

# Consolidated Financial Results for the Six Months Ended August 31, 2017 [Japanese GAAP]



September 29, 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: October 26, 2017  
 Scheduled date for filing of quarterly securities report: October 6, 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 Six Months Ended August 31, 2017 (March 1, 2017 to August 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	%
Six months ended August 31, 2017	34,779	(9.4)	(817)	—	(734)	—	2,308	460.5
Six months ended August 31, 2016	38,408	(1.4)	774	(24.9)	722	(37.9)	411	(49.2)

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

Six months ended August 31, 2016: ¥(1,577) million [—%]

	Earnings per share	Diluted earnings per share
	yen	yen
Six months ended August 31, 2017	247.50	244.07
Six months ended August 31, 2016	44.16	43.63

\* 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, 2017	52,300	36,083	68.5	3,841.53
As of February 28, 2017	52,294	33,758	64.1	3,595.56

(Reference) Equity: As of August 31, 2017: ¥35,831 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.

## 2. Dividends

	Annual Dividends				
	1st quarter end	2nd quarter end	3rd quarter end	Year end	Total
Fiscal year ended February 28, 2017	yen —	yen 4.00	yen —	yen 4.00	yen 8.00
Fiscal year ending February 28, 2018	—	4.00			
Fiscal year ending February 28, 2018 (Forecast)			—	20.00	—

(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 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
Full year	74,700	(4.2)	(460)	—	(380)	—	2,500	269.4	268.02

(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):

August 31, 2017	9,600,000 shares
February 28, 2017	9,600,000 shares

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

August 31, 2017	272,509 shares
February 28, 2017	272,373 shares

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

Six months ended August 31, 2017	9,327,568 shares
Six months ended August 31, 2016	9,326,507 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.

\* 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 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 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

Year-end 4.00 yen

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

Earnings per share

Full year 53.60 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 six months ended August 31, 2017, the Company has made progress in the review of its business operations such as materials, design, functionality and fashionability from the planning and proposing stages in the restructuring of OEM (contract manufacturing of customers' brands) and ODM (contract manufacturing from the planning stage) business, which has been our forte to date. However, our core business of ladies' apparel ended up struggling due to the insufficient volume of orders for spring and summer products, and continues to face a difficult recovery on the strength of autumn and winter products due to unseasonable weather during the summer.

Under these circumstances, with respect to the consolidated performance for the six months ended August 31, 2017, net sales stayed at ¥34,779 million (9.4% decrease from the previous corresponding period) while the Company registered operating loss of ¥817 million (income of ¥774 million in the previous corresponding period) and ordinary loss of ¥734 million (income of ¥722 million in the previous corresponding period) due to the lowered gross profit margin. Meanwhile, profit attributable to owners of parent amounted to ¥2,308 million (¥1,896 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. With these results, recently on September 8, 2017, we undertook a review of the financial results forecast for the fiscal year ending February 28, 2018.

Looking ahead, the Company will further strengthen the review of its business operations from the planning and proposing stages that it has been working on since the beginning of the fiscal year with the aim of achieving a recovery in business results during the fiscal year ending February 28, 2019, and will strive to improve its gross profit margin while determining an appropriate profit for each SKU and each customer.

At present, there are no changes to the previously announced annual dividends forecast.

### (2) Qualitative Information on Financial Position

#### 1) Assets

Current assets increased by ¥3,572 million compared with the end of the previous fiscal year, to ¥25,703 million, due primarily to an increase of ¥4,082 million in cash and deposits.

Non-current assets decreased by ¥3,566 million compared with the end of the previous fiscal year, to ¥26,596 million due primarily to a decrease of ¥3,609 million in land.

As a result, total assets increased by ¥5 million compared with the end of the previous fiscal year, to ¥52,300 million.

#### 2) Liabilities

Liabilities decreased by ¥2,318 million compared with the end of the previous fiscal year, to ¥16,217 million, due primarily to decreases of ¥693 million in notes and accounts payable-trade and ¥1,505 million in loans payable.

#### 3) Net assets

Net assets increased by ¥2,324 million compared with the end of the previous fiscal year, to ¥36,083 million, due primarily to an increase of ¥2,122 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 September 8, 2017.

2. Consolidated Financial Statements and Primary Notes  
(1) Consolidated Balance Sheets

(Millions of yen)

	As of February 28, 2017	As of August 31, 2017
Assets		
Current assets		
Cash and deposits	3,447	7,529
Notes and accounts receivable-trade	13,996	13,312
Inventories	3,577	4,146
Other	1,137	729
Allowance for doubtful accounts	(26)	(14)
Total current assets	22,131	25,703
Non-current assets		
Property, plant and equipment		
Land	18,890	15,280
Other, net	3,923	3,786
Total property, plant and equipment	22,813	19,066
Intangible assets	1,331	1,285
Investments and other assets		
Investment securities	4,786	4,845
Other	1,259	1,426
Allowance for doubtful accounts	(27)	(26)
Total investments and other assets	6,017	6,244
Total non-current assets	30,163	26,596
Total assets	52,294	52,300

(Millions of yen)

	As of February 28, 2017	As of August 31, 2017
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable-trade	8,015	7,322
Short-term loans payable	1,180	200
Current portion of long-term loans payable	1,050	1,050
Income taxes payable	88	1,016
Provision	130	135
Other	3,418	2,368
Total current liabilities	13,883	12,092
Non-current liabilities		
Long-term loans payable	2,525	2,000
Net defined benefit liability	396	430
Provision for directors' retirement benefits	176	176
Asset retirement obligations	134	145
Other	1,420	1,373
Total non-current liabilities	4,652	4,125
Total liabilities	18,536	16,217
<b>Net assets</b>		
Shareholders' equity		
Capital stock	3,622	3,622
Capital surplus	4,148	4,148
Retained earnings	24,705	26,827
Treasury shares	(570)	(571)
Total shareholders' equity	31,905	34,027
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,528	1,567
Deferred gains or losses on hedges	(82)	55
Revaluation reserve for land	162	162
Foreign currency translation adjustment	16	(7)
Remeasurements of defined benefit plans	7	25
Total accumulated other comprehensive income	1,632	1,804
Subscription rights to shares	220	251
Total net assets	33,758	36,083
Total liabilities and net assets	52,294	52,300

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

	(Millions of yen)	
	For the six months ended August 31, 2016	For the six months ended August 31, 2017
Net sales	38,408	34,779
Cost of sales	30,890	28,815
Gross profit	7,518	5,963
Provision for sales returns	(7)	1
Gross profit-net	7,525	5,962
Selling, general and administrative expenses	6,750	6,779
Operating income (loss)	774	(817)
Non-operating income		
Interest income	9	12
Dividend income	45	45
Other	95	75
Total non-operating income	150	132
Non-operating expenses		
Interest expenses	40	29
Commission fee	14	12
Other	147	8
Total non-operating expenses	203	50
Ordinary income (loss)	722	(734)
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
Settlement	98	-
Other	3	-
Total extraordinary losses	102	0
Profit before income taxes	619	3,369
Income taxes	207	1,061
Profit	411	2,308
Profit attributable to owners of parent	411	2,308



# Consolidated Statements of Comprehensive Income

(Millions of yen)

	For the six months ended August 31, 2016	For the six months ended August 31, 2017
Profit	411	2,308
Other comprehensive income		
Valuation difference on available-for-sale securities	(0)	38
Deferred gains or losses on hedges	(1,878)	137
Revaluation reserve for land	6	-
Foreign currency translation adjustment	(126)	(23)
Remeasurements of defined benefit plans, net of tax	9	18
Total other comprehensive income	(1,989)	172
Comprehensive income	(1,577)	2,480
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(1,577)	2,480

(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).