

# Consolidated Financial Results for the Six Months Ended August 31, 2018 [Japanese GAAP]



September 28, 2018

Company name: Takihyo Co., Ltd.  
 Code number: 9982  
 URL: <https://www.takihyo.co.jp>  
 Stock exchange listing: Tokyo Stock Exchange (First Section), Nagoya Stock Exchange (First Section)  
 Representative: Kazuo Taki, Representative Director, CEO  
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 Scheduled date of commencing dividend payments: October 26, 2018  
 Scheduled date for filing of quarterly securities report: October 11, 2018  
 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 Six Months Ended August 31, 2018 (March 1, 2018 to August 31, 2018)

(1) Consolidated Results of Operations (cumulative) (% indicates changes from the previous corresponding period)

|                                  | Net sales   |       | Operating profit |   | Ordinary profit |   | Profit attributable to owners of parent |       |
|----------------------------------|-------------|-------|------------------|---|-----------------|---|-----------------------------------------|-------|
|                                  | million yen | %     | million yen      | % | million yen     | % | million yen                             | %     |
| Six Months Ended August 31, 2018 | 32,319      | (7.1) | (121)            | – | (40)            | – | (64)                                    | –     |
| Six Months Ended August 31, 2017 | 34,779      | (9.4) | (817)            | – | (734)           | – | 2,308                                   | 460.5 |

(Note) Comprehensive income: Six months ended August 31, 2018: ¥546 million [(78.0)%]  
 Six months ended August 31, 2017: ¥2,480 million [–%]

|                                  | Earnings per share | Diluted earnings per share |
|----------------------------------|--------------------|----------------------------|
|                                  | yen                | yen                        |
| Six Months Ended August 31, 2018 | (6.93)             | –                          |
| Six Months Ended August 31, 2017 | 247.50             | 244.07                     |

\* The Company conducted a share consolidation of common stock at a ratio of one share for five shares as of September 1, 2017. Accordingly, earnings per share and diluted earnings per share are calculated on the assumption that the consolidation of shares was conducted at the beginning of the previous fiscal year.

## (2) Consolidated Financial Position

|                         | Total assets | Net assets  | Equity ratio | Net assets per share |
|-------------------------|--------------|-------------|--------------|----------------------|
|                         | million yen  | million yen | %            | yen                  |
| As of August 31, 2018   | 49,186       | 35,722      | 72.1         | 3,801.90             |
| As of February 28, 2018 | 51,669       | 35,353      | 67.9         | 3,763.34             |

(Reference) Equity: As of August 31, 2018: ¥35,461 million  
 As of February 28, 2018: ¥35,101 million

## 2. Dividends

|                                                       | Annual Dividends |                 |                 |          |       |
|-------------------------------------------------------|------------------|-----------------|-----------------|----------|-------|
|                                                       | 1st quarter end  | 2nd quarter end | 3rd quarter end | Year end | Total |
|                                                       | yen              | yen             | yen             | yen      | yen   |
| Fiscal year ended<br>February 28, 2018                | –                | 4.00            | –               | 20.00    | –     |
| Fiscal year ending<br>February 28, 2019               | –                | 20.00           |                 |          |       |
| Fiscal year ending<br>February 28, 2019<br>(Forecast) |                  |                 | –               | 20.00    | 40.00 |

(Notes)

- (1) Revision of dividends forecast from recently announced figures: None
- (2) The Company conducted a share consolidation of common stock at a ratio of one share for five shares as of September 1, 2017. Accordingly, the year-end dividend per share for the fiscal year ended February 28, 2018 shows the amount after taking into consideration the consolidation of shares. The total amount of annual dividends is indicated with “–.”

## 3. Consolidated Financial Results Forecast for the Fiscal Year Ending February 28, 2019 (March 1, 2018 to February 28, 2019)

(% indicates changes from the previous corresponding period)

|           | Net sales   |     | Operating profit |   | Ordinary profit |   | Profit attributable to owners of parent |        | Earnings per share |
|-----------|-------------|-----|------------------|---|-----------------|---|-----------------------------------------|--------|--------------------|
|           | million yen | %   | million yen      | % | million yen     | % | million yen                             | %      | yen                |
| Full year | 74,000      | 1.7 | 800              | – | 800             | – | 500                                     | (74.5) | 53.61              |

(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: No
  - 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 shares):

|                   |                  |
|-------------------|------------------|
| August 31, 2018   | 9,600,000 shares |
| February 28, 2018 | 9,600,000 shares |

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

|                   |                |
|-------------------|----------------|
| August 31, 2018   | 272,653 shares |
| February 28, 2018 | 272,653 shares |

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

|                                  |                  |
|----------------------------------|------------------|
| Six months ended August 31, 2018 | 9,327,347 shares |
| Six months ended August 31, 2017 | 9,327,568 shares |

\* The Company conducted a share consolidation of common stock at a ratio of one share for five shares as of September 1, 2017. Accordingly, average number of shares during the period (cumulative) for six months ended August 31, 2017 is calculated on the assumption that the consolidation of shares was conducted at the beginning of the previous fiscal year.

\* Summary of consolidated quarterly financial results is outside the scope of the quarterly review of certified public accountant or audit firm

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

(Note on the forward-looking statements)

The earnings projections and other forward-looking statements herein are based on available information and certain assumptions deemed reasonable 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 differ significantly from the projections due to various factors.

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

### (1) Qualitative Information on Results of Operations

During this fiscal year, in light of the severe price competition among suppliers arising from the consumers' continued shift towards low-price products in the apparel market, the Company has refocused on regaining its strength using the theme of "Back Home (back to the source)".

With regard to the apparel market conditions during the six months ended August 31, 2018, although the sales of early summer products remained solid as the temperatures in March and April were higher than those of average years, the sales of practical clothing items continued to be sluggish due to the rain and low temperatures in May and June, heavy rains and typhoons, and additionally the intense heat in July and August.

As a result, with respect to the consolidated performance for the six months ended August 31, 2018, net sales was ¥32,319 million (7.1% decrease from the previous corresponding period) while the Company registered operating loss of ¥121 million (loss of ¥817 million in the previous corresponding period) and ordinary loss of ¥40 million (loss of ¥734 million in the previous corresponding period). While the losses decreased due to the Company's efforts to improve its gross profit margin and reduce selling expenses in order to strengthen its earning structure, the Company fell short of returning to profitability. Meanwhile, loss attributable to owners of parent amounted to ¥64 million (¥2,373 million decrease from the profit in the previous corresponding period) due to the absence of gain on sales of non-current assets, which was recorded in the previous year.

Under the theme of "Back Home (back to the source)", the Company will work to strengthen its product planning capabilities, secure the adequate profit margin per product or client, and work together with subcontract plants to stabilize product quality. In addition, the Company's medium- to long-term targets include developing products with special features using its original materials or through collaboration with external experts, and launching a new retail business, and thereby it will do its utmost to recover and improve profitability in short-term and medium- to long-term.

### (2) Qualitative Information on Financial Position

#### 1) Assets

Current assets decreased by ¥1,928 million compared with the end of the previous fiscal year, to ¥22,801 million, due primarily to decreases of ¥1,104 million in cash and deposits and ¥1,113 million in notes and accounts receivable - trade.

Non-current assets decreased by ¥553 million compared with the end of the previous fiscal year, to ¥26,384 million, due primarily to decreases of ¥86 million in property, plant and equipment and ¥410 million in investment securities.

As a result, total assets decreased by ¥2,482 million compared with the end of the previous fiscal year, to ¥49,186 million.

#### 2) Liabilities

Liabilities decreased by ¥2,852 million compared with the end of the previous fiscal year, to ¥13,463

million, due primarily to decreases of ¥766 million in notes and accounts payable - trade, ¥535 million in loans payable, ¥556 million in accounts payable - other, and ¥757 million in short-term derivatives liabilities.

### 3) Net assets

Net assets increased by ¥369 million compared with the end of the previous fiscal year, to ¥35,722 million, due primarily to an increase of ¥610 million in accumulated other comprehensive income despite a decrease of ¥251 million in retained earnings.

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

The financial results forecast has not changed since its earlier announcement on March 30, 2018.

## 2. Consolidated Financial Statements and Primary Notes

### (1) Consolidated Balance Sheets

(Millions of yen)

|                                       | As of February 28, 2018 | As of August 31, 2018 |
|---------------------------------------|-------------------------|-----------------------|
| <b>Assets</b>                         |                         |                       |
| Current assets                        |                         |                       |
| Cash and deposits                     | 6,157                   | 5,053                 |
| Notes and accounts receivable - trade | 13,410                  | 12,296                |
| Inventories                           | 4,029                   | 4,239                 |
| Other                                 | 1,138                   | 1,216                 |
| Allowance for doubtful accounts       | (4)                     | (4)                   |
| Total current assets                  | 24,730                  | 22,801                |
| Non-current assets                    |                         |                       |
| Property, plant and equipment         |                         |                       |
| Land                                  | 15,280                  | 15,280                |
| Other, net                            | 3,806                   | 3,719                 |
| Total property, plant and equipment   | 19,086                  | 19,000                |
| Intangible assets                     | 1,260                   | 1,207                 |
| Investments and other assets          |                         |                       |
| Investment securities                 | 5,316                   | 4,906                 |
| Other                                 | 1,310                   | 1,305                 |
| Allowance for doubtful accounts       | (35)                    | (35)                  |
| Total investments and other assets    | 6,591                   | 6,177                 |
| Total non-current assets              | 26,938                  | 26,384                |
| Total assets                          | 51,669                  | 49,186                |

(Millions of yen)

|                                                       | As of February 28, 2018 | As of August 31, 2018 |
|-------------------------------------------------------|-------------------------|-----------------------|
| <b>Liabilities</b>                                    |                         |                       |
| Current liabilities                                   |                         |                       |
| Notes and accounts payable - trade                    | 7,520                   | 6,753                 |
| Short-term loans payable                              | 210                     | 200                   |
| Current portion of long-term loans payable            | 1,050                   | 875                   |
| Income taxes payable                                  | 473                     | 81                    |
| Provision                                             | 127                     | 128                   |
| Other                                                 | 3,138                   | 2,008                 |
| Total current liabilities                             | 12,520                  | 10,047                |
| Non-current liabilities                               |                         |                       |
| Long-term loans payable                               | 1,475                   | 1,125                 |
| Net defined benefit liability                         | 218                     | 254                   |
| Provision for directors' retirement benefits          | 176                     | 176                   |
| Asset retirement obligations                          | 159                     | 159                   |
| Other                                                 | 1,766                   | 1,701                 |
| Total non-current liabilities                         | 3,795                   | 3,416                 |
| Total liabilities                                     | 16,315                  | 13,463                |
| Net assets                                            |                         |                       |
| Shareholders' equity                                  |                         |                       |
| Capital stock                                         | 3,622                   | 3,622                 |
| Capital surplus                                       | 4,148                   | 4,148                 |
| Retained earnings                                     | 26,291                  | 26,040                |
| Treasury shares                                       | (571)                   | (571)                 |
| Total shareholders' equity                            | 33,490                  | 33,239                |
| Accumulated other comprehensive income                |                         |                       |
| Valuation difference on available-for-sale securities | 1,860                   | 1,642                 |
| Deferred gains or losses on hedges                    | (537)                   | 320                   |
| Revaluation reserve for land                          | 162                     | 162                   |
| Foreign currency translation adjustment               | 20                      | (6)                   |
| Remeasurements of defined benefit plans               | 104                     | 103                   |
| Total accumulated other comprehensive income          | 1,610                   | 2,221                 |
| Subscription rights to shares                         | 251                     | 261                   |
| Total net assets                                      | 35,353                  | 35,722                |
| Total liabilities and net assets                      | 51,669                  | 49,186                |

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

|                                                | (Millions of yen)                           |                                             |
|------------------------------------------------|---------------------------------------------|---------------------------------------------|
|                                                | For the six months<br>ended August 31, 2017 | For the six months<br>ended August 31, 2018 |
| Net sales                                      | 34,779                                      | 32,319                                      |
| Cost of sales                                  | 28,815                                      | 26,144                                      |
| Gross profit                                   | 5,963                                       | 6,174                                       |
| Provision for sales returns                    | 1                                           | (3)                                         |
| Gross profit - net                             | 5,962                                       | 6,177                                       |
| Selling, general and administrative expenses   | 6,779                                       | 6,299                                       |
| Operating income (loss)                        | (817)                                       | (121)                                       |
| Non-operating income                           |                                             |                                             |
| Interest income                                | 12                                          | 13                                          |
| Dividend income                                | 45                                          | 49                                          |
| Other                                          | 75                                          | 63                                          |
| Total non-operating income                     | 132                                         | 127                                         |
| Non-operating expenses                         |                                             |                                             |
| Interest expenses                              | 29                                          | 32                                          |
| Commission fee                                 | 12                                          | 11                                          |
| Other                                          | 8                                           | 2                                           |
| Total non-operating expenses                   | 50                                          | 46                                          |
| Ordinary profit (loss)                         | (734)                                       | (40)                                        |
| Extraordinary income                           |                                             |                                             |
| Gain on sales of investment securities         | 0                                           | -                                           |
| Gain on sales of non-current assets            | 4,104                                       | 0                                           |
| Total extraordinary income                     | 4,104                                       | 0                                           |
| Extraordinary losses                           |                                             |                                             |
| Loss on valuation of investment securities     | -                                           | 20                                          |
| Loss on retirement of non-current assets       | 0                                           | 0                                           |
| Total extraordinary losses                     | 0                                           | 20                                          |
| Profit (loss) before income taxes              | 3,369                                       | (61)                                        |
| Income taxes                                   | 1,061                                       | 3                                           |
| Profit (loss)                                  | 2,308                                       | (64)                                        |
| Profit (loss) attributable to owners of parent | 2,308                                       | (64)                                        |

Consolidated Statements of Comprehensive Income

(Millions of yen)

|                                                       | For the six months<br>ended August 31, 2017 | For the six months<br>ended August 31, 2018 |
|-------------------------------------------------------|---------------------------------------------|---------------------------------------------|
| Profit (loss)                                         | 2,308                                       | (64)                                        |
| Other comprehensive income                            |                                             |                                             |
| Valuation difference on available-for-sale securities | 38                                          | (217)                                       |
| Deferred gains or losses on hedges                    | 137                                         | 857                                         |
| Revaluation reserve for land                          | -                                           | (0)                                         |
| Foreign currency translation adjustment               | (23)                                        | (27)                                        |
| Remeasurements of defined benefit plans, net of tax   | 18                                          | (1)                                         |
| Total other comprehensive income                      | 172                                         | 610                                         |
| Comprehensive income                                  | 2,480                                       | 546                                         |
| Comprehensive income attributable to                  |                                             |                                             |
| Comprehensive income attributable to owners of parent | 2,480                                       | 546                                         |

(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.