

Consolidated Financial Results for the Nine Months Ended November 30, 2016 [Japanese GAAP]



December 26, 2016

Company name: Takihyo Co., Ltd.

Code number: 9982

URL: <http://www.takihyo.co.jp>

Stock exchange listing: Tokyo Stock Exchange (First Section), Nagoya Stock Exchange (First Section)

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Scheduled date of commencing dividend payments: –

Scheduled date for filing of quarterly securities report: January 11, 2017

Availability of supplementary briefing material on quarterly results: None

Schedule of quarterly results briefing session: None

(Figures are rounded down to the nearest million yen)

1. Consolidated Financial Results for the Nine Months Ended November 30, 2016 (March 1, 2016 to November 30, 2016)

(1) Consolidated Results of Operations (cumulative)

(% indicates changes from the previous corresponding period)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent	
	million yen	%	million yen	%	million yen	%	million yen	%
Nine months ended November 30, 2016	60,860	(4.7)	1,642	(31.7)	1,640	(35.2)	1,014	(41.8)
Nine months ended November 30, 2015	63,839	9.8	2,404	25.6	2,529	22.0	1,743	80.6

(Note) Comprehensive income: Nine months ended November 30, 2016: ¥2,531 million [—%]

Nine months ended November 30, 2015: ¥175 million [(96.3)%]

	Net income per share	Diluted net income per share
	yen	yen
Nine months ended November 30, 2016	21.75	21.48
Nine months ended November 30, 2015	37.42	36.98

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
As of November 30, 2016	million yen 56,948	million yen 33,531	% 58.5	yen 714.23
As of February 29, 2016	57,030	31,344	54.6	668.26

(Reference) Equity: As of November 30, 2016: ¥33,310 million

As of February 29, 2016: ¥31,136 million

2. Dividends

	Annual Dividends				
	1st quarter end	2nd quarter end	3rd quarter end	Year end	Total
Fiscal year ended February 29, 2016	yen –	yen 4.00	yen –	yen 4.00	yen 8.00
Fiscal year ending February 28, 2017	–	4.00	–		
Fiscal year ending February 28, 2017 (Forecast)				4.00	8.00

(Note) Revision of dividends forecast from recently announced figures: None

3. Consolidated Financial Results Forecast for the Fiscal Year Ending February 28, 2017 (March 1, 2016 to February 28, 2017)

(% indicates changes from the previous corresponding period)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent		Net income per share
	million yen	%	million yen	%	million yen	%	million yen	%	yen
Full year	80,000	(5.2)	1,450	(42.3)	1,400	(38.6)	770	(43.5)	16.51

(Note) Revision of forecast results from recently announced figures: None

*Notes

(1) Significant changes of subsidiaries during the period under review (affecting specified subsidiaries resulting in changes in scope of consolidation): No

(2) Adoption of special accounting treatment for preparing quarterly consolidated financial statements: No

(3) Changes in accounting policies, changes in accounting estimates and restatements

1) Changes in accounting policies due to the revision of accounting standards: Yes

2) Any changes in accounting policies other than 1) above: No

3) Changes in accounting estimates: No

4) Restatements: No

(4) Total number of issued shares (common stock)

1) Total number of issued shares at the end of the period (including treasury stock):

November 30, 2016	48,000,000 shares
February 29, 2016	48,000,000 shares

2) Total number of treasury stock at the end of the period:

November 30, 2016	1,361,865 shares
February 29, 2016	1,406,760 shares

3) Average number of shares during the period (cumulative):

Nine months ended November 30, 2016	46,634,343 shares
Nine months ended November 30, 2015	46,594,526 shares

* Presentation regarding the implementation status of the quarterly review process

This summary of consolidated quarterly financial results is not subject to the quarterly review procedures provided by the Japanese Financial Instruments and Exchange Act. Therefore, at the time of the disclosure of these financial results, the quarterly financial statement review procedures based on the Act have not been completed.

* Explanation of the proper use of performance forecast and other notes

The projections above were prepared based on available information at the time of the release of this document, and do not constitute a promise by the Company to achieve those projections. In addition, actual results may be different from the projections due to various factors.

1. Qualitative Information on Financial Results for the Period under Review	5
(1) Qualitative Information on Results of Operations.....	5
(2) Qualitative Information on Financial Position	5
(3) Explanation of Consolidated Forecast and Other Forward-looking Statements.....	7
2. Items Regarding Summary Information (Items of Note)	7
(1) Changes in Accounting Policies, Changes in Accounting Estimates and Restatements	7
3. Consolidated Financial Statements	8
(1) Consolidated Balance Sheets	8
(2) Consolidated Statements of Income and Comprehensive Income	10
(3) Notes to Quarterly Consolidated Financial Statements.....	12
(Notes on Going Concern Assumption)	12
(Notes in Case of Significant Changes in Shareholders' Equity).....	12

1. Qualitative Information on Financial Results for the Period under Review

(1) Qualitative Information on Results of Operations

During the nine months ended November 30, 2016, the condition of the Japanese economy remained harsh overall, especially in the apparel market, as could be evidenced by the decline in real household expenditures for the eighth consecutive month concerning personal consumption which accounts for 60% of real GDP.

Under these circumstances, the Company firstly made efforts to expand the sales share mainly through the women's sales groups launched last year by cultivating new specialist retailers with a high growth potential and further deepening the relationship with existing clients. Secondly, the Company carried out an overhaul of the core system as part of a measure to improve the Company's infrastructure aimed at realizing creative and careful work, with the new system scheduled to start operating in January 2017. Thirdly, the Company strived to reduce costs by focusing on the improvement of productivity of the logistics center, while raising the production ratio of apparel products in ASEAN and the South Asian countries. Fourthly, in terms of the development of overseas market, the Company started test-marketing its character goods in the United States in fall 2016 and increased the transactions with major apparel companies in East Asia. Fifthly, for the purpose of the selection and concentration of business operations, the Company suspended the development of its brand "BERARDI" in August 2016.

Despite the above measures, fall and winter products, which make the greatest contributions to net sales and profit throughout the year, ended up struggling due to the persistent budget-minded tendency among consumers, the failure in product planning to respond in detail to consumers' growing awareness of the balance between price and quality, and other factors.

Net sales in the nine months ended November 30, 2016 stayed at ¥60,860 million (4.7% decrease from the previous corresponding period). Although the Company was able to reduce selling, general and administrative expenses, due to the lower gross profit margin, consolidated performance in the nine months ended November 30, 2016 registered ¥1,642 million operating income (31.7% decrease from the previous corresponding period), ¥1,640 million ordinary income (35.2% decrease from the previous corresponding period) and ¥1,014 million net income attributable to owners of parent (41.8% decrease from the previous corresponding period).

(2) Qualitative Information on Financial Position

1) Assets

Current assets decreased by ¥1,387 million compared with the end of the previous fiscal year, to ¥26,873 million, due primarily to a decrease of ¥1,557 million in inventories.

Non-current assets increased by ¥1,304 million compared with the end of the previous fiscal year, to ¥30,074 million, due primarily to an increase of ¥615 million in intangible assets and an increase of ¥742 million in investment securities.

As a result, total assets decreased by ¥82 million compared with the end of the previous fiscal year, to ¥56,948 million.

2) Liabilities

Liabilities decreased by ¥2,269 million compared with the end of the previous fiscal year, to ¥23,417 million, due primarily to decreases of ¥4,664 million in notes and accounts payable-trade and ¥1,786 million in derivatives liabilities, despite an increase of ¥3,695 million in loans payable.

3) Net assets

Net assets increased by ¥2,186 million compared with the end of the previous fiscal year, to ¥33,531 million, due primarily to increases of ¥638 million in retained earnings and ¥1,516 million in accumulated other comprehensive income.

(3) Explanation of Consolidated Forecast and Other Forward-looking Statements

The financial results forecast has not changed since its earlier announcement on November 21, 2016.

2. Items Regarding Summary Information (Items of Note)

(1) Changes in Accounting Policies, Changes in Accounting Estimates and Restatements

(Changes in Accounting Policies)

Application of Accounting Standard for Business Combinations, etc.

Effective from the three months ended May 31, 2016, the Company has applied the “Revised Accounting Standard for Business Combinations” (Accounting Standards Board of Japan (ASBJ) Statement No. 21, September 13, 2013), the “Revised Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No. 22, September 13, 2013) and the “Revised Accounting Standard for Business Divestitures” (ASBJ Statement No. 7, September 13, 2013), etc. Accordingly, the Company has changed the presentation of net income and other related items. To reflect these changes in presentation, reclassifications of accounts have been made to the consolidated financial statements for the nine months ended November 30, 2015.

Change in Depreciation Method

In accordance with revisions of the Corporation Tax Law, in the three months ended May 31, 2016, the Company has applied the “Practical Solution on a change in depreciation method due to Tax Reform 2016” (Practical Issues Task Force No. 32, June 17, 2016), and changed the depreciation method of auxiliary equipment of buildings and structures acquired on and after April 1, 2016 from the declining-balance method to the straight-line method.

The effect of this change on loss and income for the nine months ended November 30, 2016 is immaterial.

3. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

	As of February 29, 2016	As of November 30, 2016
Assets		
Current assets		
Cash and deposits	3,350	4,310
Notes and accounts receivable-trade	18,102	17,781
Inventories	5,197	3,640
Other	1,624	1,163
Allowance for doubtful accounts	(13)	(22)
Total current assets	<u>28,261</u>	<u>26,873</u>
Non-current assets		
Property, plant and equipment		
Land	18,890	18,890
Other, net	4,100	4,018
Total property, plant and equipment	<u>22,990</u>	<u>22,908</u>
Intangible assets	567	1,182
Investments and other assets		
Investment securities	3,978	4,720
Other	1,308	1,327
Allowance for doubtful accounts	(74)	(65)
Total investments and other assets	<u>5,211</u>	<u>5,982</u>
Total non-current assets	<u>28,769</u>	<u>30,074</u>
Total assets	<u>57,030</u>	<u>56,948</u>
Liabilities		
Current liabilities		
Notes and accounts payable-trade	12,008	7,343
Short-term loans payable	1,980	5,200
Current portion of long-term loans payable	2,250	2,175
Income taxes payable	540	132
Provision	205	263
Other	4,951	4,474
Total current liabilities	<u>21,934</u>	<u>19,588</u>
Non-current liabilities		
Long-term loans payable	1,075	1,625
Net defined benefit liability	526	579
Provision for directors' retirement benefits	176	176
Asset retirement obligations	140	140
Other	1,834	1,307
Total non-current liabilities	<u>3,751</u>	<u>3,828</u>
Total liabilities	<u>25,686</u>	<u>23,417</u>

	As of February 29, 2016	As of November 30, 2016
Net assets		
Shareholders' equity		
Capital stock	3,622	3,622
Capital surplus	4,148	4,148
Retained earnings	24,404	25,042
Treasury stock	(589)	(570)
Total shareholders' equity	<u>31,585</u>	<u>32,243</u>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,093	1,432
Deferred gains or losses on hedges	(1,691)	(398)
Revaluation reserve for land	155	162
Foreign currency translation adjustment	68	(69)
Remeasurements of defined benefit plans	(75)	(59)
Total accumulated other comprehensive income	<u>(449)</u>	<u>1,067</u>
Subscription rights to shares	207	220
Total net assets	<u>31,344</u>	<u>33,531</u>
Total liabilities and net assets	57,030	56,948

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

(Millions of yen)

	For the nine months ended November 30, 2015	For the nine months ended November 30, 2016
Net sales	63,839	60,860
Cost of sales	50,873	49,160
Gross profit	12,965	11,700
Provision for sales returns	6	(1)
Gross profit-net	12,959	11,701
Selling, general and administrative expenses	10,554	10,058
Operating income	2,404	1,642
Non-operating income		
Interest income	25	15
Dividends income	56	58
Subsidy income	53	53
Other	96	93
Total non-operating income	231	220
Non-operating expenses		
Interest expenses paid	84	67
Loss on valuation of derivatives	-	117
Other	22	37
Total non-operating expenses	106	222
Ordinary income	2,529	1,640
Extraordinary income		
Gain on sales of investment securities	-	0
Gain on redemption of investment securities	29	-
Gain on sales of non-current assets	83	-
Total extraordinary income	112	0
Extraordinary loss		
Settlement	-	98
Other	9	4
Total extraordinary loss	9	103
Income before income taxes	2,632	1,538
Income taxes	889	523
Net income	1,743	1,014
Net income attributable to owners of parent	1,743	1,014

Consolidated Statements of Comprehensive Income

(Millions of yen)

	For the nine months ended November 30, 2015	For the nine months ended November 30, 2016
Net income	1,743	1,014
Other comprehensive income		
Valuation difference on available-for-sale securities, net of tax	344	339
Deferred gains or losses on hedges, net of tax	(1,924)	1,292
Revaluation reserve for land, net of tax	14	6
Foreign currency translation adjustment, net of tax	(11)	(138)
Remeasurements of defined benefit plans, net of tax	9	16
Total other comprehensive income	<u>(1,568)</u>	<u>1,516</u>
Comprehensive income	<u>175</u>	<u>2,531</u>
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	175	2,531

(3) Notes to Quarterly Consolidated Financial Statements

(Notes on Going Concern Assumption)

Not applicable.

(Notes in Case of Significant Changes in Shareholders' Equity)

Not applicable.