

Consolidated Financial Results for the Three Months Ended May 31, 2017 [Japanese GAAP]



June 26, 2017

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: July 7, 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 Three Months Ended May 31, 2017 (March 1, 2017 to May 31, 2017)

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

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	million yen	%	million yen	%	million yen	%	million yen	%
Three months ended May 31, 2017	18,655	(11.7)	(93)	–	(45)	–	2,809	389.2
Three months ended May 31, 2016	21,126	4.5	908	29.2	840	5.2	574	5.8

(Note) Comprehensive income: Three months ended May 31, 2017: ¥2,881 million [546.4%]

Three months ended May 31, 2016: ¥445 million [(63.4)%]

	Earnings per share	Diluted earnings per share
	yen	yen
Three months ended May 31, 2017	60.24	59.45
Three months ended May 31, 2016	12.32	12.18

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	million yen	million yen	%	yen
As of May 31, 2017	51,097	36,453	70.9	776.90
As of February 28, 2017	52,294	33,758	64.1	719.11

(Reference) Equity: As of May 31, 2017: ¥36,233 million
 As of February 28, 2017: ¥33,538 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 February 28, 2017	—	4.00	—	4.00	8.00
Fiscal year ending February 28, 2018	—				
Fiscal year ending February 28, 2018 (Forecast)		4.00	—	20.00	—

(Notes)

- (1) Revision of dividends forecast from recently announced figures: None
- (2) The Company plans to conduct a share consolidation of common stock at a ratio of one share for five shares with September 1, 2017 as the effective date. Accordingly, the year-end dividend per share for the fiscal year ending February 28, 2018 (forecast) show the amount after taking into consideration the consolidation of shares. The total amount of annual dividends is indicated with “—.” Please refer to “Explanation of the proper use of performance forecast and other notes” for details.

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

(% indicates changes from the previous corresponding period)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Earnings per share
	million yen	%	million yen	%	million yen	%	million yen	%	yen
First six months	37,500	(2.4)	300	(61.3)	300	(58.5)	2,900	604.1	62.18
Full year	80,000	2.6	1,300	18.1	1,300	19.4	3,500	417.2	375.23

(Notes)

- (1) Revision of forecast results from recently announced figures: None
- (2) Earnings per share in the full year consolidated financial results forecast for the fiscal year ending February 28, 2018 reflects the impact of the consolidation of shares. Please refer to “Explanation of the proper use of performance forecast and other notes” for details.

***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):

May 31, 2017	48,000,000 shares
February 28, 2017	48,000,000 shares

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

May 31, 2017	1,361,865 shares
February 28, 2017	1,361,865 shares

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

Three months ended May 31, 2017	46,638,135 shares
Three months ended May 31, 2016	46,627,740 shares

* Summary of consolidated quarterly financial results is outside the scope of the quarterly review.

*** 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 plans to conduct a share consolidation of common stock at a ratio of one share for five shares with September 1, 2017 as the effective date. If the impact of the consolidation of shares is not reflected, dividends and consolidated financial results forecast for the fiscal year ending February 28, 2018 are as follows.

- (1) Dividends forecast for the fiscal year ending February 28, 2018

Dividends per share

2nd quarter-end	4.00 yen
Year-end	4.00 yen

- (2) Consolidated financial results forecast for the fiscal year ending February 28, 2018

Earnings per share

First six months	62.18 yen
Full year	75.05 yen

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

(1) Qualitative Information on Results of Operations

During the three months ended May 31, 2017, the Japanese economy consecutively saw a negative year-on-year growth in real consumer spending, which led to the persistent sluggishness in spending for apparel.

Under these circumstances, the Company, in light of the business results for the previous fiscal year, firstly carried out a restructuring of its OEM and ODM business based on the principle strategy of providing consumers with products that have unique and appealing features. Secondly, the Company made efforts to further stabilize its product quality by sharing technological issues and product quality standards with partner factories mainly in China. Thirdly, the Company strived to raise the effectiveness of its business operations through the full scale utilization of new core system.

Particularly in the restructuring of OEM and ODM business, the Company reviewed the elements of its business operations such as materials, design, functionality and fashionability from the planning and proposing stages. However, despite such efforts, our core business of ladies' apparel ended up struggling due to the unfavorable results of spring and summer products in addition to the insufficient volume of orders since the last fiscal year.

As a result, with respect to the consolidated performance for the three months ended May 31, 2017, net sales stayed at ¥18,655 million (11.7% decrease from the previous corresponding period) while the Company registered operating loss of ¥93 million (income of ¥908 million in the previous corresponding period) and ordinary loss of ¥45 million (income of ¥840 million in the previous corresponding period) due to the lowered gross profit margin. Meanwhile, profit attributable to owners of parent amounted to ¥2,809 million (¥2,235 million increase from the previous corresponding period) due to the recording of gain on sales of non-current assets of ¥4,104 million as extraordinary income.

(2) Qualitative Information on Financial Position

1) Assets

Current assets increased by ¥2,495 million compared with the end of the previous fiscal year, to ¥24,627 million, due primarily to increases of ¥1,075 million in cash and deposits and ¥1,387 million in notes and accounts receivable - trade.

Non-current assets decreased by ¥3,693 million compared with the end of the previous fiscal year, to ¥26,470 million due primarily to a decrease of ¥3,611 million in land.

As a result, total assets decreased by ¥1,197 million compared with the end of the previous fiscal year, to ¥51,097 million.

2) Liabilities

Liabilities decreased by ¥3,892 million compared with the end of the previous fiscal year, to ¥14,643 million, due primarily to decreases of ¥3,386 million in notes and accounts payable-trade and ¥1,167 million in loans payable, despite an increase of ¥1,138 million in income taxes payable.

3) Net assets

Net assets increased by ¥2,695 million compared with the end of the previous fiscal year, to ¥36,453 million, due primarily to an increase of ¥2,622 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 31, 2017.

2. Consolidated Financial Statements and Primary Notes

(1) Consolidated Balance Sheets

(Millions of yen)

	As of February 28, 2017	As of May 31, 2017
Assets		
Current assets		
Cash and deposits	3,447	4,522
Notes and accounts receivable-trade	13,996	15,383
Inventories	3,577	3,776
Other	1,137	962
Allowance for doubtful accounts	(26)	(18)
Total current assets	22,131	24,627
Non-current assets		
Property, plant and equipment		
Land	18,890	15,278
Other, net	3,923	3,721
Total property, plant and equipment	22,813	18,999
Intangible assets	1,331	1,310
Investments and other assets		
Investment securities	4,786	4,755
Other	1,259	1,432
Allowance for doubtful accounts	(27)	(27)
Total investments and other assets	6,017	6,160
Total non-current assets	30,163	26,470
Total assets	52,294	51,097

(Millions of yen)

	As of February 28, 2017	As of May 31, 2017
Liabilities		
Current liabilities		
Notes and accounts payable-trade	8,015	4,628
Short-term loans payable	1,180	200
Current portion of long-term loans payable	1,050	1,050
Income taxes payable	88	1,227
Provision	130	227
Other	3,418	2,944
Total current liabilities	13,883	10,278
Non-current liabilities		
Long-term loans payable	2,525	2,337
Net defined benefit liability	396	410
Provision for directors' retirement benefits	176	176
Asset retirement obligations	134	110
Other	1,420	1,329
Total non-current liabilities	4,652	4,364
Total liabilities	18,536	14,643
Net assets		
Shareholders' equity		
Capital stock	3,622	3,622
Capital surplus	4,148	4,148
Retained earnings	24,705	27,328
Treasury shares	(570)	(570)
Total shareholders' equity	31,905	34,528
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,528	1,507
Deferred gains or losses on hedges	(82)	29
Revaluation reserve for land	162	162
Foreign currency translation adjustment	16	(11)
Remeasurements of defined benefit plans	7	16
Total accumulated other comprehensive income	1,632	1,704
Subscription rights to shares	220	220
Total net assets	33,758	36,453
Total liabilities and net assets	52,294	51,097

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

	(Millions of yen)	
	For the three months ended May 31, 2016	For the three months ended May 31, 2017
Net sales	21,126	18,655
Cost of sales	16,708	15,346
Gross profit	4,417	3,308
Provision for sales returns	(3)	3
Gross profit-net	4,420	3,305
Selling, general and administrative expenses	3,511	3,399
Operating income (loss)	908	(93)
Non-operating income		
Interest income	3	5
Dividend income	16	16
Other	76	51
Total non-operating income	95	73
Non-operating expenses		
Interest expenses	25	17
Commission fee	7	6
Other	131	0
Total non-operating expenses	164	24
Ordinary income (loss)	840	(45)
Extraordinary income		
Gain on sales of investment securities	—	0
Gain on sales of non-current assets	—	4,104
Total extraordinary income	—	4,104
Extraordinary losses		
Loss on retirement of non-current assets	0	0
Total extraordinary losses	0	0
Profit before income taxes	840	4,059
Income taxes	265	1,249
Profit	574	2,809
Profit attributable to owners of parent	574	2,809

Consolidated Statements of Comprehensive Income

(Millions of yen)

	For the three months ended May 31, 2016	For the three months ended May 31, 2017
Profit	574	2,809
Other comprehensive income		
Valuation difference on available-for-sale securities	154	(21)
Deferred gains or losses on hedges	(244)	111
Revaluation reserve for land	6	-
Foreign currency translation adjustment	(47)	(27)
Remeasurements of defined benefit plans, net of tax	1	9
Total other comprehensive income	(128)	72
Comprehensive income	445	2,881
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	445	2,881

(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.

(Additional Information)

Effective from the three months ended May 31, 2017, 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).