscal Year Ending February 28, 2019 2
(1) Description of Operating Results 2
(2) Description of Financial Position 2
(3) Explanation of Future Prospects Including Consolidated Results Forecasts 2
2. Quarterly Consolidated Financial Statements and Primary Notes 3
(1) Quarterly Consolidated Balance Sheet 3
(2) Quarterly Consolidated Statement of Income and Quarterly Consolidated Statement of Comprehensive Income 5
(3) Notes on Quarterly Consolidated Financial Statements 7
(Notes on the going concern assumption) 7
(Notes if there is a significant change in the amount of shareholders' equity) 7
(Change in accounting policy) 7
(Segment information) 7
(Significant subsequent events) 7

1. Qualitative Information on the Financial Results for the First Quarter of the Fiscal Year Ending February 28, 2019

(1) Description of Operating Results

The second-hand goods retail market remains in an expansionary trend due to developments in the second-hand goods retail sector such as the spread of flea market apps, in addition to the multi-store development of reuse store chains and the business expansion of online reuse business operators.

In this business environment, the Treasure Factory companies (the "Group") focused on the strengthening of home-visit purchases to purchase large items and the strengthening of online purchases and sales for the recovery of profitability, while also promoting in-store initiatives such as the implementation of campaigns using Group apps and alliances with other companies. The Group also worked to reduce SG&A expenses through measures such as improving staffing efficiency at stores. As in the previous quarter, the Group continued to open new stores focusing on Treasure Factory Style stores as Fashion Reuse Stores. The earnings of Kindal, a consolidated subsidiary, improved due to growth in sales and reduction of selling, general and administration expenses.

Consolidated net sales for the first quarter under review remained firm, rising 8.6% year on year, while non-consolidated net sales increased 7.3%. By product category, net sales of apparel and household items rose 12.5% and 8.5% respectively, while hobby goods showed high growth of 30.9% due to the steady growth of the Sports and Outdoor Reuse Stores. The cost of purchased items increased 12.0%. Although net sales at the Company's existing stores (stores that had opened before February 28, 2017; the same applies hereinafter) fell 0.6% year on year, the gross profit ratio improved 0.4% and gross profit therefore remained unchanged year on year. Purchases also remained firm, increasing 1.3%.

As part of its store-opening measures, the Company opened four directly managed Treasure Factory Style stores as Fashion Reuse Stores. As a result, the Company operated a total of 116 stores as of May 31, 2018, consisting of 112 directly managed stores and four franchise stores. The number of stores by form of business included directly managed stores comprising 59 Treasure Factory stores as General Reuse Stores, 43 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.

Looking at profits, although the consolidated gross profit ratio was 63.5%, falling 0.1% year on year, the non-consolidated gross profit ratio was 65.6%, rising 0.2%.

The selling, general, and administration expenses ratio stood at 56.4%, decreasing 1.3% year on year, reflecting the implementation of a review of other expenses in addition to improvement in staffing efficiency. The consolidated operating profit ratio came to 7.0%, up 1.0% from a year earlier, and the consolidated ordinary profit ratio came to 7.2%, rising 0.9%.

As a result, consolidated net sales rose 8.6% year on year, to 4,354,704 thousand yen, consolidated operating income rose 28.4%, to 306,630 thousand yen, consolidated ordinary income rose 24.0%, to 315,139 thousand yen, and consolidated profit attributable to owners of parent increased 12.5%, to 195,260 thousand yen.

(2) Description of Financial Position

Total assets as of the end of the first quarter under review increased 566,688 thousand yen year on year, to 8,432,522 thousand yen, mainly reflecting increases of 235,694 thousand yen and 110,315 thousand yen in merchandise and buildings and structures respectively.

Total liabilities as of the end of the first quarter under review stood at 4,374,393 thousand yen, an increase of 453,862 thousand yen from a year earlier, largely due to a decrease of 92,900 thousand yen in provision for bonuses, which partially offset increases of 245,100 thousand yen and 160,471 thousand yen in short-term loans payable and long-term loans payable respectively.

Net assets as of the end of the first quarter under review rose 112,826 thousand yen year on year, to 4,058,128 thousand yen, primarily due to the recording of profit attributable to owners of parent of 195,260 thousand yen.

(3) Explanation of Future Prospects Including Consolidated Results Forecasts

In the first quarter of the fiscal year ending February 28, 2019, operating profit and ordinary profit results exceeded the plan, reflecting a fall in the selling, general and administration expenses ratio due to progress in controlling selling, general and administration expenses in addition to generally firm purchases and sales. Consolidated half-year and full-year results forecasts for the fiscal year ending February 28, 2019 remain unchanged from the figures released by the Company on April 11, 2018.

2. Quarterly Consolidated Financial Statements and Primary Notes

(1) Quarterly Consolidated Balance Sheet

(Thousand yen)

	Previous consolidated fiscal year (February 28, 2018)	First quarter under review (May 31, 2018)
Assets		
Current assets		
Cash and deposits	1,344,096	1,383,905
Accounts receivable - trade	372,662	408,858
Merchandise	2,696,362	2,932,057
Other	467,351	425,612
Total current assets	4,880,473	5,150,434
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	983,655	1,093,970
Land	141,555	141,555
Other, net	304,231	297,308
Total property, plant and equipment	1,429,442	1,532,834
Intangible assets		
Goodwill	48,041	155,924
Other	45,907	59,513
Total intangible assets	93,948	215,438
Investments and other assets		
Lease and guarantee deposits	1,294,146	1,360,902
Other	167,822	172,912
Total investments and other assets	1,461,968	1,533,814
Total non-current assets	2,985,360	3,282,087
Total assets	7,865,833	8,432,522

(Thousand yen)

	Previous consolidated fiscal year (February 28, 2018)	First quarter under review (May 31, 2018)
Liabilities		
Current liabilities		
Accounts payable - trade	37,264	52,644
Short-term loans payable	904,900	1,150,000
Current portion of long-term loans payable	306,983	354,673
Income taxes payable	163,889	83,986
Provision for bonuses	214,914	122,014
Provision for sales returns	21,125	21,995
Provision for point card certificates	33,866	33,527
Other	806,898	920,597
Total current liabilities	2,489,840	2,739,439
Non-current liabilities		
Long-term loans payable	916,947	1,077,418
Asset retirement obligations	445,811	467,687
Other	67,931	89,848
Total non-current liabilities	1,430,689	1,634,953
Total liabilities	3,920,530	4,374,393
Net assets		
Shareholders' equity		
Capital stock	476,224	521,183
Capital surplus	411,224	456,183
Retained earnings	3,276,234	3,282,658
Treasury shares	-235,209	-217,173
Total shareholders' equity	3,928,473	4,042,851
Accumulated other comprehensive income		
Foreign currency translation adjustment	-2,362	-2,304
Total accumulated other comprehensive income	-2,362	-2,304
Subscription rights to shares	9,174	7,564
Non-controlling interests	10,016	10,016
Total net assets	3,945,302	4,058,128
Total liabilities and net assets	7,865,833	8,432,522

(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, 2017 to May 31, 2017)	First quarter under review (from March 1, 2018 to May 31, 2018)
Net sales	4,010,253	4,354,704
Cost of sales	1,458,024	1,589,096
Gross profit	2,552,229	2,765,608
Provision for sales returns	22,686	21,125
Reversal of provision for sales returns	24,260	21,995
Gross profit - net	2,550,654	2,764,738
Selling, general and administrative expenses	2,311,917	2,458,107
Operating profit	238,737	306,630
Non-operating income		
Interest income	55	64
Income from vending machines	2,791	2,758
Proceeds from damages	1,350	2,530
Subsidy income	6,674	265
Other	6,117	4,428
Total non-operating income	16,989	10,046
Non-operating expenses		
Interest expenses	955	866
Foreign exchange losses	–	533
Other	532	137
Total non-operating expenses	1,487	1,537
Ordinary profit	254,238	315,139
Extraordinary losses		
Loss on cancellation of rental contracts	–	5,500
Total extraordinary losses	–	5,500
Profit before income taxes	254,238	309,639
Income taxes - current	55,828	55,543
Income taxes - deferred	24,881	58,834
Total income taxes	80,710	114,378
Profit	173,528	195,260
Profit attributable to non-controlling interests	–	–
Profit attributable to owners of parent	173,528	195,260

(Consolidated Statement of Comprehensive Income)

(Thousand yen)

	First quarter of previous consolidated fiscal year (from March 1, 2017 to May 31, 2017)	First quarter under review (from March 1, 2018 to May 31, 2018)
Profit	173,528	195,260
Other comprehensive income		
Foreign currency translation adjustment	1,023	58
Total other comprehensive income	1,023	58
Comprehensive income	174,552	195,319
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	174,552	195,319
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

(Change in accounting policy)

(Application of "Practical Solution on Transactions Granting Employees and Others Stock Acquisition Rights, which Involve Considerations, with Vesting Conditions, etc.")

The Company decided to apply "Practical Solution on Transactions Granting Employees and Others Stock Acquisition Rights, which Involve Considerations, with Vesting Conditions, etc." (ASBJ Practical Issues Task Force ("PITF") No. 36, issued on January 12, 2018; hereinafter referred to as "PITF No. 36") from April 1, 2018 and to account for transactions granting employees and others stock acquisition rights, which involve considerations, with vesting conditions in accordance with the "Accounting Standard for Stock Options" (ASBJ Statement No. 8, issued on December 27, 2005) and related guidance.

However, when applying PITF No. 36, the Company complied with the transitional provisions in Paragraph 10, Item (3) of PITF No. 36 and continued to account for transactions that granted employees and others stock acquisition rights, which involve considerations, with vesting conditions prior to the date of application of PITF No. 36 in accordance with the previously adopted accounting procedure.

(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