

Consolidated Financial Results for the Nine Months Ended November 30, 2017 [Japanese GAAP]



December 25, 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: January 11, 2018
 Availability of supplementary briefing material on quarterly results: None
 Schedule of quarterly results briefing session: None

(Figures are rounded down to the nearest million yen)

1. Consolidated Financial Results for the Nine Months Ended November 30, 2017 (March 1, 2017 to November 30, 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	%
Nine months ended November 30, 2017	56,207	(7.6)	(368)	–	(282)	–	2,619	158.2
Nine months ended November 30, 2016	60,860	(4.7)	1,642	(31.7)	1,640	(35.2)	1,014	(41.8)

(Note) Comprehensive income: Nine months ended November 30, 2017: ¥3,355 million [32.5%]

Nine months ended November 30, 2016: ¥2,531 million [–%]

	Earnings per share	Diluted earnings per share
	yen	yen
Nine months ended November 30, 2017	280.81	276.84
Nine months ended November 30, 2016	108.75	107.39

* 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 November 30, 2017	52,860	36,770	69.1	3,915.28
As of February 28, 2017	52,294	33,758	64.1	3,595.56

(Reference) Equity: As of November 30, 2017: ¥36,519 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	73,500	(5.7)	(700)	—	(650)	—	2,400	254.7	257.30

(Notes)

- (1) Revision of forecast results from recently announced figures: Yes
- (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):

November 30, 2017	9,600,000 shares
February 28, 2017	9,600,000 shares

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

November 30, 2017	272,589 shares
February 28, 2017	272,373 shares

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

Nine months ended November 30, 2017	9,327,529 shares
Nine months ended November 30, 2016	9,326,868 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 51.46 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 nine months ended November 30, 2017, the Company engaged in the restructuring of its mainstay OEM (contract manufacturing of customers' brands) and ODM (contract manufacturing from the planning stage) business, focusing on recovering performance as the business has been experiencing decreases in sales and profit from the previous fiscal year.

On November 1, despite being in the intermediate stage of the third quarter, we began the restructuring of the Sales Division. We dismissed the sales and distribution departments established in March 2015 as organizations grouped by distribution channel, concentrated human resources in the sales departments as organizations grouped by item, and restructured the sales departments centering on ladies' apparel.

Accordingly, we newly reviewed the existing planning and designing structure that followed certain fashion trends, and began initiatives to develop products that are novel and attractive with trendsetting capabilities and a high level of fashionability.

In addition, we will ascertain the profit for each SKU—we will determine the appropriate cost of goods, and newly strengthen measures to conduct accurate price setting based on distribution costs, labor costs, and real estate costs, with the aim of steadily improving profitability.

However, as such efforts have yet to bear fruit, with respect to the consolidated performance for the nine months ended November 30, 2017, net sales stayed at ¥56,207 million (7.6% decrease from the previous corresponding period), while the Company registered operating loss of ¥368 million (income of ¥1,642 million in the previous corresponding period) and ordinary loss of ¥282 million (income of ¥1,640 million in the previous corresponding period) due to the lowered gross profit margin. Meanwhile, profit attributable to owners of parent amounted to ¥2,619 million (¥1,605 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.

Especially in the third quarter (September to November), the Company worked on recovering from the insufficient volume of orders in the six months ended August 31, 2017. However, while the fall in net sales was bottoming out, in order to recover from the insufficient volume of orders, we had to lower asking prices and tighten delivery schedules, leading to higher distribution costs and other factors, resulting in harsher conditions for earnings than anticipated.

In the fourth quarter (December to February), while the Company expects to see results from the current initiatives to a certain extent, it does not expect to achieve the forecast for the full fiscal year previously announced (on September 8), and has therefore revised the financial results forecast for the full year.

Looking ahead, the Company will ensure that its current initiatives aimed at recovering profitability produce results steadily, and do its utmost to facilitate the recovery of its business results.

(2) Qualitative Information on Financial Position

1) Assets

Current assets increased by ¥3,741 million compared with the end of the previous fiscal year, to ¥25,873 million, due primarily to increases of ¥1,412 million in cash and deposits and ¥2,271 million in notes and accounts receivable-trade.

Non-current assets decreased by ¥3,176 million compared with the end of the previous fiscal year, to ¥26,987 million, due primarily to a decrease of ¥3,609 million in land.

As a result, total assets increased by ¥565 million compared with the end of the previous fiscal year, to ¥52,860 million.

2) Liabilities

Liabilities decreased by ¥2,446 million compared with the end of the previous fiscal year, to ¥16,089

million, due primarily to a decrease of ¥2,965 million in notes and accounts payable-trade.

3) Net assets

Net assets increased by ¥3,011 million compared with the end of the previous fiscal year, to ¥36,770 million, due primarily to an increase of ¥2,246 million in retained earnings.

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

The financial results forecast for the fiscal year ending February 28, 2018 announced on September 8, 2017 has been revised. For more details, please refer to the “Notice Regarding Revision of Financial Results Forecast” released today.

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

(Millions of yen)

	As of February 28, 2017	As of November 30, 2017
Assets		
Current assets		
Cash and deposits	3,447	4,860
Notes and accounts receivable-trade	13,996	16,267
Inventories	3,577	3,554
Other	1,137	1,195
Allowance for doubtful accounts	(26)	(5)
Total current assets	22,131	25,873
Non-current assets		
Property, plant and equipment		
Land	18,890	15,280
Other, net	3,923	3,759
Total property, plant and equipment	22,813	19,039
Intangible assets	1,331	1,265
Investments and other assets		
Investment securities	4,786	5,313
Other	1,259	1,390
Allowance for doubtful accounts	(27)	(20)
Total investments and other assets	6,017	6,682
Total non-current assets	30,163	26,987
Total assets	52,294	52,860

(Millions of yen)

	As of February 28, 2017	As of November 30, 2017
Liabilities		
Current liabilities		
Notes and accounts payable-trade	8,015	5,050
Short-term loans payable	1,180	1,900
Current portion of long-term loans payable	1,050	1,050
Income taxes payable	88	970
Provision	130	236
Other	3,418	2,818
Total current liabilities	13,883	12,025
Non-current liabilities		
Long-term loans payable	2,525	1,812
Net defined benefit liability	396	453
Provision for directors' retirement benefits	176	176
Asset retirement obligations	134	149
Other	1,420	1,473
Total non-current liabilities	4,652	4,064
Total liabilities	18,536	16,089
Net assets		
Shareholders' equity		
Capital stock	3,622	3,622
Capital surplus	4,148	4,148
Retained earnings	24,705	26,951
Treasury shares	(570)	(571)
Total shareholders' equity	31,905	34,151
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,528	1,852
Deferred gains or losses on hedges	(82)	311
Revaluation reserve for land	162	162
Foreign currency translation adjustment	16	11
Remeasurements of defined benefit plans	7	30
Total accumulated other comprehensive income	1,632	2,368
Subscription rights to shares	220	251
Total net assets	33,758	36,770
Total liabilities and net assets	52,294	52,860

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

	(Millions of yen)	
	For the nine months ended November 30, 2016	For the nine months ended November 30, 2017
Net sales	60,860	56,207
Cost of sales	49,160	46,429
Gross profit	11,700	9,777
Provision for sales returns	(1)	8
Gross profit-net	11,701	9,769
Selling, general and administrative expenses	10,058	10,138
Operating income (loss)	1,642	(368)
Non-operating income		
Interest income	15	17
Dividend income	58	57
Other	146	95
Total non-operating income	220	171
Non-operating expenses		
Interest expenses	67	51
Commission fee	21	18
Other	133	15
Total non-operating expenses	222	85
Ordinary income (loss)	1,640	(282)
Extraordinary income		
Gain on sales of non-current assets	-	4,104
Other	0	2
Total extraordinary income	0	4,106
Extraordinary losses		
Loss on retirement of non-current assets	0	1
Settlement	98	-
Other	4	-
Total extraordinary losses	103	1
Profit before income taxes	1,538	3,822
Income taxes	523	1,202
Profit	1,014	2,619
Profit attributable to owners of parent	1,014	2,619

Consolidated Statements of Comprehensive Income

(Millions of yen)

	For the nine months ended November 30, 2016	For the nine months ended November 30, 2017
Profit	1,014	2,619
Other comprehensive income		
Valuation difference on available-for-sale securities	339	324
Deferred gains or losses on hedges	1,292	393
Revaluation reserve for land	6	-
Foreign currency translation adjustment	(138)	(4)
Remeasurements of defined benefit plans, net of tax	16	22
Total other comprehensive income	1,516	735
Comprehensive income	2,531	3,355
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,531	3,355

(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).