

Consolidated Financial Results for the Nine Months Ended November 30, 2018 [Japanese GAAP]



December 27, 2018

Company name: Takihyo Co., Ltd.
 Code number: 9982
 URL: <https://www.takihyo.co.jp>
 Stock exchange listing: Tokyo Stock Exchange (First Section), Nagoya Stock Exchange (First Section)
 Representative: Kazuo Taki, Representative Director, CEO
 Contact: Atsushi Muto, Director, Senior Managing Executive Officer
 Phone: +81-52-587-7111
 Scheduled date of commencing dividend payments: –
 Scheduled date for filing of quarterly securities report: January 11, 2019
 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, 2018 (March 1, 2018 to November 30, 2018)

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

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	million yen	%	million yen	%	million yen	%	million yen	%
Nine Months Ended November 30, 2018	50,842	(9.5)	384	–	481	–	(1,284)	–
Nine Months Ended November 30, 2017	56,207	(7.6)	(368)	–	(282)	–	2,619	158.2

(Note) Comprehensive income: Nine months ended November 30, 2018: ¥(561) million [–%]
 Nine months ended November 30, 2017: ¥3,355 million [32.5%]

	Earnings per share	Diluted earnings per share
	yen	yen
Nine Months Ended November 30, 2018	(137.68)	–
Nine Months Ended November 30, 2017	280.81	276.84

* 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, 2018	51,775	34,428	66.0	3,663.17
As of February 28, 2018	51,669	35,353	67.9	3,763.34

(Reference) Equity: As of November 30, 2018: ¥34,167 million
 As of February 28, 2018: ¥35,101 million

2. Dividends

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

(Notes)

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

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

(% indicates changes from the previous corresponding period)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Earnings per share
	million yen	%	million yen	%	million yen	%	million yen	%	yen
Full year	64,900	(10.8)	(140)	–	(80)	–	(1,800)	–	(192.98)

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

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

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

November 30, 2018	272,653 shares
February 28, 2018	272,653 shares

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

Nine months ended November 30, 2018	9,327,347 shares
Nine months ended November 30, 2017	9,327,529 shares

* The Company conducted a share consolidation of common stock at a ratio of one share for five shares as of September 1, 2017. Accordingly, average number of shares during the period (cumulative) for nine months ended November 30, 2017 is calculated on the assumption that the consolidation of shares was conducted at the beginning of the previous fiscal year.

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

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

(Note on the forward-looking statements)

The earnings projections and other forward-looking statements herein are based on available information and certain assumptions deemed reasonable at the time of the release of this document, and do not constitute a promise by the Company to achieve those projections. In addition, actual results may differ significantly from the projections due to various factors.

1. Qualitative Information on Financial Results for the Period under Review	5
(1) Qualitative Information on Results of Operations	5
(2) Qualitative Information on Financial Position.....	5
(3) Explanation of Consolidated Forecast and Other Forward-looking Statements	6
2. Consolidated Financial Statements and Primary Notes	7
(1) Consolidated Balance Sheets	7
(2) Consolidated Statements of Income and Comprehensive Income	9
(3) Notes to Quarterly Consolidated Financial Statements	11
(Notes on Going Concern Assumption)	11
(Notes in Case of Significant Changes in Shareholders' Equity).....	11

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

(1) Qualitative Information on Results of Operations

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

With regard to the apparel market conditions during the nine months ended November 30, 2018, although the temperatures in March and April were higher than those of average years and sales of early summer products remained solid, the Company's sales were stagnant from the second quarter onwards due to sluggish sales of ladies' apparel for younger consumers as well as weather factors. Meanwhile, we recognize that we are achieving certain results with regard to initiatives to review products with a low profit margin and reduce selling expenses.

As a result, with respect to the consolidated performance for the nine months ended November 30, 2018, net sales were ¥50,842 million (9.5% decrease from the previous corresponding period) while the Company registered a year-on-year increase of ¥752 million in operating profit to ¥384 million (operating loss of ¥368 million in the previous corresponding period) and a year-on-year increase of ¥764 million in ordinary profit to ¥481 million (ordinary loss of ¥282 million in the previous corresponding period) due to the Company's efforts to improve its gross profit margin and reduce selling expenses.

With respect to loss attributable to owners of parent, we recorded an impairment loss of ¥1,376 million as an extraordinary loss in the nine months ended November 30, 2018. This is because of the lump-sum depreciation of non-current assets, mainly software related to the Apparel & Textiles segment, which was carried out as a result of adopting a conservative view based on accounting standards with regard to revenues of the Apparel & Textiles segment from the next fiscal year onwards. In accordance with this, we conducted a reversal of deferred tax assets, and recorded income taxes - deferred of ¥189 million. In addition, loss amounted to ¥1,284 million (profit of ¥2,619 million in the previous corresponding period), a decrease in profit of ¥3,903 million compared with the previous corresponding period, due to the absence of gain on sales of non-current assets, which was recorded in the previous year.

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

(2) Qualitative Information on Financial Position

1) Assets

Current assets decreased by ¥257 million compared with the end of the previous fiscal year, to ¥24,473 million, due primarily to a decrease of ¥2,056 million in cash and deposits despite an increase of ¥1,677 million in notes and accounts receivable - trade.

Non-current assets increased by ¥363 million compared with the end of the previous fiscal year, to ¥27,302 million, due primarily to decreases of ¥1,228 million in intangible assets and ¥372 million in investment securities despite an increase of ¥1,982 million in property, plant and equipment.

As a result, total assets increased by ¥106 million compared with the end of the previous fiscal year, to ¥51,775 million.

2) Liabilities

Liabilities increased by ¥1,030 million compared with the end of the previous fiscal year, to ¥17,346 million, due primarily to an increase of ¥3,252 million in loans payable despite decreases of ¥1,484 million in notes and accounts payable - trade, and ¥748 million in short-term derivatives liabilities.

3) Net assets

Net assets decreased by ¥924 million compared with the end of the previous fiscal year, to ¥34,428 million, due primarily to an increase of ¥723 million in accumulated other comprehensive income despite a decrease of ¥1,657 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, 2019 announced on March 30, 2018 has been revised. For details, please refer to the “Notice Regarding Recording of Extraordinary Loss, Reversal of Deferred Tax Assets, and Revision of Financial Results Forecast (in Japanese)” released today.

2. Consolidated Financial Statements and Primary Notes

(1) Consolidated Balance Sheets

(Millions of yen)

	As of February 28, 2018	As of November 30, 2018
Assets		
Current assets		
Cash and deposits	6,157	4,100
Notes and accounts receivable - trade	13,410	15,087
Inventories	4,029	3,962
Other	1,138	1,326
Allowance for doubtful accounts	(4)	(4)
Total current assets	24,730	24,473
Non-current assets		
Property, plant and equipment		
Land	15,280	16,938
Other, net	3,806	4,131
Total property, plant and equipment	19,086	21,069
Intangible assets	1,260	31
Investments and other assets		
Investment securities	5,316	4,943
Other	1,310	1,293
Allowance for doubtful accounts	(35)	(36)
Total investments and other assets	6,591	6,201
Total non-current assets	26,938	27,302
Total assets	51,669	51,775

(Millions of yen)

	As of February 28, 2018	As of November 30, 2018
Liabilities		
Current liabilities		
Notes and accounts payable - trade	7,520	6,035
Short-term loans payable	210	2,200
Current portion of long-term loans payable	1,050	1,025
Income taxes payable	473	37
Provision	127	223
Other	3,138	2,590
Total current liabilities	12,520	12,112
Non-current liabilities		
Long-term loans payable	1,475	2,762
Net defined benefit liability	218	273
Provision for directors' retirement benefits	176	176
Asset retirement obligations	159	165
Other	1,766	1,857
Total non-current liabilities	3,795	5,234
Total liabilities	16,315	17,346
Net assets		
Shareholders' equity		
Capital stock	3,622	3,622
Capital surplus	4,148	4,148
Retained earnings	26,291	24,634
Treasury shares	(571)	(571)
Total shareholders' equity	33,490	31,833
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,860	1,662
Deferred gains or losses on hedges	(537)	409
Revaluation reserve for land	162	162
Foreign currency translation adjustment	20	(2)
Remeasurements of defined benefit plans	104	102
Total accumulated other comprehensive income	1,610	2,334
Subscription rights to shares	251	261
Total net assets	35,353	34,428
Total liabilities and net assets	51,669	51,775

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

(Millions of yen)

	For the nine months ended November 30, 2017	For the nine months ended November 30, 2018
Net sales	56,207	50,842
Cost of sales	46,429	41,024
Gross profit	9,777	9,817
Provision for sales returns	8	2
Gross profit - net	9,769	9,815
Selling, general and administrative expenses	10,138	9,430
Operating profit (loss)	(368)	384
Non-operating income		
Interest income	17	18
Dividend income	57	63
Other	95	93
Total non-operating income	171	176
Non-operating expenses		
Interest expenses	51	60
Commission fee	18	16
Other	15	2
Total non-operating expenses	85	78
Ordinary profit (loss)	(282)	481
Extraordinary income		
Gain on sales of non-current assets	4,104	0
Other	2	-
Total extraordinary income	4,106	0
Extraordinary losses		
Impairment loss	-	1,376
Other	1	22
Total extraordinary losses	1	1,398
Profit (loss) before income taxes	3,822	(916)
Income taxes	1,202	367
Profit (loss)	2,619	(1,284)
Profit (loss) attributable to owners of parent	2,619	(1,284)

Consolidated Statements of Comprehensive Income

(Millions of yen)

	For the nine months ended November 30, 2017	For the nine months ended November 30, 2018
Profit (loss)	2,619	(1,284)
Other comprehensive income		
Valuation difference on available-for-sale securities	324	(198)
Deferred gains or losses on hedges	393	946
Revaluation reserve for land	-	(0)
Foreign currency translation adjustment	(4)	(22)
Remeasurements of defined benefit plans, net of tax	22	(1)
Total other comprehensive income	735	723
Comprehensive income	3,355	(561)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	3,355	(561)

(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.