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■ 10 Years of Consecutive Earnings Growth & Record Earnings In Sight, Expansion into Kansai the Growth Driver

Concentrated in the Tokyo metropolitan area, Treasure Factory Co., Ltd. (3093) is developing both its general recycling operational format that includes home electronics, furniture, clothing and other sundry goods and a specialist recycling operational format devoted to clothing and fashion goods. At the end of FY2/13 there were 66 stores (62 directly managed stores, 4 franchise stores), which are expanding at a pace of 5-9 stores per annum. It also manages businesses such as online buying and selling, rentals of luxury brand handbags and fashion goods.

Within continuing expansion in the recycling market, against a background of diversification in people's sense of values and raised environmental awareness amongst consumers, Treasure Factory's (hereafter, TF) FY2/13 results also delivered 18 years of consecutive growth since establishment and 9 years of consecutive earnings growth leading to record earnings. In addition to the steady sales trends at existing shops, which rose 0.9%, with the impact from the 8 new stores, revenues rose 10.8% YoY and operating profit 10.2% YoY. By product, sales of clothing and fashion goods performed well rising 22.2% to represent 58.1% by composition of revenues, forming the engine for revenues overall.

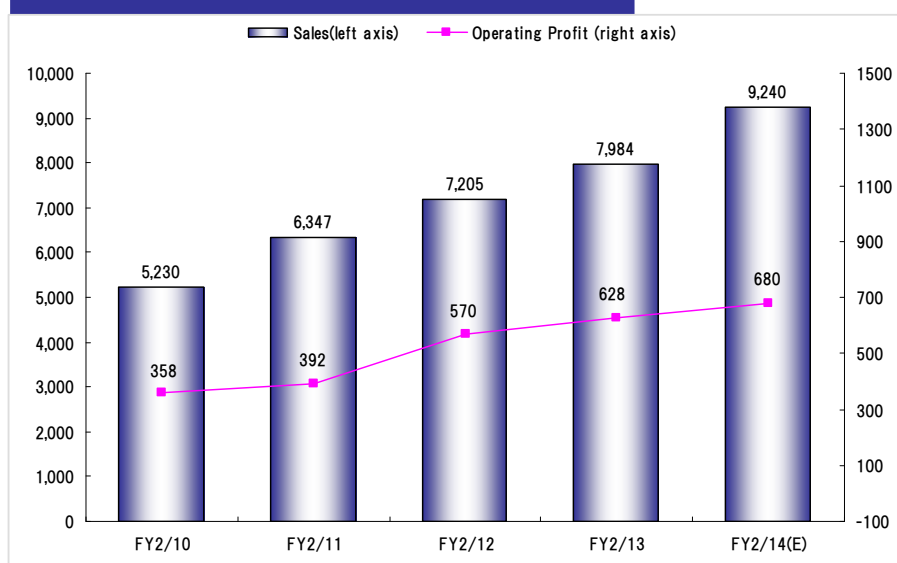
In the company's FY2/14 plan the outlook is for revenues to rise 15.7% YoY and operating profit to rise 8.2% YoY to post a new consecutive earnings high. Around 10 new stores are projected, with the first store in TF's expansion into Kansai region opening in Kobe at the end of May 2013. Around half of the 10 store openings are planned for the Kansai region for strategic dominance. Due to increases in new store opening costs it is expected that the operating profit margin will decline 0.5%, however, there is also the aspect that tackling the Kansai region allows for acceleration in the speed of store roll-out.

The outlook is also for steady growth in the demand for recycled goods going forward, as they meet the needs of the times, with growth potential also great for TF, which as yet has considerable room for new store expansion. At TF, in addition to a multistore store roll-out, the policy is to also promote expansion in the revenue base as it develops online buying and selling, rental operations and other peripheral businesses. As a measure for rewarding shareholders, TF introduced a shareholder benefit program that offers as a set to shareholders with more than one shareholding unit a Treasure Ticket that incorporates a JPY1,000 QUO Card and raffle ticket in addition to the dividend.

■ Check Points

- The potential for operational developments in the Kansai region to accelerate growth rates
- Plans for increased dividends for a third consecutive term amidst new store opening investment demand
- Growth potential, profitability & efficiency that exceeds that of its peers

Full-Year Results Trends (Unit: JPY million)



■ Corporate Overview

Obtain customer backing as a recycling shop that is attractive, highly visible, and affords customers peace of mind

(1) Company History

TF was established as Treasure Factory Y.K. by the current President and CEO, Mr. Eigo Nosaka, in May, 1995 (becoming a Kabushiki Kaisha in 1999). The origin of its name comes from the concept that it is a “factory for treasure”. Its naming includes the idea that, by recycling and selling things that to date were thrown away having lost their value, it is a “factory” that seeks to “restore value”.

Mr. Nosaka had aimed to establish a business since his days at university, creating a business plan when he was in his fourth year at university, and establishing a recycling shop soon after graduation. From the outset it started as a general recycling shop, with a broad range of products handled that included furniture, electrical appliances, clothing, fashion goods, jewelry and watches.

In relation to the trigger for starting up a recycling shop, when at the time of establishment general levels of industry recognition were low, Mr. Nosaka relates that “when I was at university I planned a bazaar as the chairman of the executive committee for a campus festival”. Through this experience he gained insight in relation to selling recycled goods. Further, as a result of undertaking direct research of the 48 recycling shops then operating, he felt that from a store operations perspective the existing recycling shops were not satisfying customer needs at all, especially in terms of customer service, pricing, and product quality. Motivation for establishing TF came from his thinking that if these issues could be resolved there was more than ample opportunity for him to compete within the industry, and that the scope of the recycling market itself would continue to expand.



For this reason TF opened the first Treasure Factory store in Tokyo's Adachi-ku in October 1995, and, at the time of commencing store operations, emphasized raising customer satisfaction under management policies that included "selling purchased goods after restoring them to an attractive state", "keeping sales areas spotless", "pricing displays that make customer feel they are getting a bargain", "having an overwhelming product line up", and "attaching product guarantees (initially TF started with 3-month guarantees)". As a result, TF gained customer support as a recycle shop that was "attractive, highly visible, and afforded customers peace of mind", and sales grew steadily, which led to it promoting multistore operations.

In the recycling industry at that time the majority of operators seemed to consider multistore operation as difficult. The reasoning was that, apart from there being a broad range of items handled, because each item had its own price, product sales management would be extremely complicated. Within these conditions, TF from the time it was established had aimed to create management structures that could respond to a multistore roll-out. Initially, after store closing merchandise control was undertaken, with the status of merchandise purchases, sales, and inventories recorded for each item in a notebook, and databases steadily built up with appropriate sales and purchasing pricing for individual products and other information. The recycling industry is one in which price control is even more critical than the general retail industry. This is so because the selling price varies greatly, depending on the state, rarity and other factors of the recycled item. Evaluation criteria for price setting may also be divided into multiple categories, with personal factors also becoming significant. Given that TF which, as noted above, from its establishment had been conscious of systems that were able to cope with a multistore roll-out, introduced a POS system 2-3 years after establishment, superimposed its own developments, and quickly tackled the development of sales information systems including those to appropriately manage the state of best selling items and inventory times. As a result, this sort of management know-how has also become a source of TF's competitiveness.

Moreover, with demand for clothing and fashion accessories having expanded as each year goes by, from 2006 TF has rolled-out specialty Treasure Factory Style shops that concentrate on these products. Currently, at the end of FY2/13, TF has rolled-out a total of 66 shops, centered on the Treasure Factory general recycling operations, with 62 directly managed stores in the Tokyo metropolitan area and Ibaraki Prefecture, and 4 franchise stores in Fukushima Prefecture. Of these 18 stores are specialist fashion goods recycling shops. It has grown to a point that it is a major player in the recycling industry.

Further, in terms of new businesses, apart from the Treasure Factory Style online shop that started in February 2006, TF is beginning to tackle the strengthening of peripheral businesses, such as the launch of a fashion rental business it acquired as the result of business transfer in October 2010.

Moreover, in December 2007 TF achieved a listing on the TSE Mothers Exchange.

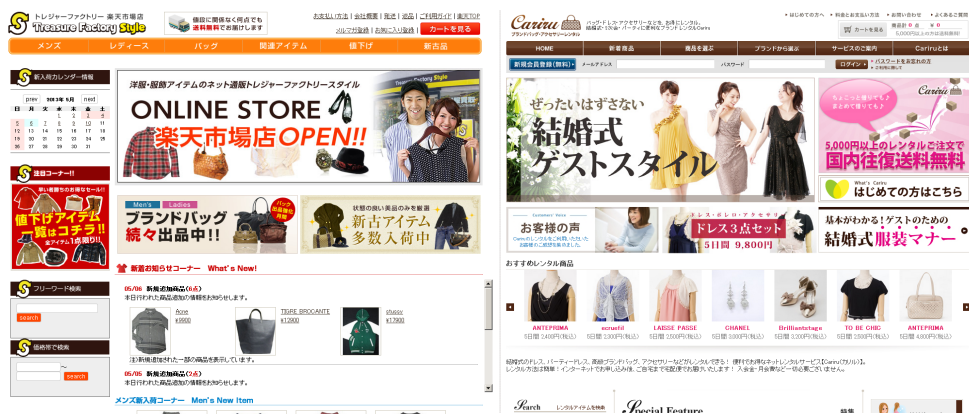
■ Corporate Overview

Treasure Factory, Treasure Factory Style



(Source: Extracts from company briefing materials)

The Rakuten Ichiba Online Shop for Treasure Factory Style's Branded Handbag & Accessory Rental Site Cariru



Company History

Date	Major Events
May-95	Established Treasure Factory Y. K. (limited private company) in Yokohama City, Kanagawa Prefecture.
Oct-95	Opened the first Treasure Factory Adachi Head Office comprehensive recycling store in Toneri, Adachi Ward, Tokyo.
Nov-98	Firs expansion into Saitama Prefecture. Opened the Treasure Factory Soka City Store in Soka City, Saitama Prefecture.
Dec-99	Increased capital to JPY10 million and reorganized TF as a Kabushiki Kaisha (joint-stock company).
Sep-00	Established a distribution center in Irie, Adachi Ward, Tokyo.
May-02	Shifted the corporate headquarters to Takenotsuka, Adachi Ward, Tokyo.
Mar-03	First expansion into Kanagawa Prefecture. Opened the Treasure Factory Tsurumi Store in Yokohama City, Kanagawa Prefecture.
Jul-04	Commenced franchise operations. Opened the Treasure Factory Iwaki-Kawashima Store as the first franchise store in Iwaki City, Fukushima Prefecture.
Jan-06	First expansion into Chiba Prefecture. Opened the Treasure Factory Wakaba-Mitsuwadai Store in Chiba City, Chiba Prefecture.
Oct-06	Commenced a new store operational format focusing on clothing and fashion goods as product types handled. Opened the used selection shop Treasure Factory Style Frespo Inage in Chiba City, Chiba Prefecture.
Dec-07	Listed on the TSE Mothers Exchange.
Feb-08	Shifted corporate headquarters to Umejima, Adachi Ward, Tokyo.
Feb-10	Opened the Treasure Factory online shop.
Oct-10	Commenced branded handbag and fashion rental operations following a business transfer.
Jan-12	First expansion into Ibaraki Prefecture. Opened the Treasure Factory Ushikushi Store in Ushikushi City.

(Source: Prepared from company materials)



Focused on directly managed shops in the Tokyo metropolitan area, percentage comprised by clothing & fashion goods rising each year

(2) Operational Overview

TF's operations may be divided into 3 segments: directly managed store operations, franchise operations and other operations. However, looking at the composition of revenues, more than 99% comes from directly managed store operations, with franchise operations and other operations at a level of less than 1%. Franchise operation revenues include product sales, membership fees, consulting fees, royalties and other income from the 4 franchise stores in Fukushima. Regarding store numbers, as noted above, there is a framework of a total of 66 stores as of the end of FY2/13, with 62 directly managed stores and 4 franchise stores. The trend in directly managed stores numbers is shown in the graph below, with expansion continuing at a pace of about 5-9 stores per annum in the last few years. Looking at the breakdown of revenues by prefecture in FY2/13, Tokyo was the largest at 37.8%, Saitama next with 29.6%, Chiba at 18.0%, Kanagawa at 14.4% and Ibaraki at 0.2%.

Further, in the composition of revenues by product category, the percentage of clothing and fashion goods is rising each year, and expanded to 58.1% in FY2/13. The growth in recycled goods demand for clothing and fashion goods is an eye opener, given that it comprised no more than 5-6% at the time TF was established. This is the progress of "diversification in people's sense of values", and is said to come amidst a background of a rise in users that want to wear something that only they possess. As a result, TF has developed its specialty clothing and fashion goods shops, Treasure Factory Style, since 2006. With sales floor space of 264-495 square meters, they are small-scale outlets compared to general goods outlets with 495-1,320 square meters. Locations also differ, the specialty shops being in shopping malls and train stations which may be expected to draw customers, as opposed to general goods stores that are centered on roadside locations.

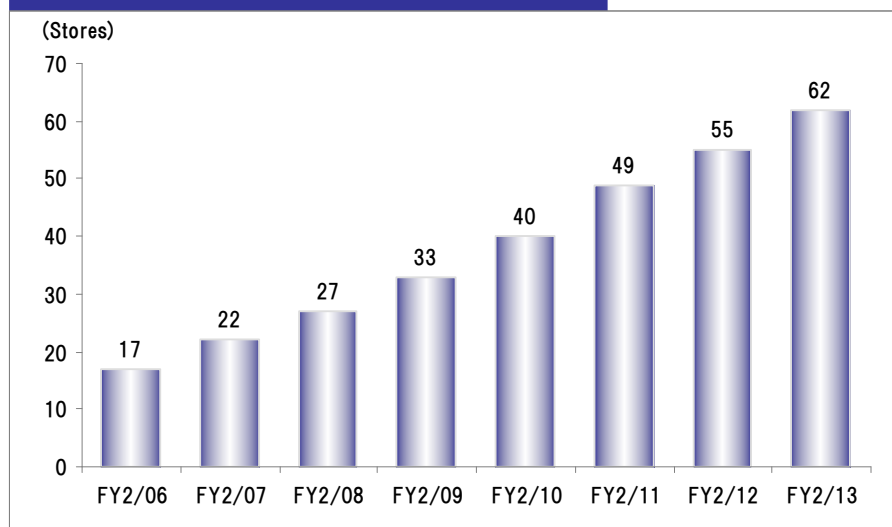
Moreover, TF's stores are distinguished by have a broad customer age bracket range. In the background to this is the fact that the product line-up covers a broad area. Also, another distinguishing feature is the distinctive store layout that has a character that matches local characteristics. From the customer's point of view, even if there are multiple TF stores within their vicinity, they may experience new discoveries at each store.

■ Corporate Overview

On one hand, in relation to suppliers, there are 2 channels: new and second hand goods dealers. The methods of purchasing from ordinary individuals include 3 ways: purchases of goods brought to the store, purchases TF staff travel to make, and purchases of couriered goods. The method of purchasing from dealers is mainly by way of bulk purchases made at a distribution center, which are then delivered to individual shops. In the last few years there is also an impact from couriered goods purchases over the internet, with the ratio of goods purchased from ordinary individuals in an upward trend. In terms of the bottom line, given that there is a tendency for profitability to be greater for goods purchased from ordinary individuals than those purchased from brokers, there is the potential for the rise in purchases from ordinary individuals to contribute to overall profitability trends.

In other operations, aside from software sales, revenues from fashion rentals are included. In fashion rental operations, which were commenced from 2010 as noted above, apart from well-known brand handbags and accessories, a rental service including dress rental for parties and commemorative events (Cariru), is provided. It is a system whereby the product(s) are delivered by courier after the desired product(s) are ordered over the internet. FY2/13 revenues of JPY45 million are still small, however, it is a business where growth is anticipated in the future.

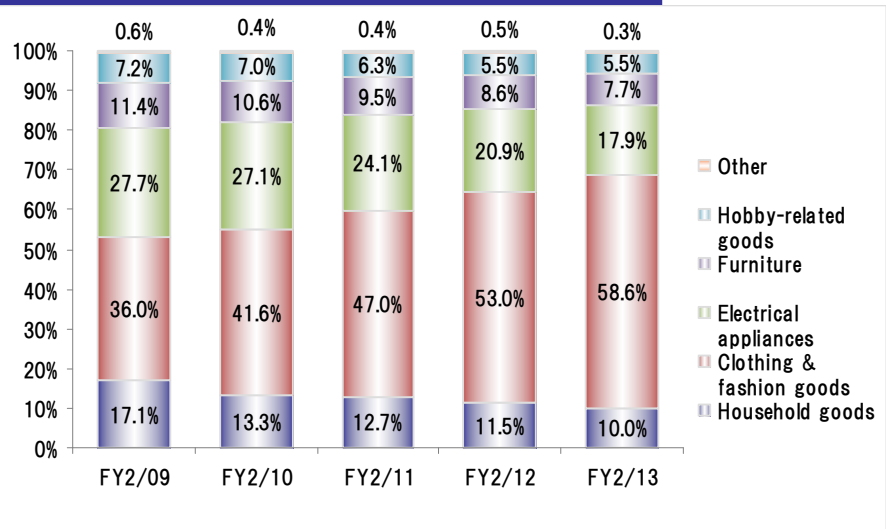
Directly Managed Store Number Trends



(Source: Prepared from company materials)

■ Corporate Overview

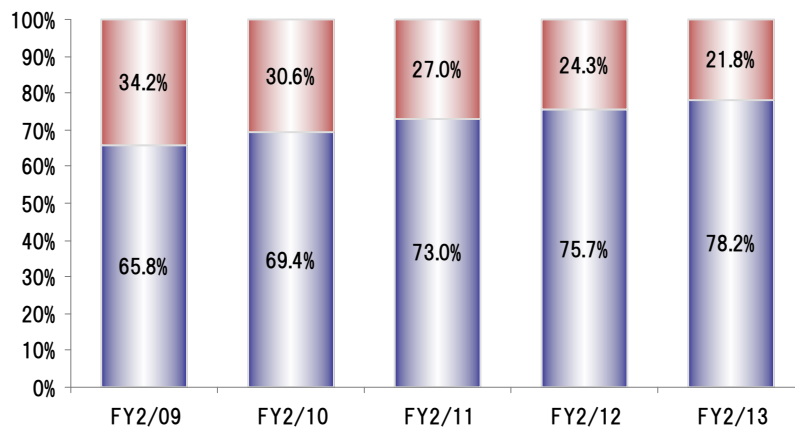
Composition of Revenue Trends by Product



(Source: Prepared from company materials)

Composition of Revenue by Purchasing Channel

■ General purchases ■ New goods - Purchased from second hand dealers



(Source: Prepared from company materials)



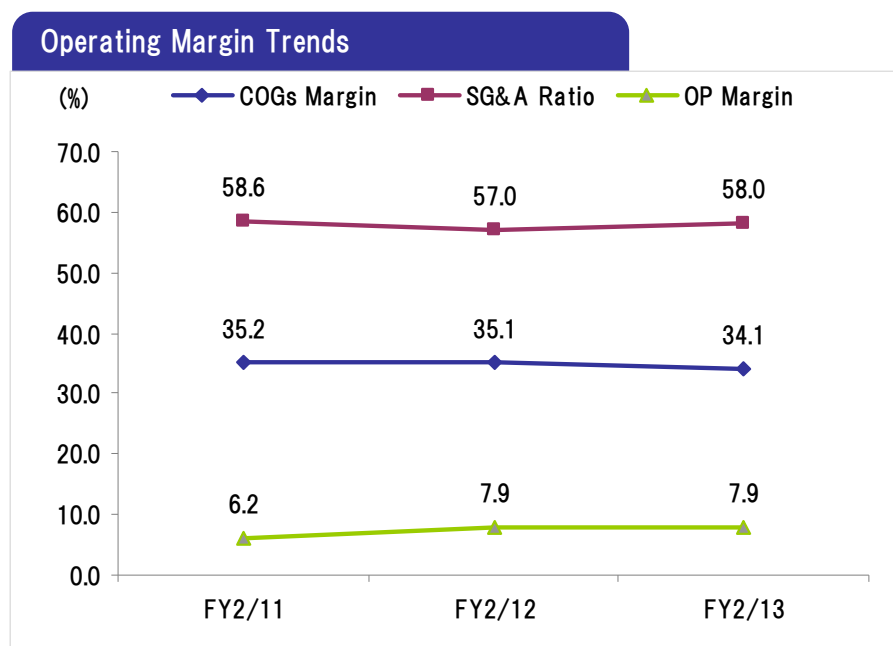
■ Results Trends

Previous term marks 18 years of consecutive revenue growth & 9 years of consecutive operating profit growth

(1) FY2/13 Results

FY2/13 results, which were announced on April 12, showed both revenue and earnings growth, with revenues up 10.8% YoY to JPY7,984 million, operating profit up 10.2% YoY to JPY628 million, recurring profit up 7.5% YoY to JPY639 million, and net profit up 25.7% YoY to JPY371 million. Revenues achieved 18 years of consecutive growth since establishment, and operating profit posted a new record high following 9 years of consecutive growth.

The operating profit margin was flat at 7.9%. The cost of sales ratio declined 1% YoY due to factors such as changes in the product mix, and a rise (75.7%-78.2%) in the percentage represented by ordinary purchases, however, this was offset by a 1% rise in the SG&A ratio. Looking at particulars of the rise in the SG&A ratio, rents produced a rise of 0.5%, utilities 0.3% and staff advertising costs 0.2%. In relation to utilities and staff advertising, this was a reactionary rise against the cost controls undertaken in FY2/12 across the company, following the earthquake.



(Source: Prepared from company materials)

■ Results Trends

Looking at revenue details, directly managed operations rose 10.4% YoY, trending soundly. By product, apart from double-digit growth of 22.2% YoY maintained in clothing and fashion goods, hobby-related goods revenues also grew for the first time in two terms by 11.7%. However, there were declines in relation to all other products, so it may be said that clothing and fashion goods are the overall results driver.

Moreover, the earnings position at existing shops was that revenues rose 0.9% YoY and operating profit by 1.0% YoY, with the operating profit margin performing solidly at 21.1%. The number of sales grew 2.1%, while the unit sales price per item declined 1.2% YoY to JPY2,785. Further, there were 7 new stores opened (of which 5 were specialty fashion shops), with directly managed stores reaching a total of 62.

Strengthening of sales measures using the web site may be cited as one of the major issues tackled in FY2/13. Specifically, apart from attempting to boost the degree of online exposure by proactively using the store blog, in relation to online sales of fashion products, TF not only displayed goods on Yahoo Auction, but also attempted to strengthen online sales at its own website.

Also, as a measure to attract customers at real outlets, various campaigns were implemented (such as the Treasure Rally Campaign and the New Year Pocket Money Campaign). Apart from these, in order to seek improved service, TF introduced a new extended warranty service for home electronics products. What has been a (free) 6 month warranty to date, was extended a further 18 months for an extra payment of 5-10% of the purchase price.

These measures may be said to have been successful, with revenues and earnings continuing to grow at existing shops.

Historical 5-Year Revenues by Type of Operation

(Unit:JPY million, %)

	FY2/08	FY2/09	FY2/10	FY2/11	FY2/12	FY2/13	YOY
Directly managed operations	3,363	4,211	5,204	6,328	7,167	7,915	10.4%
Household goods	564	719	694	802	824	790	△4.1%
Clothing & fashion goods	1,165	1,516	2,166	2,975	3,796	4,638	22.2%
Electrical appliances	917	1,166	1,410	1,527	1,496	1,413	△5.5%
Furniture	436	479	551	603	620	609	△1.7%
Hobby-related goods	253	305	365	396	393	439	11.7%
Other	28	26	19	25	38	25	△33.7%
Franchise operations	9	11	27	12	18	22	21.6%
Other operations	-	21	0	8	21	48	128.8%
Software	-	-	-	-	4	2	△43.1%
Rentals	-	-	-	-	17	46	163.7%
Total	3,372	4,243	5,231	6,348	7,205	7,985	10.8%



■ Results Trends

Next, examining the factors behind changes in the Statement of Cashflows, operating cashflows declines JPY384 million YoY to JPY184 million. While earnings expanded, in addition to increases in corporate income tax payments, cash expenditure flowing from a rise in inventories was a factor behind declines in operating cashflows. In cashflows from investment activities, increases in tangible fixed asset acquisitions associated with the increase in new store openings resulted in a JPY140 million rise in outlays YoY. In cashflow from financial activities, due to rises from repayments of long-term debt and dividend payments, outlays rose JPY18 million YoY. As a result of the above, the period end cash and near cash balance at the end of FY2/13 was JPY616 million, a decline of JPY171 million YoY.

Cashflow Statements

(Unit:JPY million)

	FY2/12	FY2/13	Notes
Cashflows from operating activities	500	185	
(Pre-tax profits)	555	643	Despite increases in pre-tax profits, apart from rises in corporate income tax payments, inventories also rose JPY255 million
(Depreciation & amortization expenses, goodwill)	140	152	
(Corporate income tax payments etc.)	△ 197	△ 355	
Cashflows from investment activities	△ 165	△ 305	Tangible fixed assets increased due to new store openings
(Tangible fixed asset acquisitions)	△ 101	△ 159	
Cashflows from financing activities	△ 32	△ 51	Due to repayments of long-term borrowings and a rise in dividends
(Increases/decreases in interest bearing liabilities)	△ 6	△ 17	
(Dividend payments)	△ 27	△ 41	
Cash and near cash balance at period-end	789	617	

Looking at the main factors behind changes in the Balance Sheet, while in current assets inventories rose in line with acceleration in new store openings and cash and deposits declined, overall there was a JPY102 million rise YoY. In fixed assets, apart from a rise in tangible fixed assets in line with new store openings, deposits and guarantees (investments etc.) rose JPY110 million YoY. On the other hand, on the liability side, interest bearing liabilities declined only in the order of JPY18 million YoY, with no real changes observable in other items.

Looking at all management indices, all the stability indicators - the quick ratio, shareholders' equity ratio, and debt/equity ratio - improved. Amongst profitability indicators, while ROA declined slightly, ROE rose 1% YoY to 19.6%, and the operating profit margin was at the same level as the previous period, trending soundly. Amongst efficiency indicators, inventory turnover fell marginally. This was due to increases in product inventories, however, it may be noted that this included the portion of inventories for stores opened at the beginning of March 2013, and that they are at a level that cause no particular issues.

■ Results Trends

Balance Sheet

(Unit:JPY million)

	FY2/12	FY2/12	Notes
Current assets	1,903	2,005	Decline in cash and deposits due to increases in merchandise
(Cash and deposits)	802	630	
(Merchandise)	819	1,081	
Tangible fixed assets	782	845	Increases due to new store openings
Intangible assets	20	16	
Investments and other	578	712	Increases in deposits, guarantees (+JPY110 million)
Total Assets	3,282	3,578	
Current Liabilities	1,153	1,136	
Fixed liabilities	406	381	Reduction in interest bearing liabilities
(Interest bearing liabilities)	673	655	
Total Liabilities	1,559	1,517	
Net Assets	1,722	2,061	
Total Liabilities & Net Assets	3,282	3,578	
(Stability Indicators)			
Current ratio (Current assets/current liabilities)	165.0%	176.5%	
Shareholders' equity ratio (shareholders' equity/total assets)	52.5%	57.6%	
D/E ratio (interest bearing liabilities/shareholders' equity)	39.1%	31.8%	
[Profitability Indicators]			
ROA (OP/average period total assets)	19.2%	18.3%	
ROE (NP/average period shareholders' equity)	18.6%	19.6%	
OP Margin	7.9%	7.9%	
[Efficiency Indicators]			
Inventory turnover (Revenue/inventories)	880.1%	738.4%	
total asset turnover ratio (Revenue/total assets)	219.6%	223.2%	

FY3/13 all stores, along with existing store revenues off to a sound start

(2) Results Outlook for FY2/14

The results forecast for FY2/14 anticipates revenues to rise 15.7% YoY to JPY9,240 million, operating profit to rise 8.2% YoY to JPY680 million, recurring profit to rise 8.2% YoY to JPY692 million, and net profit to rise 1.2% YoY to JPY376 million.

TF is projecting around 10 new store openings. It is expected that general recycled goods operations and specialty fashion goods operations will be in the order of 5 shops each. Also, from FY2/14 TF will at last expand into the Kansai region, with the plan being to concentrate efforts on new customer acquisition. Apart from the first Kansai shop opening in Kobe at the end of May 2013, in FY2/14 alone TF intends to open around 5 new stores to achieve strategic dominance.

Also, TF shall also continue to strengthen its approaches to areas such as courier service purchases and online sales. Apart from opening Men's Buy, a website specializing in items for men in March 2013, in April TF also opened a Treasure Factory Style online store in Rakuten Ichiba. In strengthening existing stores, apart from progressing some reorganization of purchasing where TF staff travel to the item when handling large scale merchandise, such as furniture and electrical appliances, as a new business venture, TF will engage in a new operational format that differs from the existing two (the general and specialty fashion goods operating formats).



■ Results Trends

Further, the fact that the rate of growth in profits is lower than the rate of revenue growth is due to store opening costs relating to the increase in new store openings and increases in depreciation and other expenses. In particular, it is expected that, for the very reason that this term marks the expansion into Kansai, advertising and other costs will rise. Given that around 10 new stores are scheduled to open in FY2/14, there is the potential for a total of JPY400-500 million in capital investment to be incurred. With the composition of the average number of staff per store being 4-6 full-time staff and over 10 part-time staff, increased staff costs are also contained in the plan.

Examining the monthly sales situation, it may be said that there was a solid start to the year, with amongst other things a double-digit 13.8% YoY rise in March 2013 sales on an all stores basis, and a 2.5% YoY rise on an existing store basis, the first time for it to be positive in 4 months.

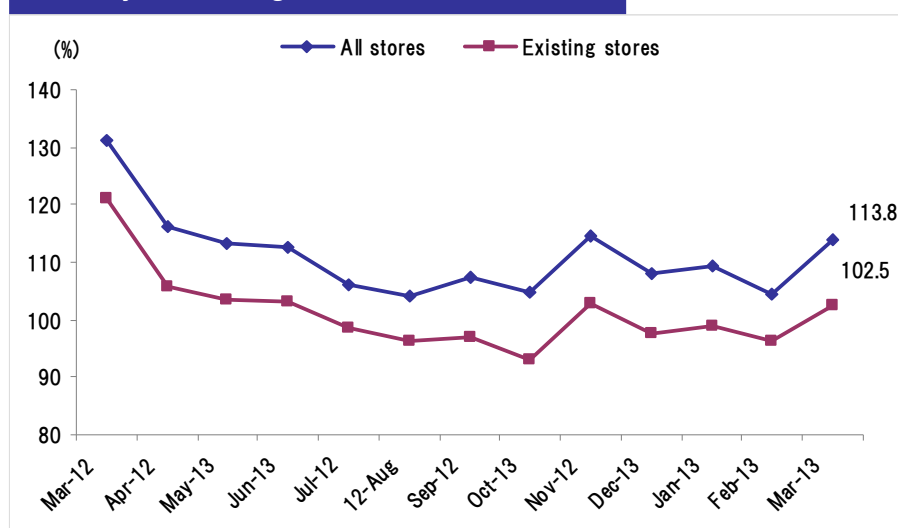
Full-Year Results Trends (Unit: JPY million)

(Unit:JPY million)

Reporting period	Revenue	YOY	OP	YOY	RP	YOY	NP	YOY	EPS(JPY)	Dividend(JPY)
FY2/10	5,230	23.3%	358	61.9%	357	61.3%	176	48.9%	14,628.06	2,000.00
FY2/11	6,347	21.4%	392	9.5%	396	10.9%	219	24.6%	83.56	10.00
FY2/12	7,205	13.5%	570	45.3%	594	50.0%	295	34.7%	108.58	15.00
FY2/13	7,984	10.8%	628	10.2%	639	7.5%	371	25.7%	135.27	17.00
FY2/14E	9,240	15.7%	680	8.2%	692	8.2%	376	1.2%	136.01	18.00

(Source: Prepared from company materials)

Monthly YoY Changes in Revenue



(Source: Prepared from company materials)



■ Market Trends & Growth Strategies

Stable growth in the recycling market & room for TF to increase market share both present

(1) Market Trends

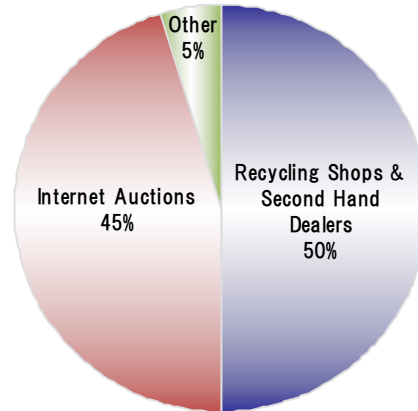
In relation to the scale of the recycling market, there is no accurate data, with disparity between the various research institutions. According to data compiled in 2009 by the Ministry of the Environment, they calculated that, excluding the used cars market, the scale of the recycling industry was approximately JPY1 trillion. Of this the percentage of purchases at recycling shops and second hand shops was approximately 50%, with the percentage of purchases by way of internet auctions 45%, being a roughly 50/50 split. Further, by item type, PCs and peripheral equipment and books were on a par at approximately JPY140 billion each, with car accessories, game machines and furniture coming next in that order.

In the last few years with the proliferation in internet auctions, because it has become easy for trading of recycled goods between individuals it is believed that the scale of the market is expanding more, however, TF calculates that it in the last few years it has been growing at a pace of slightly under 10% per annum. Also, due to the proliferation in internet auctions, sales at real stores are also growing, and it is felt that growth and expansion will continue for both internet auctions and real stores. It is believed that factors such as “diversification in people’s sense of values” and “raised environmental awareness” form the background for this market expansion, and the outlook going forward also is for stable growth to continue.

HARD OFF CORPORATION Co., Ltd. (2674), Kaitori Okoku Co., Ltd. (3181) and others may be cited as competitors in the real store space, however, in terms of market share neither exceeds 10%. Further, on the other hand, there are a large number of small operators, with considerable room for TF to acquire market share.

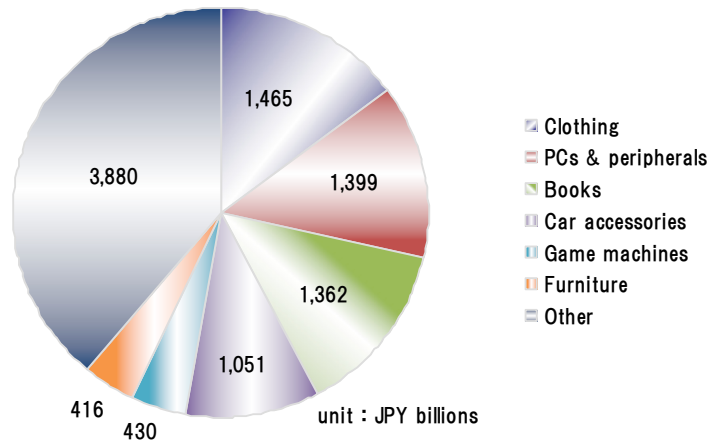
Market Trends & Growth Strategies

Recycled Goods Sales Channels



(Source: Source: FY2009 Ministry of the Environment Survey on the State of Distribution & Disposal of Electric, Electronic and Other Equipment)

Recycled Goods Market Scale by Product Category



(Source: Prepared from company materials)



Kansai Regional Development Provides Potential for Acceleration in Operational Growth

(2) Growth Strategies

As a mid- to long-term growth strategy, the policy is fundamentally to promote growth through regional expansion of operations. From FY2/14, apart from the expansion into the Kansai region, TF wants to roll-out stores at a pace of 10 per annum into major domestic cities, and put in place at an early stage a framework of 100 stores. At the current pace it is possible that TF will exceed 100 stores in a period of 3-5 years, with the prospect of double-digit growth in sales also continuing from the impact of increased new store openings. Moreover, going forward also TF's policy as a rule in relation to store roll-out is for them to be directly managed stores.

In addition to regional expansion of operations, TF wants to proceed in the mid-term by engaging in endeavors such as strengthening website sales and diversification of store formats, as well as establishing new businesses. Website sales are still no more than 2-3% of overall sales, however, the probability is high, with the proliferation in smartphones and tablet devices, that going forward this will rise further, and it is an area for TF also to focus its efforts on.

Also, membership in well-known brand handbag and accessory rental business Cariru is growing at a pace of around 50% per annum, and this is an area that will attract attention. Sales of JPY45 million in FY2/13 were still small, however, the potential for growth is great. To the extent that increases in utilization rates in rental operations are directly linked to increased profitability, trends going forward, including trends in member numbers, will be closely watched.

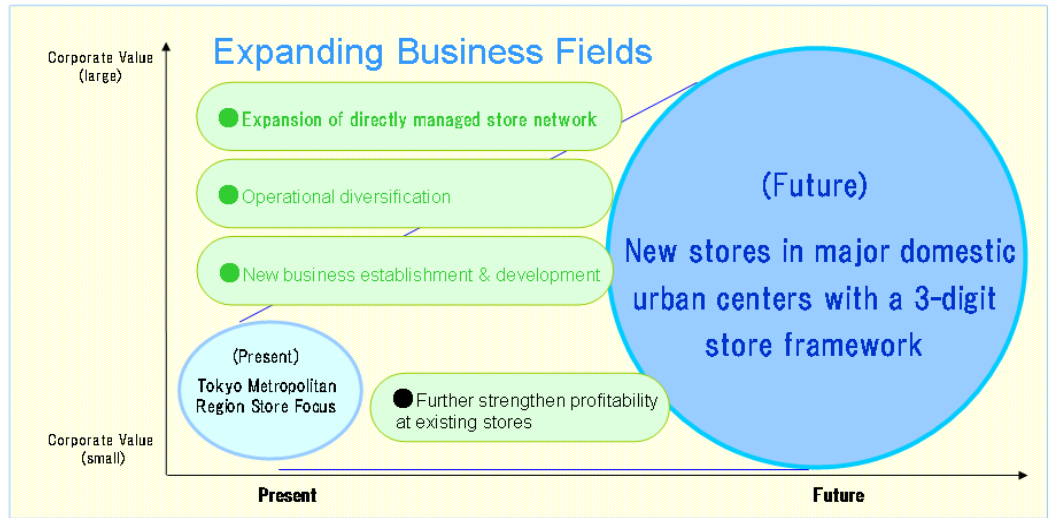
Additionally, TF will promote increased earnings capacity at existing stores. Apart from again unearthing the need for recycled goods in the sporting goods, baby's ware and other areas, in fashion goods also, TF will further strengthen its approach in relation to highly profitable low cost items.

TF, with its philosophy of seeking growth and expansion while maintaining financial security, places weight on ROE and the recurring profit margin as management indicators. ROE has recently trended in a range of 17-20%, and going forward also TF wants to maintain a similar level of profitability. Also, currently the recurring profit margin is trending around 8%, however, TF is targeting to raise this another notch. This is because, through expansion in scale, TF can expect declines in overhead ratios and increases in efficiencies.

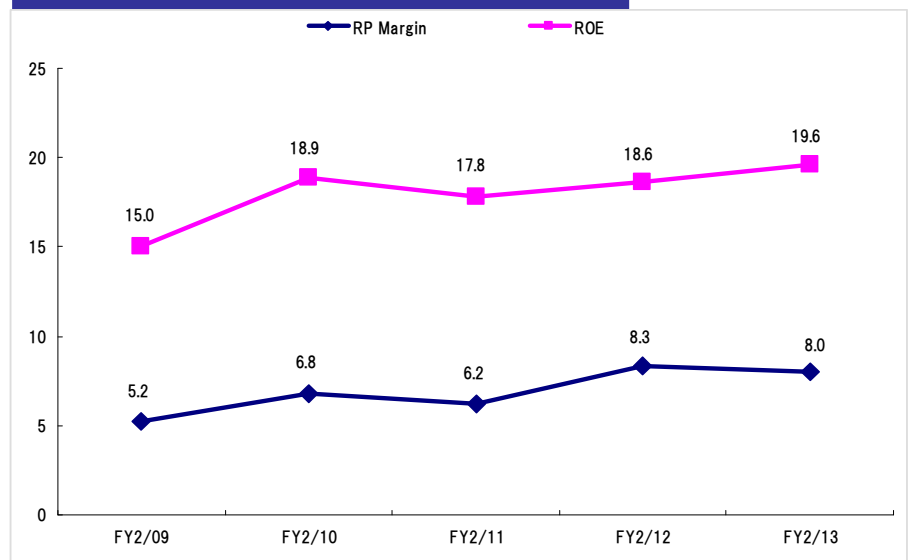
Firstly, whether or not TF can achieve a smooth start to its operational roll-out in expansion into the Kansai region is a crucial factor, as well as being a portent of future growth potential. Depending on trends there, there is the potential for the pace of growth to accelerate.

Vision for Mid- to Long-term Growth

Against a background of growing social need for recycling
 From a Tokyo Metropolitan Regional Roll-out to a National Roll-out, & Secure an Unassailable Position as a Comprehensive Recycling Company



RP Margin & ROE Trends



(Source: Prepared from company materials)

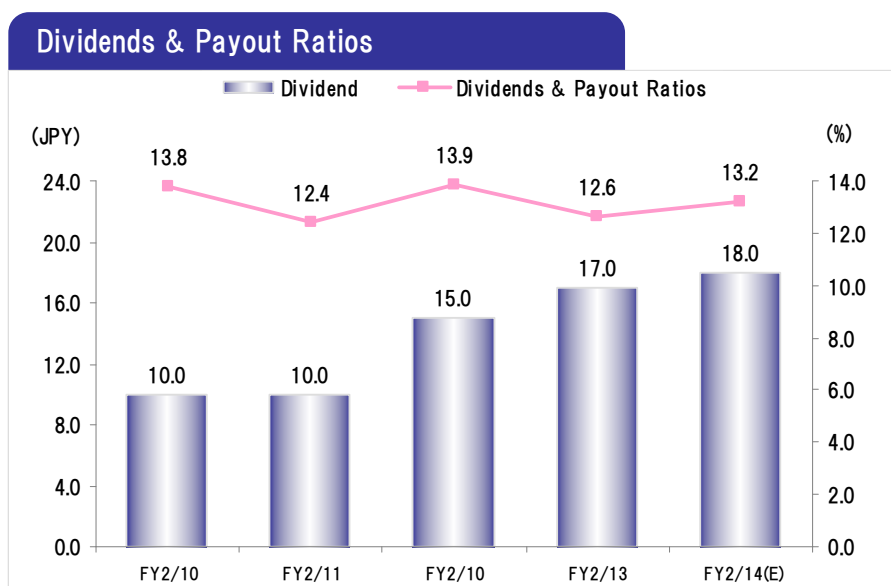


■ Shareholder Rewards Programs

Even amidst investment demand from new store openings TF plans a 3rd consecutive year of dividend increases

In respect of shareholder rewards programs, TF's dividend policy has as its basic tenet "continuous payment of dividends corresponding with results, taking into consideration shareholder rewards and its strengthening financial foundation through ample retention of internal reserves". Further, amidst much investment demand, with expenses such as those relating to new store openings being incurred, it is hard for TF to appropriate much of this for dividends, however, recently TF has undertaken dividend hikes in response to earnings growth, amongst other things raising dividends for two consecutive periods. As a yardstick for the dividend payout ratio, from the fact that over the last 5 years TF has maintained a level of about 13%, we may say that if they fall below that level it is likely they will raise dividends. Further, in the FY2/14 management plan dividends are expected to rise for a third consecutive year to JPY18 per share.

TF has also introduced a shareholder reward system. Specifically, for those shareholders at the time of record each year at the end of February that hold one or more shareholding units (100 shares), all are given a JPY1,000 QUO Card plus a Treasure Loto raffle ticket (1st Prize: 5 people drawn will receive JPY30,000 worth of JCB gift cards), and a Purchase Price Booster Coupon (which increases the purchase amount by 20% for purchases brought to the store or delivered by courier).



(Source: Prepared from company materials)

Peer Comparison

TF exceeds peers in growth potential, profitability & efficiency etc.

We have set out in the table below a comparison with peers that are rolling-out recycling shops. As noted above, within these Kaitori Okoku is the peer that resembles TF in aspects such as products handled and store layout. The 3 firms, BOOK OFF Corporation (3313) TAY TWO Co., Ltd. (7610) and Mandrake Inc. (2652), mainly operate in buying and selling used and second hand books. Looking at the recurring profit margin, the 7 company simple average is approximately 7%, however, excluding BOOK OFF Corporation, which is mainly developing through franchising operations, we can see that those companies with large revenues have low profitability, while in relation to the 3 firms with less than JPY10 billion in revenues, including TF, they all boast higher profitability than the average, all being approximately 8%.

In relation to BOOK OFF Corporation and TAY TWO, they are mainly second hand book sellers, and it is felt that the market maturation of the second hand book market and intensified competition are the factors behind its low profitability. The fact that the share price of all three of these companies that are mainly involved in second hand books falls below 1.0x BPS is thought to be because the market has decided that the future is bleak in respect to their growth prospects. Actually, the average growth rate for revenues at all of these companies over the immediately preceding 3 periods has remained negative, or not exceeded single digit positive growth. On the other hand, TF is continuing double-digit revenue and earnings growth. Even looking at inventory turnover which seeks management efficiency, compared with the 7 company average of 5.57x, TF's is 7.39x, and, excluding BOOK OFF Corporation and TAY TWO, which mainly handle second hand books, TF may be evaluated highly as the company with the most efficient inventory management.

The simple average of the estimated P/E ratios for the 7 companies is 11x, with little difference between the firms. However, as noted above, in doing a corporate evaluation of factors such as growth potential, profitability and efficiency, the share price for TF, which exceeds the industry average on every point, when compared with its peers trends at the same P/E level. In addition to highly capable management and continuing stable earnings growth, TF will attract attention being currently at a point where its expansion into the Kansai region from FY2/14 offers the potential for it to enter a new growth stage.

Corporate Peer Comparison

		Reporting Period	Revenue	RP	EPS	DPS	Inventory Turnover	RP Margin	P/E Est.	PBR (actual)
3093	Treasure Factory	FY2/13	7,984	639	134	17.0	7.39	8.0%		
Share price	1,362	FY2/14 Co. Est.	9,240	692	136	18.0		7.5%	10.0	1.8
2674	HARD OFF Corporation	FY3/13	12,400	1,650	66.7	25.0	5.63	13.3%		
Share price	690	FY3/14 JCH	13,500	1,790	71.9	25.0		13.3%	9.6	1.0
3181	Kaitori Okoku Co., Ltd.	FY2/13	5,403	467	180.1	10.0	4.58	8.6%		
Share price	1,651	FY2/14 Co. Est.	5,840	515	168.8	N/A		8.8%	9.8	2.1
3313	BOOK OFF Corporation	FY3/13	76,670	2,366	57.3	25.0	7.07	3.1%		
Share price	694	FY3/14 Co. Est.	80,000	2,300	53.8	25.0		2.9%	12.9	0.9
7610	TAY TWO Co., Ltd.	FY2/13	34,202	619	474	220.0	8.02	1.8%		
Share price	6,590	FY2/14 Co. Est.	33,000	700	602	220.0		2.1%	11.0	0.6
2652	Mandrake Inc.	FY9/12	8,673	736	313	5.0	1.95	8.5%		
Share price	3,535	FY9/13 Co. Est.	9,000	840	362	5.0		9.3%	9.8	1.0
2780	Komehyo Co., Ltd.	FY3/13 Est.	34,000	1,890	100	19.0	3.89	5.6%		
Share price	1,694	FY3/14 JCH	35,800	1,930	100	20.0		5.4%	16.9	1.4

Share prices represent May 23 closing prices. BPS represents the actual value for the last quarter.
 Inventory turnover : For FY3/13 reporting companies that have not yet disclosed results, estimated FY3/13 revenues are divided into December end inventories. Others are actual revenues divided by period-end inventories.
 Note: JCH refers to the Japan Company Handbook published quarterly.



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