

Consolidated Financial Results for the Fiscal Year Ended February 28, 2018 [Japanese GAAP]



March 30, 2018

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)

Representative: Kazuo Taki, Representative Director, CEO

Contact: Atsushi Muto, Director, Senior Managing Executive Officer

Phone: +81-52-587-7111

Scheduled date of Ordinary General Meeting of Shareholders: May 23, 2018

Scheduled date of commencing dividend payments: May 24, 2018

Scheduled date for filing of annual securities report: May 25, 2018

Availability of supplementary briefing material on financial results: Available

Schedule of financial results briefing session: Scheduled (for institutional investors)

(Figures are rounded down to the nearest million yen)

1. Consolidated Financial Results for the Fiscal Year Ended February 28, 2018 (March 1, 2017 to February 28, 2018)

(1) Consolidated Results of Operations

(% 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	%
Fiscal year ended February 28, 2018	72,751	(6.7)	(1,148)	–	(1,099)	–	1,959	189.5
Fiscal year ended February 28, 2017	77,952	(7.6)	1,101	(56.2)	1,089	(52.3)	676	(50.3)

(Note) Comprehensive income: Fiscal year ended February 28, 2018: ¥1,937 million [(29.8)%]

Fiscal year ended February 28, 2017: ¥2,758 million [–%]

	Earnings per share	Diluted earnings per share	Return on equity	Ordinary profit to total assets	Operating profit to net sales
	yen	yen	%	%	%
Fiscal year ended February 28, 2018	210.04	207.04	5.7	(2.1)	(1.6)
Fiscal year ended February 28, 2017	72.55	71.64	2.1	2.0	1.4

(Reference) Equity in earnings (losses) of associates: Fiscal year ended February 28, 2018: ¥– million

Fiscal year ended February 28, 2017: ¥– million

* 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 February 28, 2018	51,669	35,353	67.9	3,763.34
As of February 28, 2017	52,294	33,758	64.1	3,595.56

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

As of February 28, 2017: ¥33,538 million

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

(3) Consolidated Cash Flows

	Net cash provided by (used in) operating activities	Net cash provided by (used in) investment activities	Net cash provided by (used in) financing activities	Cash and cash equivalents at end of period
	million yen	million yen	million yen	million yen
Fiscal year ended February 28, 2018	(2,412)	7,514	(2,396)	6,157
Fiscal year ended February 28, 2017	2,137	(941)	(932)	3,447

2. Dividends

	Annual Dividends					Total dividends paid (annual)	Payout ratio (consolidated)	Dividends to net assets (consolidated)
	1st quarter end	2nd quarter end	3rd quarter end	Year end	Total			
	yen	yen	yen	yen	yen	million yen	%	%
Fiscal year ended February 28, 2017	—	4.00	—	4.00	8.00	373	55.1	1.2
Fiscal year ended February 28, 2018	—	4.00	—	20.00	—	373	19.0	1.1
Fiscal year ending February 28, 2019 (Forecast)	—	20.00	—	20.00	40.00		74.6	

* 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 show the amount after taking into consideration the consolidation of shares. The total amount of annual dividends is indicated with “—.” Please refer to for details.

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

***Notes**

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

(2) 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

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

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

February 28, 2018	9,600,000 shares
February 28, 2017	9,600,000 shares

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

February 28, 2018	272,653 shares
February 28, 2017	272,373 shares

3) Average number of shares during the period:

Fiscal year ended February 28, 2018	9,327,492 shares
Fiscal year ended February 28, 2017	9,327,043 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, total number of issued shares at the end of the period, total number of treasury shares at the end of the period, and average number of shares during the period are calculated on the assumption that the consolidation of shares was conducted at the beginning of the previous fiscal year.

(Reference) Summary of Non-consolidated Financial Results

1. Non-consolidated Financial Results for the Fiscal Year Ended February 28, 2018 (March 1, 2017 to February 28, 2018)

(1) Non-consolidated Results of Operations (% indicates changes from the previous corresponding period)

	Net sales		Operating profit		Ordinary profit		Profit	
	million yen	%	million yen	%	million yen	%	million yen	%
Fiscal year ended February 28, 2018	66,469	(7.7)	(1,447)	—	(1,018)	—	2,185	334.6
Fiscal year ended February 28, 2017	72,011	(8.3)	824	(63.1)	777	(59.9)	502	(53.0)

	Earnings per share	Diluted earnings per share
	yen	yen
Fiscal year ended February 28, 2018	234.31	230.95
Fiscal year ended February 28, 2017	53.91	53.23

* 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) Non-consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	million yen	million yen	%	yen
As of February 28, 2018	47,966	31,722	65.6	3,374.14
As of February 28, 2017	48,649	29,979	61.2	3,190.41

(Reference) Equity: As of February 28, 2018: ¥31,471 million

As of February 28, 2017: ¥29,758 million

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

2. Non-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		Ordinary profit		Profit		Earnings per share
	million yen	%	million yen	%	million yen	%	yen
Full year	67,500	1.6	550	—	350	(84.0)	37.52

* Summary of consolidated financial results is outside the scope of the audit 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.

(Dividends and financial results forecast following the consolidation of shares)

Pursuant to the resolution at the 106th Annual General Meeting of Shareholders held on May 24, 2017, the Company conducted a share consolidation of common stock at a ratio of one share for five shares as of September 1, 2017. If the impact of the consolidation of shares is not reflected, dividends and consolidated financial results for the fiscal year ended February 28, 2018 are as follows.

- (1) Dividends for the fiscal year ended February 28, 2018
Dividends per share
Year-end 4.00 yen
- (2) Consolidated financial results for the fiscal year ended February 28, 2018
Earnings per share
Full year 42.01 yen

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1. Results of Operations

(1) Results of Operations for the Current Fiscal Year

With regard to the condition of the Japanese economy during the fiscal year ended February 28, 2018, while personal consumption, which accounts for 60% of real GDP, turned positive due to the increase of utility expenditures in this severe, cold winter, it turned out to be sluggish throughout the year. In particular, the percentage of apparel-related expenditure to household expenditure has continued to decline over the years, and consumers' shift towards low-price apparels has been increasingly evident.

Under these circumstances, the Company engaged in the restructuring of its mainstay OEM (contract manufacturing in response to customers' specifications) and ODM (contract manufacturing from the planning and proposing stages) businesses for apparels, in order to counter the decreases in sales and profit from the previous fiscal year. Specifically, in last November, we restructured the sales departments centering on ladies' apparel to focus on sales of single items such as knit shirts (cut-and-sewn), knit tops and bottoms, all of which have been our forte to date. At the same time, we reviewed our existing product planning structure that tends to follow certain fashion trends, and began measures to ramp up our capability to provide products that are original, novel and fashionable.

In addition, we also began initiatives to secure appropriate profit by ascertaining profitability for each SKU.

However, since we accepted low price, short lead time orders for the sake of increasing sales to recover from the lack of orders since the beginning of the fiscal year, we were faced with higher distribution costs as well as quality and delivery time issues.

As a result of the foregoing, our efforts since November could not bear sufficient fruit, and for the fiscal year ended February 28 2018, net sales stood at ¥72,751 million (6.7% decrease from the previous fiscal year), while operating loss was ¥1,148 million (income of ¥1,101 million in the previous fiscal year) and ordinary loss was ¥1,099 million (income of ¥1,089 million in the previous fiscal year) due to the lowered gross profit margin. Meanwhile, profit attributable to owners of parent amounted to ¥1,959 million (¥1,282 million increase from the previous fiscal year) due to the recording of gain on sales of non-current assets of ¥4,116 million as extraordinary income.

As sales were sluggish due to the stock-out of coats and other items for the cold weather and a forward shift in the timing to launch spring items, the result for the fourth quarter was lower than that announced in the consolidated financial results forecast on December 25.

Performance by segment was as follows.

1) Apparel & Textiles

As a result of the weak performance of ladies' apparel, the segment registered ¥66,958 million net sales (7.5% decrease from the previous fiscal year).

2) Rental Business

As a result of sales of our real estate, the segment registered ¥744 million net sales (9.6% decrease from the previous fiscal year).

3) Others

The segment registered ¥5,048 million net sales (6.2% increase from the previous fiscal year) as the chemical products business performed steadily.

(2) Financial Position as of the Current Fiscal Year

(Assets)

Current assets increased by ¥2,599 million compared with the end of the previous fiscal year, to ¥24,730 million, due primarily to increases of ¥2,710 million in cash and deposits.

Non-current assets decreased by ¥3,225 million compared with the end of the previous fiscal year, to ¥26,938 million, due primarily to a decrease of ¥3,609 million in land.

As a result, total assets decreased by ¥625 million compared with the end of the previous fiscal year, to ¥51,669 million.

(Liabilities)

Liabilities decreased by ¥2,220 million compared with the end of the previous fiscal year, to ¥16,315 million, due primarily to a decrease of ¥2,020 million in loans payable.

(Net assets)

Net assets increased by ¥1,594 million compared with the end of the previous fiscal year, to ¥35,353 million, due primarily to an increase of ¥1,586 million in retained earnings.

(3) Cash Flows for the Current Fiscal Year

Cash and cash equivalents as at the end of the current fiscal year (hereinafter referred to as “fund”) increased by ¥2,710 million (78.6%) compared with the end of the previous fiscal year, to ¥6,157 million.

(Cash flows from operating activities)

Net cash used in operating activities for the current fiscal year amounted to ¥2,412 million (¥2,137 million provided for the previous fiscal year), due primarily to gain on sales of non-current assets standing at ¥4,116 million, ¥451 million increase in inventories and ¥495 million decrease in notes and accounts payable-trade, despite profit before income taxes amounting to ¥3,005 million.

(Cash flows from investing activities)

Net cash provided by investing activities for the current fiscal year amounted to ¥7,514 million (¥941 million used for the previous fiscal year), due primarily to ¥8,123 million in proceeds from sales of non-current assets.

(Cash flows from financing activities)

Net cash used in financing activities for the current fiscal year amounted to ¥2,396 million (¥932 million used for the previous fiscal year), due primarily to ¥969 million decrease in short-term loans payable, ¥1,050 million in repayments of long-term loans payable and ¥373 million in cash dividends paid.

(Reference) Indicators relative to cash flows

	Fiscal year ended February 28, 2017	Fiscal year ended February 28, 2018
Equity ratio (%)	64.1	67.9
Equity ratio on a market value basis (%)	41.0	40.6
Interest-bearing debt/cash flow ratio (years)	4.3	–
Interest coverage ratio (multiple)	25.1	–

Equity ratio: Equity/Total assets

Equity ratio on a market value basis: Total market capitalization/Total assets

Interest-bearing debt/cash flow ratio: Interest-bearing debt/cash flows from operating activities

Interest coverage ratio: Cash flows from operating activities/Interest expenses paid

(Notes) 1. All indicators are calculated using consolidated financial results.

2. Total market capitalization is calculated by multiplying the final share price at the end of the fiscal year by the total number of issued shares at the end of the fiscal year (excluding treasury shares).
3. Cash flows from operating activities refer to net cash provided by (used in) operating activities on the Consolidated Statements of Cash Flows. Interest-bearing debt refers to all liabilities on the Consolidated Balance Sheets for which interest is paid. Interest expenses paid refer to interest expenses paid on the Consolidated Statements of Cash Flows.
4. Interest-bearing debt/cash flow ratio and interest coverage ratio for the fiscal year ended February 28, 2018 are not shown since the cash flows from operating activities was negative.

(4) Outlook

For the fiscal year ending February 28, 2019, the Company forecasts ¥74,000 million in net sales, ¥800 million in operating profit, ¥800 million in ordinary profit, and ¥500 million in profit attributable to owners of parent.

(5) Principles of Appropriation of Profits and Dividend Payment for the Current Fiscal Year and the Next Fiscal Year

The Company recognizes that returning profit to shareholders is an important management issue.

Our basic policy calls for continuing active and stable dividend payment by comprehensively taking into consideration trends in performance, payout ratio, dividend yield, and internal reserves required for investment in product development that meets market needs and implementation of businesses with an eye to the future.

Under this basic policy, for the current fiscal year, we paid an interim dividend of 4 yen per share, and as for the year-end dividend, we are planning to pay 20 yen per share. As the Company conducted a share consolidation of common stock at a ratio of one share for five shares as of September 1, 2017, the interim dividend of 4 yen represents the dividend before the share consolidation, and the year-end dividend of 20 yen represents the dividend after the share consolidation. In the next fiscal year, we plan to pay an interim dividend of 20 yen per share and a year-end dividend of 20 yen per share, for a total of 40 yen per share.

(6) Risks Related to Business

The following is information regarding risks associated with the Group's business activities.

Forward-looking statements contained herein are based on the Group's best judgment as of the end of the current fiscal year.

1) Risks associated with changes in consumers' taste

Clothing provided by the Group are prone to be influenced by external factors including changes in fashion trends, impact on consumer confidence from economic conditions and pressure on sales prices due to competition. Under these circumstances, the Group is striving to develop well-marketable products by enhancing the effectiveness of the planning process through more relevant analysis and accurate information, while reducing the manufacturing cycle. However, the Group's performance could still be affected by tougher competition or by the Group's failure to implement adequate merchandise policies to meet unexpected changes in market trends.

2) Risks associated with foreign exchange

Products manufactured overseas represent a high proportion of the Group's purchase amount, which is settled largely in USD. For the purpose of hedging exchange risk, we use forward exchange contracts on the scale not beyond actual demand based on quarterly estimations of purchase amounts. However, the Group's performance could be affected by unexpected fluctuations in the exchange rate.

3) Risks associated with places of production

The Group is highly dependent on production facilities in Asia, including China and South Korea. Thus, the Group's performance could be affected in the event of disruption in the procurement of merchandise due to developments in those countries including unexpected change in laws and regulations, unforeseen turnaround in political regime or economic policy, national or regional disturbance due to acts of terrorism, war, natural disasters and other developments, and epidemic breakout with significant impact.

4) Risks associated with customers

i) Sales dependency

The group's five largest customers account for roughly 46.5% of the Group's sales. Our major sales policy is to attract new distribution customers while taking care at all times to reinforce close relationships with the main existing customers. However, the Group's performance could be affected by interruptions or disturbances to the continuing business transactions with existing customers due to unforeseen developments including changes in their management policies.

ii) Creditworthiness

The Group is selling its products to a range of customers including retailers such as volume retailers, specialist retailers, mail-order businesses, department stores and wholesale distributors of clothing products. Although the Group is making the best efforts to ensure protection of its receivables accounts by exercising thoroughgoing credit control over these customers according to relevant internal rules, its performance could be affected by bad debt losses or decline in sales due to unforeseen business failures of customers.

5) Risks associated with weather

The Group's main products, such as ladies' apparel, are composed predominantly of seasonal products. Thus the Group's performance could be affected by disappointing sales of them due to undesirable weather such as a cold summer and mild winter.

6) Risks associated with personal data

The Group has arranged an internal security control system for the protection of personal data involving use and control thereof. However, the Group's performance could be affected by external

leakage of such protected data due to unexpected circumstances, resulting in deterioration of the Group's social credibility or give rise to liability in damages.

7) Risks associated with new businesses

To enhance its corporate value, the Group engages in business investment such as development of new business models and brands, flexibly adapting to customers' situations and changes in the market, on the basis of adequate research and development activities beforehand. However, the Group's performance could be affected if business activities in line with such investments would not make progress as originally scheduled due to changes in the market environment.

8) Risks associated with quality control

The Group is enforcing quality control over its products according to rigorous quality standards established under its control system. However, the Group's performance could be affected, in the event of an accident involving its products due to unexpected circumstances originating from the Group or its suppliers, consequently degrading the Group's corporate/brand image, or giving rise to liability in damages.

The Group's performance could also be affected, in the event of an interruption to business transactions with its main customers due to quality issues of the products supplied.

9) Risks associated with licensing agreements

As the Group benefits from licensing from various companies, its performance could be affected in the event of termination or cancellation of the licensing agreements or major changes in the terms and conditions thereof.

2. Consolidated Group

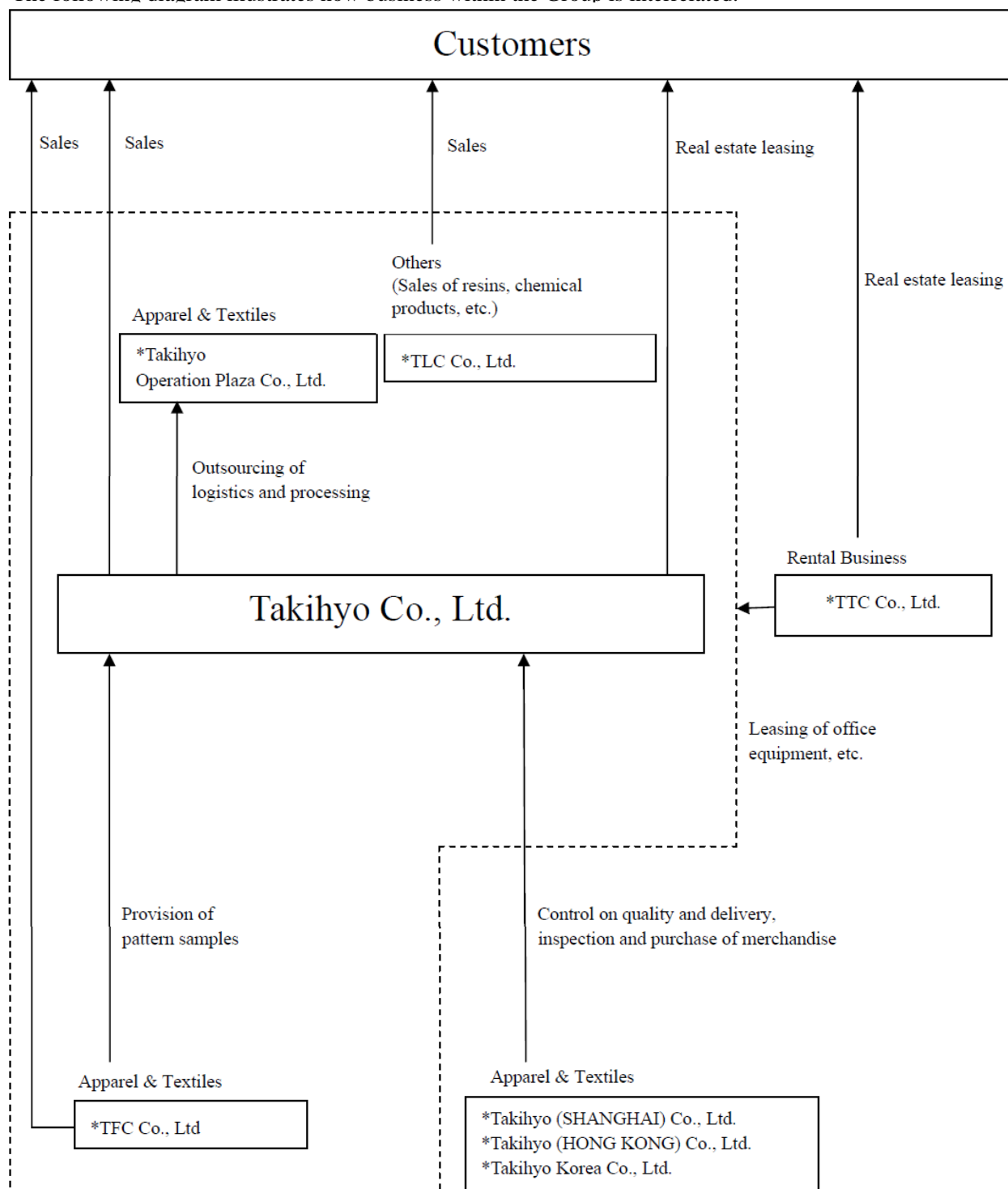
The Group comprises the Company and seven consolidated subsidiaries mainly engaged in planning, manufacturing and sales of various apparel & textiles products, along with business activities including the real estate rental business, and sales of resins and chemical products.

The operational positioning of the Group in connection with each segment is as follows.

Apparel & Textiles	<p>The Company's main line of business is designing, manufacturing and merchandising of clothing primarily for ladies, kids and babies along with textile products (cloths) primarily made of wool.</p> <p>Each of the three overseas consolidated subsidiaries, Takihyo (SHANGHAI) Co., Ltd., Takihyo (HONG KONG) Co., Ltd. and Takihyo Korea Co., Ltd., primarily engages in local management of manufacturing process, delivery and quality control of the products to be shipped to the Company, as well as assistance in export to the Head Office.</p> <p>Of the domestic consolidated subsidiaries, TFC Co., Ltd. engages in production of pattern samples, knit shirts (cut-and-sew) and other sewing products, as well as designing and selling of uniforms, while Takihyo Operation Plaza Co., Ltd. engages in delivery-related businesses including sorting, packing and shipping of products primarily manufactured overseas for delivery to each retail premises of customers.</p>
Rental Business	<p>The Company engages in leasing and management of real estate and related activities. TTC Co., Ltd. primarily provides leasing of equipment along with leasing and management of real estate to the Group companies.</p>

Others	TLC Co., Ltd. engages in sales of products including resins and chemical products, TTC Co., Ltd. engages in the operation of “Komeda Coffee Shop” as a franchisee.
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The following diagram illustrates how business within the Group is interrelated.



(Note) * indicates consolidated subsidiaries.

3. Management Policy

(1) Basic Management Policy of the Company

The Company's basic policy is to keep providing apparel products that keenly respond to the needs and lifestyles of our customers, based on the three constant management philosophies: "Pay more attention to customers' interest than your own," "Modesty generates profits," and "Good name always comes first."

(2) Targeted Management Benchmark

The Company is striving to enhance its corporate value, by maximizing operating profit and cash flows as the two critical management benchmarks that demonstrate the strength of its core businesses.

4. Basic Policy on Selection of Accounting Standards

The Group applies Japanese GAAP to ensure comparability with its domestic competitors.

5. Consolidated Financial Statements and Primary Notes

(1) Consolidated Balance Sheets

(Millions of yen)

	As of February 28, 2017	As of February 28, 2018
Assets		
Current assets		
Cash and deposits	3,447	6,157
Notes and accounts receivable-trade	13,996	13,410
Merchandise and finished goods	3,501	3,959
Work in process	39	42
Raw materials and supplies	36	27
Deferred tax assets	274	336
Other	863	801
Allowance for doubtful accounts	(26)	(4)
Total current assets	22,131	24,730
Non-current assets		
Property, plant and equipment		
Buildings and structures	4,573	4,295
Accumulated depreciation	(2,179)	(2,078)
Buildings and structures, net	2,393	2,216
Machinery, equipment and vehicles	222	274
Accumulated depreciation	(159)	(149)
Machinery, equipment and vehicles, net	62	124
Tools, furniture and fixtures	1,879	1,867
Accumulated depreciation	(412)	(402)
Tools, furniture and fixtures, net	1,466	1,464
Land	18,890	15,280
Construction in progress	1	-
Total property, plant and equipment	22,813	19,086
Intangible assets	1,331	1,260
Investments and other assets		
Investment securities	4,786	5,316
Investments in capital	22	22
Long-term loans receivable	49	43
Long-term guarantee deposit	809	956
Insurance funds	116	118
Deferred tax assets	55	29
Other	205	140
Allowance for doubtful accounts	(27)	(35)
Total investments and other assets	6,017	6,591
Total non-current assets	30,163	26,938
Total assets	52,294	51,669

(Millions of yen)

	As of February 28, 2017	As of February 28, 2018
Liabilities		
Current liabilities		
Notes and accounts payable-trade	8,015	7,520
Short-term loans payable	1,180	210
Current portion of long-term loans payable	1,050	1,050
Lease obligations	2	0
Accounts payable-other	1,937	2,148
Income taxes payable	88	473
Provision for bonuses	105	102
Provision for sales returns	25	24
Deferred tax liabilities	0	-
Other	1,479	989
Total current liabilities	13,883	12,520
Non-current liabilities		
Long-term loans payable	2,525	1,475
Lease obligations	0	-
Net defined benefit liability	396	218
Provision for directors' retirement benefits	176	176
Asset retirement obligations	134	159
Deferred tax liabilities	952	1,364
Deferred tax liabilities for land revaluation	132	132
Other	334	269
Total non-current liabilities	4,652	3,795
Total liabilities	18,536	16,315
Net assets		
Shareholders' equity		
Capital stock	3,622	3,622
Capital surplus	4,148	4,148
Retained earnings	24,705	26,291
Treasury shares	(570)	(571)
Total shareholders' equity	31,905	33,490
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,528	1,860
Deferred gains or losses on hedges	(82)	(537)
Revaluation reserve for land	162	162
Foreign currency translation adjustment	16	20
Remeasurements of defined benefit plans	7	104
Total accumulated other comprehensive income	1,632	1,610
Subscription rights to shares	220	251
Total net assets	33,758	35,353
Total liabilities and net assets	52,294	51,669

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

	(Millions of yen)	
	For the previous fiscal year ended February 28, 2017	For the current fiscal year ended February 28, 2018
Net sales	77,952	72,751
Cost of sales	63,553	60,480
Gross profit	14,399	12,270
Provision for sales returns	(9)	(1)
Gross profit-net	14,408	12,271
Selling, general and administrative expenses		
Freightage related expenses	3,168	3,118
Advertising and promotion expenses	354	478
Salaries and allowances	4,467	4,389
Bonuses	573	447
Share-based compensation expenses	29	30
Welfare expenses	1,134	1,097
Provision for bonuses	100	97
Retirement benefit expenses	237	232
Traveling and transportation expenses	641	652
Communication expenses	369	368
Rent expenses	796	866
Depreciation	179	284
Other	1,254	1,356
Total selling, general and administrative expenses	13,306	13,420
Operating profit (loss)	1,101	(1,148)
Non-operating income		
Interest income	23	26
Dividend income	79	82
Boarding fees income	29	26
Other	120	87
Total non-operating income	253	223
Non-operating expenses		
Interest expenses	90	74
Loss on valuation of derivatives	117	-
Commission fee	28	55
Foreign exchange losses	-	35
Other	29	8
Total non-operating expenses	265	174
Ordinary profit (loss)	1,089	(1,099)
Extraordinary income		
Gain on sales of non-current assets	-	4,116
Gain on sales of investment securities	176	0
Other	-	2
Total extraordinary income	176	4,118

	(Millions of yen)	
	For the previous fiscal year ended February 28, 2017	For the current fiscal year ended February 28, 2018
Extraordinary losses		
Loss on retirement of non-current assets	7	3
Impairment loss	67	-
Loss on valuation of investment securities	-	3
Loss on sales of golf club memberships	-	6
Settlement	98	-
Other	14	-
Total extraordinary losses	187	13
Profit before income taxes	1,078	3,005
Income taxes-current	348	647
Income taxes-deferred	53	398
Total income taxes	401	1,046
Profit	676	1,959
Profit attributable to owners of parent	676	1,959

Consolidated Statements of Comprehensive Income

(Millions of yen)

	For the previous fiscal year ended February 28, 2017	For the current fiscal year ended February 28, 2018
Profit	676	1,959
Other comprehensive income		
Valuation difference on available-for-sale securities	435	332
Deferred gains or losses on hedges	1,609	(454)
Revaluation reserve for land	6	-
Foreign currency translation adjustment	(52)	4
Remeasurements of defined benefit plans, net of tax	83	96
Total other comprehensive income	2,082	(21)
Comprehensive income	2,758	1,937
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,758	1,937

(3) Consolidated Statements of Changes in Net Assets

For the previous fiscal year ended February 28, 2017

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	3,622	4,148	24,404	(589)	31,585
Changes of items during period					
Dividends of surplus			(372)		(372)
Profit attributable to owners of parent			676		676
Purchase of treasury shares				(0)	(0)
Disposal of treasury shares			(2)	19	16
Net changes of items other than shareholders' equity					
Total changes of items during period	-	-	300	18	319
Balance at end of current period	3,622	4,148	24,705	(570)	31,905

(Millions of yen)

	Accumulated other comprehensive income						Subscription rights to shares	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	1,093	(1,691)	155	68	(75)	(449)	207	31,344
Changes of items during period								
Dividends of surplus								(372)
Profit attributable to owners of parent								676
Purchase of treasury shares								(0)
Disposal of treasury shares								16
Net changes of items other than shareholders' equity	435	1,609	6	(52)	83	2,082	12	2,094
Total changes of items during period	435	1,609	6	(52)	83	2,082	12	2,414
Balance at end of current period	1,528	(82)	162	16	7	1,632	220	33,758

For the current fiscal year ended February 28, 2018

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	3,622	4,148	24,705	(570)	31,905
Changes of items during period					
Dividends of surplus			(373)		(373)
Profit attributable to owners of parent			1,959		1,959
Purchase of treasury shares				(0)	(0)
Net changes of items other than shareholders' equity					
Total changes of items during period	-	-	1,586	(0)	1,585
Balance at end of current period	3,622	4,148	26,291	(571)	33,490

(Millions of yen)

	Accumulated other comprehensive income						Subscription rights to shares	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	1,528	(82)	162	16	7	1,632	220	33,758
Changes of items during period								
Dividends of surplus								(373)
Profit attributable to owners of parent								1,959
Purchase of treasury shares								(0)
Net changes of items other than shareholders' equity	332	(454)		4	96	(21)	30	8
Total changes of items during period	332	(454)	-	4	96	(21)	30	1,594
Balance at end of current period	1,860	(537)	162	20	104	1,610	251	35,353

(4) Consolidated Statements of Cash Flows

	(Millions of yen)	
	For the previous fiscal year ended February 28, 2017	For the current fiscal year ended February 28, 2018
Cash flows from operating activities		
Profit before income taxes	1,078	3,005
Depreciation	335	425
Impairment loss	67	-
Increase (decrease) in allowance for doubtful accounts	(34)	(14)
Increase (decrease) in provision for bonuses	(12)	(2)
Increase (decrease) in provision for sales returns	(9)	(1)
Increase (decrease) in provision for loss on store closing	(52)	-
Increase (decrease) in net defined benefit liability	(1)	(37)
Interest and dividend income	(103)	(108)
Interest expenses	90	74
Loss (gain) on valuation of derivatives	117	-
Loss (gain) on sales of investment securities	(176)	(0)
Loss (gain) on valuation of investment securities	-	3
Loss (gain) on sales of property, plant and equipment	-	(4,116)
Loss on retirement of property, plant and equipment	7	3
Loss (gain) on sales of golf club memberships	-	4
Decrease (increase) in notes and accounts receivable-trade	4,096	586
Decrease (increase) in inventories	1,619	(451)
Increase (decrease) in notes and accounts payable-trade	(3,991)	(495)
Increase (decrease) in accrued consumption taxes	631	(662)
Decrease (increase) in other assets	(96)	(139)
Increase (decrease) in other liabilities	(673)	44
Other, net	26	(432)
Subtotal	2,919	(2,314)
Interest and dividend income received	99	109
Interest expenses paid	(85)	(72)
Income taxes paid	(796)	(135)
Net cash provided by (used in) operating activities	2,137	(2,412)

	(Millions of yen)	
	For the previous fiscal year ended February 28, 2017	For the current fiscal year ended February 28, 2018
Cash flows from investing activities		
Payments into time deposits	(10)	(146)
Proceeds from withdrawal of time deposits	138	146
Purchase of property, plant and equipment	(181)	(403)
Proceeds from sales of property, plant and equipment	-	8,123
Purchase of intangible assets	(818)	(76)
Purchase of investment securities	(355)	(86)
Proceeds from sales of investment securities	260	1
Proceeds from redemption of investment securities	10	15
Proceeds from sales of golf club memberships	-	65
Payments of loans receivable	(2)	(2)
Collection of loans receivable	37	7
Proceeds from collection of guarantee deposits	40	43
Other, net	(60)	(173)
Net cash provided by (used in) investing activities	(941)	7,514
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(800)	(969)
Proceeds from long-term loans payable	2,500	-
Repayments of long-term loans payable	(2,250)	(1,050)
Cash dividends paid	(372)	(373)
Purchase of treasury shares	(0)	(0)
Other, net	(8)	(2)
Net cash provided by (used in) financing activities	(932)	(2,396)
Effect of exchange rate change on cash and cash equivalents	(34)	5
Net increase (decrease) in cash and cash equivalents	229	2,710
Cash and cash equivalents at beginning of period	3,217	3,447
Cash and cash equivalents at end of period	3,447	6,157

(5) Notes to Consolidated Financial Statements

(Notes on Going Concern Assumption)

Not applicable.

(Important Matters that Form the Basis for Preparing Consolidated Financial Statements)

1. Scope of consolidation

(1) Number of consolidated subsidiaries:

7 companies

Names of the principal consolidated subsidiaries:

TTC Co., Ltd., TLC Co., Ltd., Max & Growing Co., Ltd., Takihyo (HONG KONG) Co., Ltd., TFC Co., Ltd., Takihyo (SHANGHAI) Co., Ltd., Takihyo Operation Plaza Co., Ltd., Takihyo Korea Co., Ltd.

(2) There are no non-consolidated subsidiaries.

2. Scope of application of the equity method

There is no application of equity method due to the absence of non-consolidated subsidiaries and associates.

3. Fiscal year, etc. of consolidated subsidiaries

Of all the consolidated subsidiaries, Takihyo (HONG KONG) Co., Ltd. and Takihyo (SHANGHAI) Co., Ltd. close accounts on December 31 of each year. Since the difference of closing dates does not exceed three months, financial statements of these two subsidiaries are consolidated as at their own closing date, while necessary adjustment is made for the purpose of consolidation in the event of significant transactions taking place between such closing date and the consolidation date. All other consolidated subsidiaries share the same closing date as the consolidation date.

4. Accounting policies

(1) Valuation standards and methods regarding significant assets

1) Securities

Other securities:

Securities with market quotations:

Market value method based on the quoted market price at the fiscal year-end (with any unrealized gains or losses being reported directly as a component of shareholders' equity and the cost of securities sold is calculated using the moving-average method).

Securities without market quotations:

Cost method using the moving-average method.

2) Inventories

a. Merchandise:

Stated at cost primarily using the moving-average method (Amounts shown on the balance sheets take into account declines in book values based on reduced profitability.)

b. Finished goods, work in process, and raw materials:

Stated at cost primarily using the specific cost method (Amounts shown on the balance sheets take into account declines in book values based on reduced profitability.)

c. Supplies:

Stated at cost using the last-purchase-price method (Amounts shown on the balance sheets take into account declines in book values based on reduced profitability)

- 3) Derivatives

Stated at market value
- (2) Depreciation method for significant depreciable assets
 - 1) Property, plant and equipment (excluding leased assets)

Stated at declining-balance method. Service life is determined using the same standard as set out in the Corporation Tax Law, provided however that buildings (excluding auxiliary equipment) acquired on and after April 1, 1998 and auxiliary equipment and structures acquired on and after April 1, 2016, are subject to the straight-line method.

(Petty sum depreciable assets)

Assets acquired at the cost of 100,000 yen or more but less than 200,000 yen are subject to equal depreciation over three years.
 - 2) Intangible assets (excluding lease assets)

Stated at straight-line method. Service life is determined using the same standard as set out in the Corporation Tax Law, provided however that software (for internal use) is subject to the straight-line method over the internally available period of five or 10 years.
 - 3) Lease assets

Lease assets concerning non-transfer ownership finance leases:

Straight-line method is applied, with useful lives being lease terms and assuming that residual values would be zero.
 - 4) Long-term prepaid expenses

Stated at straight-line method. Service life is determined using the same standard as set out in the Corporation Tax Law.
- (3) Accounting standards for significant allowances and provisions
 - 1) Allowance for doubtful accounts

The Group provides for possible credit losses stemming from notes and accounts receivable-trade and loans receivable. Estimated amounts of irrecoverable debt are calculated based on historical write-off ratio for ordinary receivables, and on a consideration of feasibly recoverable amounts in individual cases of specific debts such as doubtful accounts.
 - 2) Provision for bonuses

The Group provides for payments of employee bonuses based on the portion of the estimated amount of bonus payment as attributable to the current fiscal year.
 - 3) Provision for sales returns

To provide for losses due to return of goods, Takihyo Co., Ltd. records estimated amounts of losses in consideration of the past return ratios actually experienced.
 - 4) Provision for directors' retirement benefits

Takihyo Co., Ltd. provides for the payment of retirement benefits to officers based on the aggregate amount of liabilities corresponding to each officer's period in office up to May 23, 2007 (the 96th Ordinary General Meeting of Shareholders) in accordance with the relevant internal rules.
- (4) Accounting methods for retirement benefits
 - 1) Method of attributing projected retirement benefits to periods

In calculating benefit obligations, straight-line attribution is adopted for the purpose of attributing the projected retirement benefits to the period up to the end of the current fiscal year.
 - 2) Calculation of actuarial differences and past service costs

Past service costs are charged to expenses, using the straight-line method, over the determined number of years (10 years) not exceeding average remaining service years of the employees at the time of their accrual.

Actuarial differences are amortized using the straight-line method over the determined number of

years (10 years) not exceeding average remaining service years of the employees at the time of their accrual in each fiscal year, from the fiscal year following the year of their accrual.

3) Adoption of the simplified method in small businesses, etc.

Certain consolidated subsidiaries adopt the simplified method, where benefit obligations are estimated at the amount of retirement benefit payments required for voluntary retirements at the end of the fiscal year, to calculate net defined benefit liability and retirement benefit expenses.

(5) Translation of significant assets and liabilities denominated in foreign currencies into yen

Monetary claims and liabilities denominated in foreign currencies have been translated into yen at the rates of exchange in effect at the fiscal year end. Translation adjustments are treated as gains or losses. Assets and liabilities as well as revenues and expenses of overseas subsidiaries, etc. have been translated into yen using the spot exchange rates in effect as of the closing dates, and the resultant translation differences are included in foreign currency translation adjustment in net assets.

(6) Significant hedge accounting

1) Hedge accounting

Deferred hedge accounting is adopted. Designation transactions are applied to foreign exchange forward contracts which conform to the requirements for designation transactions.

2) Means of hedging and hedged items

<u>Means of hedging</u>	<u>Hedged items</u>
Foreign exchange forward contracts	Foreign currency-denominated monetary claims and liabilities

3) Hedging policy

The Group is primarily hedging exchange risk according to the internal control rules of the Company.

4) Methods for evaluating the effectiveness of hedges

Since all foreign exchange forward contracts are carried out on the basis of the actual demand for future transactions, with a very high likelihood of being exercised, process to evaluate the hedging effectiveness is spared.

(7) Scope of cash and cash equivalents in the consolidated statements of cash flows

Cash and cash equivalents as stated in the consolidated statements of cash flows consist of cash in hand, readily available deposits, and any short-term liquid investments with a maturity not exceeding three months at the time of purchase whose value is not subject to significant fluctuation risk.

(8) Other significant matters for preparing consolidated financial statements

Accounting method for consumption taxes
The tax exclusion method.

(Additional Information)

Effective from the current fiscal year, the Company has applied the “Revised Implementation Guidance on Recoverability of Deferred Tax Assets” (Accounting Standards Board of Japan (ASBJ) Guidance No. 26, March 28, 2016).

(Segment Information)

(Segment information)

1. Outline of reportable segments

The Group’s reportable segments are those constituent units within the Group for which discrete financial information is available and are regularly reviewed by the Board of Directors for the purpose of determining the allocation of management resources and evaluating performance.

The Group’s main line of business, centered on the Company, is the planning, manufacture and sale of apparel and textile products. In addition, the Company and one subsidiary engage in real estate rental business.

The Group draws up a comprehensive strategy for each business unit to carry out its business activities.

Therefore, the Group comprises segments classified according to products and services, with “Apparel & Textiles” and “Rental Business” as two reportable segments.

The “Apparel & Textiles” segment is engaged in planning, manufacturing and selling of ladies’ apparel, baby and kids’ apparel, homewear, and textiles.

The “Rental Business” segment is engaged in leasing and management of real estate, and leasing of office automation equipment, etc.

2. Calculation methods for net sales, income or loss, assets, and other items by reportable segment

The accounting methods for the business segments reported are mostly the same as those described in the “Important Matters that Form the Basis for Preparing Consolidated Financial Statements.”

Income by reportable segment is based on operating profit, while inter-segment revenues and transfers are based on market price.

3. Information on net sales, income or loss, assets, and other items by reportable segment

For the previous fiscal year (From March 1, 2016 to February 28, 2017)

(Millions of yen)

	Reportable segment			Others	Total	Adjustment	Amounts on consolidated financial statements
	Apparel & Textiles	Rental Business	Subtotal				
Net sales							
Net sales to outside customers	72,377	823	73,200	4,752	77,952	-	77,952
Inter-segment sales and transfers	0	99	99	39	138	(138)	-
Total	72,377	922	73,299	4,792	78,091	(138)	77,952
Segment income	457	590	1,047	47	1,095	5	1,101
Segment assets	32,794	17,930	50,724	1,802	52,527	(232)	52,294
Other items							
Depreciation	161	147	309	25	335	-	335
Increase in property, plant and equipment and intangible assets	912	21	934	69	1,003	-	1,003

- (Notes)
1. “Others” refers to business segments not included in the reportable segments, including sales of synthetic resins and chemical products, etc.
 2. Depreciation includes the amortization of long-term prepaid expenses. Increase in property, plant and equipment and intangible assets includes an increase in long-term prepaid expenses.
 3. The -¥232 million adjustment to segment assets includes elimination of inter-segment of -¥1,120 million and corporate assets of ¥888 million not allocated among reportable segments. Corporate assets consist primarily of surplus funds (investment securities) not belonging to any reportable
 4. The ¥5 million adjustment to segment income represents elimination of inter-segment transactions of ¥5 million, etc.
 5. Segment income is adjusted with operating profit in the consolidated statements of income.

For the current fiscal year (From March 1, 2017 to February 28, 2018)

(Millions of yen)

	Reportable segment			Others	Total	Adjustment	Amounts on consolidated financial statements
	Apparel & Textiles	Rental Business	Subtotal				
Net sales							
Net sales to outside customers	66,958	744	67,702	5,048	72,751	-	72,751
Inter-segment sales and transfers	1	96	97	44	141	(141)	-
Total	66,959	840	67,800	5,092	72,892	(141)	72,751
Segment income (loss)	(1,733)	536	(1,196)	42	(1,153)	5	(1,148)
Segment assets	33,460	16,297	49,757	1,788	51,546	123	51,669
Other items							
Depreciation	265	133	398	27	425	-	425
Increase in property, plant and equipment and intangible assets	310	340	651	0	652	-	652

- (Notes)
1. "Others" refers to business segments not included in the reportable segments, including sales of synthetic resins and chemical products, etc.
 2. Depreciation includes the amortization of long-term prepaid expenses. Increase in property, plant and equipment and intangible assets includes an increase in long-term prepaid expenses.
 3. The ¥123 million adjustment to segment assets includes elimination of inter-segment of -¥887 million and corporate assets of ¥1,010 million not allocated among reportable segments. Corporate assets consist primarily of surplus funds (investment securities) not belonging to any reportable
 4. The ¥5 million adjustment to segment income (loss) represents elimination of inter-segment transactions of ¥5 million, etc.
 5. Segment income (loss) is adjusted with operating profit in the consolidated statements of income.

(Related Information)

For the previous fiscal year (From March 1, 2016 to February 28, 2017)

1. Information by product or service

This information is omitted as the same information is disclosed in the segment information.

2. Information by region

(1) Net sales

This information is omitted as net sales to outside customers in Japan exceeded 90% of net sales in the consolidated statements of income.

(2) Property, plant and equipment

This information is omitted as the amount of property, plant and equipment in Japan exceeded 90% of the amount of property, plant and equipment in the consolidated balance sheets.

3. Information by major customer

(Millions of yen)

Name of customer	Net sales	Related segment
SHIMAMURA Co., Ltd.	24,925	Apparel & Textiles and others

For the current fiscal year (From March 1, 2017 to February 28, 2018)

1. Information by product or service

This information is omitted as the same information is disclosed in the segment information.

2. Information by region

(1) Net sales

This information is omitted as net sales to outside customers in Japan exceeded 90% of net sales in the consolidated statements of income.

(2) Property, plant and equipment

This information is omitted as the amount of property, plant and equipment in Japan exceeded 90% of the amount of property, plant and equipment in the consolidated balance sheets.

3. Information by major customer

(Millions of yen)

Name of customer	Net sales	Related segment
SHIMAMURA Co., Ltd.	22,424	Apparel & Textiles and others

(Information regarding impairment loss on noncurrent assets by reportable segment)

For the previous fiscal year (From March 1, 2016 to February 28, 2017)

In the Apparel & Textiles segment, impairment loss on non-current assets of ¥67 million was recorded.

For the current fiscal year (From March 1, 2017 to February 28, 2018)

Not applicable.

(Per Share Information)

For the previous fiscal year (From March 1, 2016 to February 28, 2017)		For the current fiscal year (From March 1, 2017 to February 28, 2018)	
Net assets per share	3,595.56 yen	Net assets per share	3,763.34 yen
Earnings per share	72.55 yen	Earnings per share	210.04 yen
Diluted earnings per share	71.64 yen	Diluted earnings per share	207.04 yen

(Notes) 1. The Company conducted a share consolidation of common stock at a ratio of one share for five shares as of September 1, 2017. Accordingly, net assets per share, 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. The basis for calculation of net assets per share is as follows:

(Millions of yen)

	For the previous fiscal year (As of February 28, 2017)	For the current fiscal year (As of February 28, 2018)
Total net assets	33,758	35,353
Amount deducted from the total net assets	220	251
(Subscription rights to shares included in the above)	(220)	(251)
Amount of net assets related to common stock as of the end of the fiscal year	33,538	35,101
Number of shares of common stock used in the calculation of net assets per share as of the end of the fiscal year (Thousands shares)	9,327	9,327

3. The basis for calculation of earnings per share and diluted earnings per share is as follows:

(Millions of yen)

(Millions of yen)	For the previous fiscal year (From March 1, 2016 to February 28, 2017)	For the current fiscal year (From March 1, 2017 to February 28, 2018)
Earnings per share		
Profit attributable to owners of parent	676	1,959
Profit not attributable to common shareholders	-	-
Profit attributable to owners of parent related to common stock	676	1,959
Average number of shares of common stock outstanding during the fiscal year (Thousands shares)	9,327	9,327
Diluted earnings per share		
Increase in number of shares of common stock (Thousands shares)	119	135
(Subscription rights to shares included in the above) (Thousands shares)	(119)	(135)
Summary of potential stock that were not included in the computation of diluted earnings per share since there was no effect of dilution	-	-

6. Non-consolidated Financial Statements and Primary Notes

(1) Non-consolidated Balance Sheets

(Millions of yen)

	As of February 28, 2017	As of February 28, 2018
Assets		
Current assets		
Cash and deposits	2,249	5,195
Notes receivable-trade	1,330	1,136
Accounts receivable-trade	11,586	11,082
Merchandise	3,338	3,729
Advance payments-trade	255	147
Prepaid expenses	130	142
Deferred tax assets	264	311
Other	354	438
Allowance for doubtful accounts	(24)	(2)
Total current assets	19,484	22,181
Non-current assets		
Property, plant and equipment		
Buildings	1,363	1,094
Structures	30	25
Machinery and equipment	16	13
Vehicles	0	6
Tools, furniture and fixtures	1,323	1,372
Land	18,095	14,419
Leased assets	25	11
Construction in progress	1	-
Total property, plant and equipment	20,856	16,943
Intangible assets		
Leasehold right	10	10
Software	1,273	1,172
Leased assets	0	31
Other	18	32
Total intangible assets	1,302	1,247
Investments and other assets		
Investment securities	4,742	5,257
Shares of subsidiaries and associates	1,216	1,216
Investments in capital	22	22
Long-term loans receivable	49	43
Long-term retaining claims	6	22
Long-term prepaid expenses	30	26
Long-term guarantee deposit	701	847
Insurance funds	116	118
Other	126	61
Allowance for doubtful accounts	(6)	(22)
Total investments and other assets	7,006	7,593
Total non-current assets	29,164	25,785
Total assets	48,649	47,966

(Millions of yen)

	As of February 28, 2017	As of February 28, 2018
Liabilities		
Current liabilities		
Foreign notes payable-trade	4,449	4,246
Accounts payable-trade	3,024	2,739
Short-term loans payable	2,217	1,034
Current portion of long-term loans payable	1,050	1,050
Lease obligations	8	16
Accounts payable-other	1,985	2,106
Income taxes payable	9	432
Provision for bonuses	80	78
Provision for sales returns	25	24
Other	1,429	903
Total current liabilities	14,279	12,631
Non-current liabilities		
Long-term loans payable	2,525	1,475
Lease obligations	7	22
Provision for retirement benefits	267	247
Provision for directors' retirement benefits	176	176
Asset retirement obligations	85	110
Deferred tax liabilities	904	1,232
Deferred tax liabilities for land revaluation	132	132
Other	291	216
Total non-current liabilities	4,390	3,612
Total liabilities	18,670	16,243
Net assets		
Shareholders' equity		
Capital stock	3,622	3,622
Capital surplus		
Legal capital surplus	4,148	4,148
Total capital surpluses	4,148	4,148
Retained earnings		
Legal retained earnings	806	806
Other retained earnings		
Reserve for advanced depreciation of non-current assets	1,060	1,430
General reserve	15,500	15,500
Retained earnings brought forward	3,584	5,026
Total other retained earnings	20,144	21,957
Total retained earnings	20,950	22,763
Treasury shares	(570)	(571)
Total shareholders' equity	28,151	29,962
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	1,535	1,854
Deferred gains or losses on hedges	(91)	(508)
Revaluation reserve for land	162	162
Total valuation and translation adjustments	1,607	1,508
Subscription rights to shares	220	251
Total net assets	29,979	31,722
Total liabilities and net assets	48,649	47,966

(2) Non-consolidated Statements of Income

	(Millions of yen)	
	For the previous fiscal year ended February 28, 2017	For the current fiscal year ended February 28, 2018
Net sales	72,011	66,469
Cost of sales	58,372	55,045
Gross profit	13,638	11,423
Provision for sales returns	(9)	(1)
Gross profit-net	13,647	11,424
Selling, general and administrative expenses	12,823	12,872
Operating profit (loss)	824	(1,447)
Non-operating income		
Interest and dividend income	96	503
Other	122	89
Total non-operating income	219	593
Non-operating expenses		
Interest expenses	96	78
Loss on valuation of derivatives	117	-
Commission fee	28	55
Foreign exchange losses	-	21
Other	23	8
Total non-operating expenses	265	164
Ordinary profit (loss)	777	(1,018)
Extraordinary income		
Gain on sales of non-current assets	-	4,116
Gain on sales of investment securities	175	0
Total extraordinary income	175	4,116
Extraordinary losses		
Loss on retirement of non-current assets	3	3
Impairment loss	67	-
Loss on valuation of investment securities	-	3
Loss on sales of golf club memberships	-	6
Settlement	98	-
Total extraordinary losses	169	13
Profit before income taxes	783	3,084
Income taxes-current	256	565
Income taxes-deferred	24	333
Total income taxes	280	899
Profit	502	2,185

(3) Non-consolidated Statements of Changes in Net Assets

For the previous fiscal year ended February 28, 2017

(Millions of yen)

	Shareholders' equity			
	Capital stock	Capital surplus		Retained earnings
		Legal capital surplus	Total capital surplus	Legal retained earnings
Balance at beginning of current period	3,622	4,148	4,148	806
Changes of items during period				
Dividends of surplus				
Profit				
Purchase of treasury shares				
Disposal of treasury shares				
Provision of reserve for advanced depreciation of noncurrent assets				
Reversal of reserve for advanced depreciation of noncurrent assets				
Net changes of items other than shareholders' equity				
Total changes of items during period	-	-	-	-
Balance at end of current period	3,622	4,148	4,148	806

(Millions of yen)

	Shareholders' equity					
	Retained earnings				Treasury shares	Total shareholders' equity
	Other retained earnings			Total retained earnings		
	Reserve for advanced depreciation of non-current assets	General reserve	Retained earnings brought forward			
Balance at beginning of current period	1,040	15,500	3,477	20,823	(589)	28,005
Changes of items during period						
Dividends of surplus			(372)	(372)		(372)
Profit			502	502		502
Purchase of treasury shares					(0)	(0)
Disposal of treasury shares			(2)	(2)	19	16
Provision of reserve for advanced depreciation of noncurrent assets	24		(24)	-		-
Reversal of reserve for advanced depreciation of noncurrent assets	(3)		3	-		-
Net changes of items other than shareholders' equity						
Total changes of items during period	20	-	106	127	18	145
Balance at end of current period	1,060	15,500	3,584	20,950	(570)	28,151

(Millions of yen)

	Valuation and translation adjustments				Subscription rights to shares	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Total valuation and translation adjustments		
Balance at beginning of current period	1,101	(1,662)	155	(405)	207	27,807
Changes of items during period						
Dividends of surplus						(372)
Profit						502
Purchase of treasury shares						0
Disposal of treasury shares						16
Provision of reserve for advanced depreciation of noncurrent assets						-
Reversal of reserve for advanced depreciation of noncurrent assets						-
Net changes of items other than shareholders' equity	434	1,571	6	2,013	12	2,026
Total changes of items during period	434	1,571	6	2,013	12	2,172
Balance at end of current period	1,535	(91)	162	1,607	220	29,979

For the current fiscal year ended February 28, 2018

(Millions of yen)

	Shareholders' equity			
	Capital stock	Capital surplus		Retained earnings
		Legal capital surplus	Total capital surplus	Legal retained earnings
Balance at beginning of current period	3,622	4,148	4,148	806
Changes of items during period				
Dividends of surplus				
Profit				
Purchase of treasury shares				
Provision of reserve for advanced depreciation of noncurrent assets				
Reversal of reserve for advanced depreciation of noncurrent assets				
Net changes of items other than shareholders' equity				
Total changes of items during period	-	-	-	-
Balance at end of current period	3,622	4,148	4,148	806

(Millions of yen)

(in millions of yen)

	Shareholders' equity					
	Retained earnings				Treasury shares	Total shareholders' equity
	Other retained earnings			Total retained earnings		
	Reserve for advanced depreciation of non-current assets	General reserve	Retained earnings brought forward			
Balance at beginning of current period	1,060	15,500	3,584	20,950	(570)	28,151
Changes of items during period						
Dividends of surplus			(373)	(373)		(373)
Profit			2,185	2,185		2,185
Purchase of treasury shares					(0)	(0)
Provision of reserve for advanced depreciation of noncurrent assets	373		(373)	-		-
Reversal of reserve for advanced depreciation of noncurrent assets	(3)		3	-		-
Net changes of items other than shareholders' equity						
Total changes of items during period	369	-	1,442	1,812	(0)	1,811
Balance at end of current period	1,430	15,500	5,026	22,763	(571)	29,962

(Millions of yen)

	Valuation and translation adjustments				Subscription rights to shares	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Total valuation and translation adjustments		
Balance at beginning of current period	1,535	(91)	162	1,607	220	29,979
Changes of items during period						
Dividends of surplus						(373)
Profit						2,185
Purchase of treasury shares						(0)
Provision of reserve for advanced depreciation of noncurrent assets						-
Reversal of reserve for advanced depreciation of noncurrent assets						-
Net changes of items other than shareholders' equity	318	(417)	-	(98)	30	(68)
Total changes of items during period	318	(417)	-	(98)	30	1,743
Balance at end of current period	1,854	(508)	162	1,508	251	31,722

(4) Notes to Non-consolidated Financial Statements

(Notes on Going Concern Assumption)

Not applicable.

7. Others

(1) Change of Officers

1) Change of representatives

Not applicable.

2) Change of other officers

Not applicable.

(2) Others

Net sales by product

(Millions of yen, all fractions are rounded down to the nearest 1 million yen)

Item	The 106th fiscal year (From March 1, 2016 to February 28, 2017)		The 107th fiscal year (From March 1, 2017 to February 28, 2018)		Increase (decrease) from the previous fiscal year
	Net sales	Composition ratio	Net sales	Composition ratio	
		%		%	%
Ladies' apparel	37,321	52.3	32,592	49.4	(12.7)
Baby/Kids' apparel	14,083	19.8	13,681	20.8	(2.9)
Homewear	4,920	6.9	4,725	7.2	(4.0)
Textile/OEM	10,400	14.6	9,992	15.2	(3.9)
Men's apparel	3,166	4.4	3,298	5.0	4.2
Others	1,405	2.0	1,555	2.4	10.7
Total	71,295	100.0	65,843	100.0	(7.6)

* Sales of rental business are not included.