

# Consolidated Financial Results for the Fiscal Year Ended February 28, 2019 [Japanese GAAP]



March 28, 2019

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)  
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 Scheduled date of Ordinary General Meeting of Shareholders: May 29, 2019  
 Scheduled date of commencing dividend payments: May 30, 2019  
 Scheduled date for filing of annual securities report: May 30, 2019  
 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, 2019 (March 1, 2018 to February 28, 2019)

### (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, 2019	64,815	(10.9)	101	–	209	–	(1,621)	–
Fiscal year ended February 28, 2018	72,751	(6.7)	(1,148)	–	(1,099)	–	1,959	189.5

(Note) Comprehensive income: Fiscal year ended February 28, 2019: ¥(1,533) million [–%]  
 Fiscal year ended February 28, 2018: ¥1,937 million [(29.8)%]

	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, 2019	(173.80)	–	(4.7)	0.4	0.2
Fiscal year ended February 28, 2018	210.04	207.04	5.7	(2.1)	(1.6)

(Reference) Equity in earnings (losses) of associates: Fiscal year ended February 28, 2019: ¥– million

Fiscal year ended February 28, 2018: ¥– million

- \*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, 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. Though dilutive shares exist, diluted earnings per share for the fiscal year ended February 28, 2019 are not provided, as net loss per share was recorded.

### (2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	million yen	million yen	%	yen
As of February 28, 2019	47,786	33,456	69.5	3,558.94
As of February 28, 2018	51,669	35,353	67.9	3,763.34

(Reference) Equity: As of February 28, 2019: ¥33,195 million  
 As of February 28, 2018: ¥35,101 million

(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, 2019	(283)	(2,621)	290	3,510
Fiscal year ended February 28, 2018	(2,412)	7,514	(2,396)	6,157

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, 2018	–	4.00	–	20.00	–	373	19.0	1.1
Fiscal year ended February 28, 2019	–	20.00	–	20.00	40.00	373	–	1.1
Fiscal year ending February 29, 2020 (Forecast)	–	20.00	–	20.00	40.00		93.3	

\* 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 29, 2020 (March 1, 2019 to February 29, 2020)

(% 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	66,800	3.1	600	488.4	600	186.1	400	–	42.88

**\*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, 2019	9,600,000 shares
February 28, 2018	9,600,000 shares

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

February 28, 2019	272,653 shares
February 28, 2018	272,653 shares

3) Average number of shares during the period:

Fiscal year ended February 28, 2019	9,327,347 shares
Fiscal year ended February 28, 2018	9,327,492 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 for the fiscal year ended February 28, 2018 is 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, 2019 (March 1, 2018 to February 28, 2019)**

(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, 2019	58,331	(12.2)	(81)	–	281	–	(1,372)	–
Fiscal year ended February 28, 2018	66,469	(7.7)	(1,447)	–	(1,018)	–	2,185	334.6

	Earnings per share	Diluted earnings per share
	yen	yen
Fiscal year ended February 28, 2019	(147.14)	–
Fiscal year ended February 28, 2018	234.31	230.95

\*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, 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. Though dilutive shares exist, diluted earnings per share for the fiscal year ended February 28, 2019 are not provided, as net loss per share was recorded.

(2) Non-consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	million yen	million yen	%	yen
As of February 28, 2019	44,298	30,158	67.5	3,205.35
As of February 28, 2018	47,966	31,722	65.6	3,374.14

(Reference) Equity: As of February 28, 2019: ¥29,897 million

As of February 28, 2018: ¥31,471 million

**2. Non-consolidated Financial Results Forecast for the Fiscal Year Ending February 29, 2020 (March 1, 2019 to February 29, 2020)**

(% indicates changes from the previous corresponding period)

	Net sales		Ordinary profit		Profit		Earnings per share
	million yen	%	million yen	%	million yen	%	yen
Full year	60,400	3.5	500	77.3	350	—	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

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.

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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, 2019, personal consumption, which accounts for approximately 60% of real GDP, remained sluggish throughout the year. In particular, severe price competition among suppliers arising from the consumers' shift towards low-price products has been continuing in the market for apparel in the volume zone (low to medium price range), which is our core business.

In light of these circumstances, under this fiscal year's company-wide theme of "Back Home (back to the source)", the Company has worked 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, and focused on regaining its strength. In addition, the Company has established medium- to long-term targets of developing products with special features using its original materials or through collaboration with external experts, and launching a new retail business, and has been working to recover and improve profitability in the medium- to long-term.

For the fiscal year ended February 28, 2019, although the temperatures in March and April were higher than those of average years and sales of early summer products remained solid, due to sluggish sales of ladies' apparel for younger consumers as well as weather factors such as typhoons, heavy rains and warm winter from the second quarter onwards, net sales stood at ¥64,815 million (10.9% decrease from the previous fiscal year). Meanwhile, the Company registered a year-on-year increase of ¥1,250 million in operating profit to ¥101 million (operating loss of ¥1,148 million in the previous fiscal year) and a year-on-year increase of ¥1,309 million in ordinary profit to ¥209 million (ordinary loss of ¥1,099 million in the previous fiscal year) due to the Company's efforts to improve its gross profit margin through initiatives to review products with a low profit margin and reduce selling expenses.

With respect to loss attributable to owners of parent in the fiscal year ended February 28, 2019, we recorded an impairment loss of ¥1,507 million as an extraordinary loss. This is primarily 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 ¥193 million. In addition, loss amounted to ¥1,621 million (profit of ¥1,959 million in the previous fiscal year), a decrease in profit of ¥3,580 million compared with the previous fiscal year, due to the absence of gain on sales of non-current assets, which was recorded in the previous year.

Performance by segment was as follows.

#### 1) Apparel & Textiles

As a result of the decrease in wholesale sales of ladies' apparel, which is the mainstay area of the business, the segment registered ¥58,459 million net sales (12.7% decrease from the previous fiscal year).

#### 2) Rental Business

As a result of the acquisition of rental property, the segment registered ¥779 million net sales (4.8% increase from the previous fiscal year).

#### 3) Others

Primarily as a result of the increase in sales in the resins and chemical products business, the segment registered ¥5,576 million net sales (10.5% increase from the previous fiscal year).

## (2) Financial Position as of the Current Fiscal Year

### (Assets)

Current assets decreased by ¥3,866 million compared with the end of the previous fiscal year, to ¥20,864 million, due primarily to a decrease of ¥2,647 million in cash and deposits, and a decrease of ¥1,268 million in notes and accounts receivable - trade.

Non-current assets decreased by ¥16 million compared with the end of the previous fiscal year, to ¥26,922 million, due primarily to decreases of ¥1,216 million in intangible assets and ¥544 million in investment securities despite an increase of ¥1,657 million in land.

As a result, total assets decreased by ¥3,882 million compared with the end of the previous fiscal year, to ¥47,786 million.

### (Liabilities)

Liabilities decreased by ¥1,986 million compared with the end of the previous fiscal year, to ¥14,329 million, due primarily to decreases of ¥945 million in notes and accounts payable - trade and ¥768 million in short-term derivatives liabilities.

### (Net assets)

Net assets decreased by ¥1,896 million compared with the end of the previous fiscal year, to ¥33,456 million, due primarily to a decrease of ¥1,994 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”) decreased by ¥2,647 million (43.0%) compared with the end of the previous fiscal year, to ¥3,510 million.

### (Cash flows from operating activities)

Net cash used in operating activities for the current fiscal year amounted to ¥283 million (¥2,412 million used for the previous fiscal year), due primarily to ¥1,507 million in impairment loss and ¥1,262 million decrease in trade receivables, despite loss before income taxes amounting to ¥1,356 million, ¥944 million decrease in trade payables, and ¥723 million in income taxes paid.

### (Cash flows from investing activities)

Net cash used in investing activities for the current fiscal year amounted to ¥2,621 million (¥7,514 million provided for the previous fiscal year), due primarily to ¥2,517 million in purchase of property, plant and equipment.

### (Cash flows from financing activities)

Net cash provided by financing activities for the current fiscal year amounted to ¥290 million (¥2,396 million used for the previous fiscal year), due primarily to ¥2,000 million in proceeds from long-term loans payable despite ¥210 million decrease in short-term loans payable, ¥1,125 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, 2018	Fiscal year ended February 28, 2019
Equity ratio (%)	67.9	69.5
Equity ratio on a market value basis (%)	40.6	35.6
Interest-bearing debt/cash flow ratio (years)	–	–
Interest coverage ratio (multiple)	–	–

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 and the fiscal year ended February 28, 2019 are not shown since the cash flow from operating activities was negative.

#### (4) Outlook

For the fiscal year ending February 29, 2020, the Company forecasts ¥66,800 million in net sales, ¥600 million in operating profit, ¥600 million in ordinary profit, and ¥400 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, as for the year-end dividend, we are planning to pay 20 yen per share. Therefore, together with the interim dividend of 20 yen, the total dividend per share for the current fiscal year will be 40 yen. 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 43.0% 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 giving 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**      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.

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.

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.

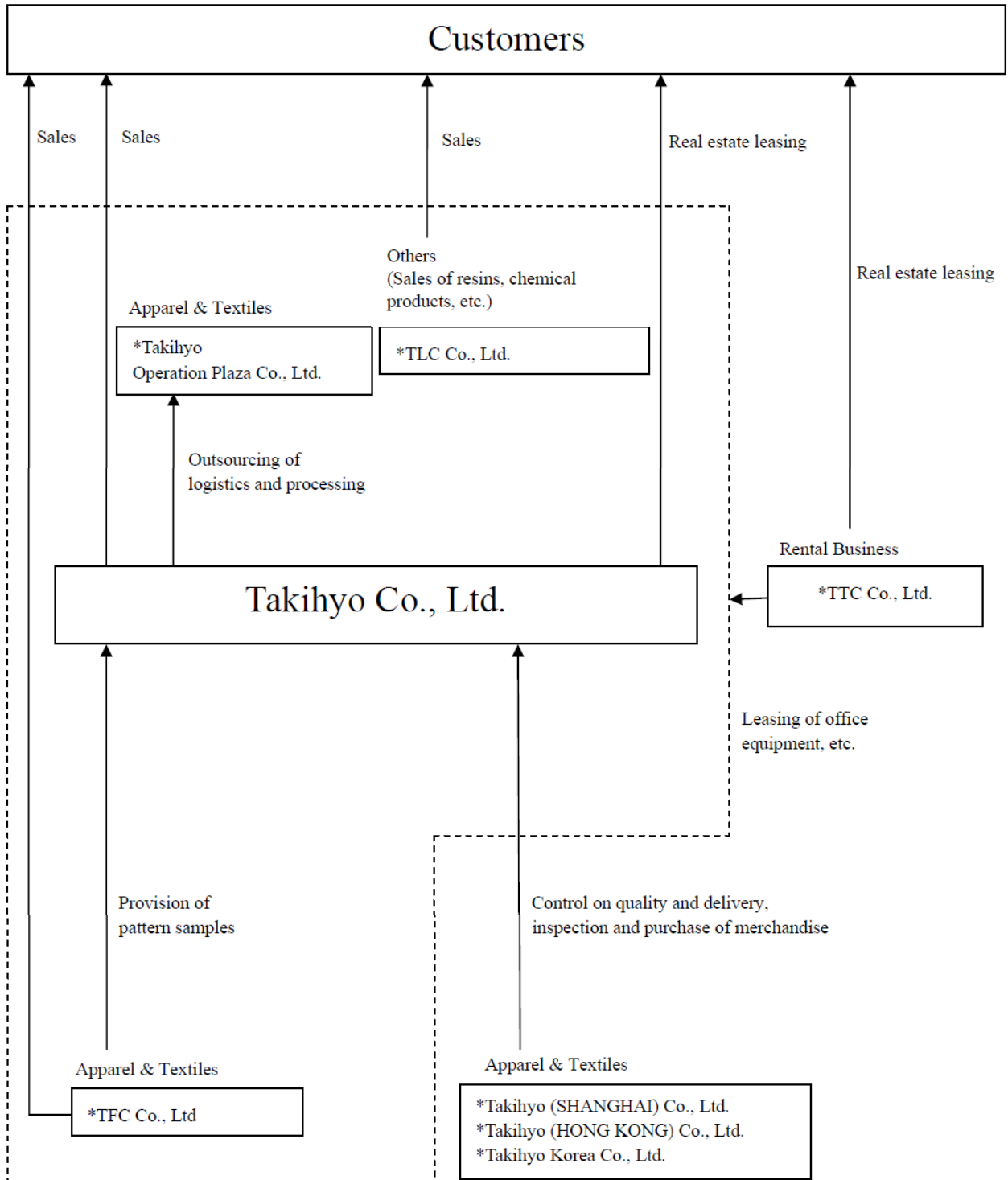
**Rental Business**      The Company engages in leasing and management of real estate and related activities.

TTC Co., Ltd. primarily provides leasing of equipment along with leasing and management of real estate to the Group companies.

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.

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, 2018	As of February 28, 2019
<b>Assets</b>		
Current assets		
Cash and deposits	6,157	3,510
Notes and accounts receivable - trade	13,410	12,141
Merchandise and finished goods	3,959	4,061
Work in process	42	35
Raw materials and supplies	27	34
Deferred tax assets	336	10
Other	801	1,075
Allowance for doubtful accounts	(4)	(4)
<b>Total current assets</b>	<b>24,730</b>	<b>20,864</b>
Non-current assets		
Property, plant and equipment		
Buildings and structures	4,295	4,689
Accumulated depreciation	(2,078)	(2,198)
Buildings and structures, net	2,216	2,490
Machinery, equipment and vehicles	274	284
Accumulated depreciation	(149)	(177)
Machinery, equipment and vehicles, net	124	107
Tools, furniture and fixtures	1,867	1,762
Accumulated depreciation	(402)	(408)
Tools, furniture and fixtures, net	1,464	1,353
Land	15,280	16,938
<b>Total property, plant and equipment</b>	<b>19,086</b>	<b>20,889</b>
Intangible assets	1,260	43
Investments and other assets		
Investment securities	5,316	4,771
Investments in capital	22	22
Long-term loans receivable	43	39
Long-term guarantee deposit	956	911
Insurance funds	118	120
Deferred tax assets	29	32
Other	140	126
Allowance for doubtful accounts	(35)	(36)
<b>Total investments and other assets</b>	<b>6,591</b>	<b>5,988</b>
<b>Total non-current assets</b>	<b>26,938</b>	<b>26,922</b>
<b>Total assets</b>	<b>51,669</b>	<b>47,786</b>

(Millions of yen)

	As of February 28, 2018	As of February 28, 2019
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	7,520	6,574
Short-term loans payable	210	-
Current portion of long-term loans payable	1,050	950
Lease obligations	0	-
Accounts payable-other	2,148	1,551
Income taxes payable	473	48
Provision for bonuses	102	99
Provision for sales returns	24	26
Deferred tax liabilities	-	74
Other	989	251
Total current liabilities	12,520	9,576
Non-current liabilities		
Long-term loans payable	1,475	2,450
Net defined benefit liability	218	233
Provision for directors' retirement benefits	176	176
Asset retirement obligations	159	175
Deferred tax liabilities	1,364	1,285
Deferred tax liabilities for land revaluation	132	133
Other	269	298
Total non-current liabilities	3,795	4,753
<b>Total liabilities</b>	<b>16,315</b>	<b>14,329</b>
Net assets		
Shareholders' equity		
Capital stock	3,622	3,622
Capital surplus	4,148	4,148
Retained earnings	26,291	24,297
Treasury shares	(571)	(571)
Total shareholders' equity	33,490	31,496
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,860	1,402
Deferred gains or losses on hedges	(537)	110
Revaluation reserve for land	162	162
Foreign currency translation adjustment	20	(21)
Remeasurements of defined benefit plans	104	45
Total accumulated other comprehensive income	1,610	1,698
Share acquisition rights	251	261
Total net assets	35,353	33,456
<b>Total liabilities and net assets</b>	<b>51,669</b>	<b>47,786</b>

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

	(Millions of yen)	
	For the previous fiscal year ended February 28, 2018	For the current fiscal year ended February 28, 2019
Net sales	72,751	64,815
Cost of sales	60,480	52,324
Gross profit	12,270	12,491
Provision for sales returns	(1)	2
Gross profit - net	12,271	12,489
Selling, general and administrative expenses		
Freightage related expenses	3,118	2,714
Advertising and promotion expenses	478	384
Salaries and allowances	4,389	4,231
Bonuses	447	419
Share-based compensation expenses	30	9
Welfare expenses	1,097	1,084
Provision for bonuses	97	93
Retirement benefit expenses	232	184
Traveling and transportation expenses	652	655
Communication expenses	368	355
Rent expenses	866	828
Depreciation	284	226
Other	1,356	1,198
Total selling, general and administrative expenses	13,420	12,387
Operating profit (loss)	(1,148)	101
Non-operating income		
Interest income	26	25
Dividend income	82	90
Boarding fees income	26	19
Other	87	79
Total non-operating income	223	216
Non-operating expenses		
Interest expenses	74	84
Commission fee	55	20
Foreign exchange losses	35	-
Other	8	3
Total non-operating expenses	174	108
Ordinary profit (loss)	(1,099)	209
Extraordinary income		
Gain on sales of non-current assets	4,116	0
Gain on sales of investment securities	0	-
Other	2	-
Total extraordinary income	4,118	0



	(Millions of yen)	
	For the previous fiscal year ended February 28, 2018	For the current fiscal year ended February 28, 2019
Extraordinary losses		
Loss on retirement of non-current assets	3	28
Impairment loss	-	1,507
Loss on valuation of investment securities	3	28
Loss on sales of membership	6	-
Other	-	1
Total extraordinary losses	13	1,566
Profit (loss) before income taxes	3,005	(1,356)
Income taxes-current	647	71
Income taxes-deferred	398	193
Total income taxes	1,046	264
Profit (loss)	1,959	(1,621)
Profit (loss) attributable to owners of parent	1,959	(1,621)

Consolidated Statements of Comprehensive Income

(Millions of yen)

	For the previous fiscal year ended February 28, 2018	For the current fiscal year ended February 28, 2019
Profit (loss)	1,959	(1,621)
Other comprehensive income		
Valuation difference on available-for-sale securities	332	(458)
Deferred gains or losses on hedges	(454)	647
Revaluation reserve for land	-	(0)
Foreign currency translation adjustment	4	(42)
Remeasurements of defined benefit plans, net of tax	96	(58)
Total other comprehensive income	(21)	87
Comprehensive income	1,937	(1,533)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,937	(1,533)

## (3) Consolidated Statements of Changes in Net Assets

For the previous 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						Share acquisition rights	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

For the current fiscal year ended February 28, 2019

(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	26,291	(571)	33,490
Changes of items during period					
Dividends of surplus			(373)		(373)
Profit (loss) attributable to owners of parent			(1,621)		(1,621)
Net changes of items other than shareholders' equity					
Total changes of items during period	-	-	(1,994)	-	(1,994)
Balance at end of current period	3,622	4,148	24,297	(571)	31,496

(Millions of yen)

	Accumulated other comprehensive income						Share acquisition rights	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	1,860	(537)	162	20	104	1,610	251	35,353
Changes of items during period								
Dividends of surplus								(373)
Profit (loss) attributable to owners of parent								(1,621)
Net changes of items other than shareholders' equity	(458)	647	(0)	(42)	(58)	87	9	97
Total changes of items during period	(458)	647	(0)	(42)	(58)	87	9	(1,896)
Balance at end of current period	1,402	110	162	(21)	45	1,698	261	33,456

## (4) Consolidated Statements of Cash Flows

	(Millions of yen)	
	For the previous fiscal year ended February 28, 2018	For the current fiscal year ended February 28, 2019
Cash flows from operating activities		
Profit (loss) before income taxes	3,005	(1,356)
Depreciation	425	371
Impairment loss	-	1,507
Increase (decrease) in allowance for doubtful accounts	(14)	0
Increase (decrease) in provision for bonuses	(2)	(3)
Increase (decrease) in provision for sales returns	(1)	2
Increase (decrease) in net defined benefit liability	(37)	(69)
Interest and dividend income	(108)	(116)
Interest expenses	74	84
Loss (gain) on sales of investment securities	(0)	-
Loss (gain) on valuation of investment securities	3	28
Loss (gain) on sales of property, plant and equipment	(4,116)	(0)
Loss on retirement of property, plant and equipment	3	28
Loss (gain) on sales of golf club memberships	4	-
Decrease (increase) in trade receivables	586	1,262
Decrease (increase) in inventories	(451)	(101)
Increase (decrease) in trade payables	(495)	(944)
Increase (decrease) in accrued consumption taxes	(662)	30
Decrease (increase) in other assets	(139)	188
Increase (decrease) in other liabilities	44	(504)
Other, net	(432)	2
Subtotal	(2,314)	409
Interest and dividend income received	109	116
Interest expenses paid	(72)	(86)
Income taxes paid	(135)	(723)
Net cash provided by (used in) operating activities	(2,412)	(283)

(Millions of yen)

	For the previous fiscal year ended February 28, 2018	For the current fiscal year ended February 28, 2019
Cash flows from investing activities		
Payments into time deposits	(146)	(146)
Proceeds from withdrawal of time deposits	146	146
Purchase of property, plant and equipment	(403)	(2,517)
Proceeds from sales of property, plant and equipment	8,123	7
Purchase of intangible assets	(76)	(56)
Purchase of investment securities	(86)	(202)
Proceeds from sales of investment securities	1	-
Proceeds from redemption of investment securities	15	100
Proceeds from sales of golf club memberships	65	-
Payments of loans receivable	(2)	-
Collection of loans receivable	7	6
Proceeds from collection of guarantee deposits	43	47
Other, net	(173)	(6)
Net cash provided by (used in) investing activities	7,514	(2,621)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(969)	(210)
Proceeds from long-term loans payable	-	2,000
Repayments of long-term loans payable	(1,050)	(1,125)
Cash dividends paid	(373)	(373)
Purchase of treasury shares	(0)	-
Other, net	(2)	(0)
Net cash provided by (used in) financing activities	(2,396)	290
Effect of exchange rate change on cash and cash equivalents	5	(33)
Net increase (decrease) in cash and cash equivalents	2,710	(2,647)
Cash and cash equivalents at beginning of period	3,447	6,157
Cash and cash equivalents at end of period	6,157	3,510

(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., 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 trade receivables 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 96<sup>th</sup> 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.

(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, 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 segments.
  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 loss in the consolidated statements of income.

For the current fiscal year (From March 1, 2018 to February 28, 2019)

(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	58,459	779	59,239	5,576	64,815	-	64,815
Inter-segment sales and transfers	0	87	87	42	130	(130)	-
Total	58,459	867	59,327	5,618	64,945	(130)	64,815
Segment income (loss)	(440)	525	85	11	96	5	101
Segment assets	27,562	18,434	45,997	1,752	47,750	36	47,786
Other items							
Depreciation	212	137	350	20	371	-	371
Increase in property, plant and equipment and intangible assets	128	2,362	2,490	6	2,497	-	2,497

- (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 ¥36 million adjustment to segment assets includes elimination of inter-segment of -¥788 million and corporate assets of ¥824 million not allocated among reportable segments. Corporate assets consist primarily of surplus funds (investment securities) not belonging to any reportable segments.
  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, 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

For the current fiscal year (From March 1, 2018 to February 28, 2019)

#### 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.	17,574	Apparel & Textiles and others

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

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

Not applicable.

For the current fiscal year (From March 1, 2018 to February 28, 2019)

(Millions of yen)

	Reportable segment			Others	Corporate / elimination	Total
	Apparel & Textiles	Rental Business	Subtotal			
Impairment loss	1,380	-	1,380	127	-	1,507

(Per Share Information)

(Yen)

For the previous fiscal year (From March 1, 2017 to February 28, 2018)		For the current fiscal year (From March 1, 2018 to February 28, 2019)	
Net assets per share	3,763.34	Net assets per share	3,558.94
Earnings per share	210.04	Net (loss) per share	(173.80)
Diluted earnings per share	207.04	Diluted earnings per share	-

(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, 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. Though dilutive shares exist, diluted earnings per share for the current fiscal year are not provided, as net loss per share was recorded.
3. The basis for calculation of net assets per share is as follows:

(Millions of yen)

	For the previous fiscal year (As of February 28, 2018)	For the current fiscal year (As of February 28, 2019)
Total net assets	35,353	33,456
Amount deducted from the total net assets	251	261
(Share acquisition rights included in the above)	(251)	(261)
Amount of net assets related to common stock as of the end of the fiscal year	35,101	33,195
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

4. The basis for calculation of earnings per share or net loss per share, and diluted earnings per share is as follows:

(Millions of yen)

	For the previous fiscal year (From March 1, 2017 to February 28, 2018)	For the current fiscal year (From March 1, 2018 to February 28, 2019)
Earnings per share or net (loss) per share		
Profit (loss) attributable to owners of parent	1,959	(1,621)
Profit (loss) not attributable to common shareholders	-	-
Profit (loss) attributable to owners of parent related to common stock	1,959	(1,621)
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)	135	-
(Share acquisition rights included in the above) (Thousands shares)	(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, 2018	As of February 28, 2019
<b>Assets</b>		
Current assets		
Cash and deposits	5,195	2,527
Notes receivable - trade	1,136	1,322
Accounts receivable - trade	11,082	9,569
Merchandise	3,729	3,822
Advance payments - trade	147	272
Prepaid expenses	142	137
Deferred tax assets	311	-
Other	438	655
Allowance for doubtful accounts	(2)	(3)
Total current assets	22,181	18,305
Non-current assets		
Property, plant and equipment		
Buildings	1,094	1,538
Structures	25	21
Machinery and equipment	13	29
Vehicles	6	-
Tools, furniture and fixtures	1,372	1,301
Land	14,419	16,077
Leased assets	11	-
Total property, plant and equipment	16,943	18,968
Intangible assets		
Leasehold right	10	10
Software	1,172	5
Leased assets	31	-
Other	32	6
Total intangible assets	1,247	23
Investments and other assets		
Investment securities	5,257	4,722
Shares of subsidiaries and associates	1,216	1,216
Investments in capital	22	22
Long-term loans receivable	43	39
Long-term retaining claims	22	23
Long-term prepaid expenses	26	22
Long-term guarantee deposit	847	797
Insurance funds	118	120
Other	61	61
Allowance for doubtful accounts	(22)	(23)
Total investments and other assets	7,593	7,001
Total non-current assets	25,785	25,993
Total assets	47,966	44,298

(Millions of yen)

	As of February 28, 2018	As of February 28, 2019
<b>Liabilities</b>		
<b>Current liabilities</b>		
Foreign notes payable - trade	4,246	3,389
Accounts payable - trade	2,739	2,591
Short-term loans payable	1,034	780
Current portion of long-term loans payable	1,050	950
Lease obligations	16	8
Accounts payable-other	2,106	1,579
Income taxes payable	432	-
Provision for bonuses	78	76
Provision for sales returns	24	26
Deferred tax liabilities	-	74
Other	903	165
<b>Total current liabilities</b>	<b>12,631</b>	<b>9,642</b>
<b>Non-current liabilities</b>		
Long-term loans payable	1,475	2,450
Lease obligations	22	13
Provision for retirement benefits	247	182
Provision for directors' retirement benefits	176	176
Asset retirement obligations	110	126
Deferred tax liabilities	1,232	1,187
Deferred tax liabilities for land revaluation	132	133
Other	216	228
<b>Total non-current liabilities</b>	<b>3,612</b>	<b>4,497</b>
<b>Total liabilities</b>	<b>16,243</b>	<b>14,140</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Capital stock	3,622	3,622
<b>Capital surplus</b>		
Legal capital surplus	4,148	4,148
<b>Total capital surpluses</b>	<b>4,148</b>	<b>4,148</b>
<b>Retained earnings</b>		
Legal retained earnings	806	806
<b>Other retained earnings</b>		
Reserve for advanced depreciation of non-current assets	1,430	1,424
General reserve	15,500	15,500
Retained earnings brought forward	5,026	3,287
<b>Total other retained earnings</b>	<b>21,957</b>	<b>20,211</b>
<b>Total retained earnings</b>	<b>22,763</b>	<b>21,017</b>
Treasury shares	(571)	(571)
<b>Total shareholders' equity</b>	<b>29,962</b>	<b>28,217</b>
<b>Valuation and translation adjustments</b>		
Valuation difference on available-for-sale securities	1,854	1,403
Deferred gains or losses on hedges	(508)	113
Revaluation reserve for land	162	162
<b>Total valuation and translation adjustments</b>	<b>1,508</b>	<b>1,680</b>
Share acquisition rights	251	261
<b>Total net assets</b>	<b>31,722</b>	<b>30,158</b>
<b>Total liabilities and net assets</b>	<b>47,966</b>	<b>44,298</b>

## (2) Non-consolidated Statements of Income

(Millions of yen)

	For the previous fiscal year ended February 28, 2018	For the current fiscal year ended February 28, 2019
Net sales	66,469	58,331
Cost of sales	55,045	46,631
Gross profit	11,423	11,700
Provision for sales returns	(1)	2
Gross profit-net	11,424	11,698
Selling, general and administrative expenses	12,872	11,779
Operating profit (loss)	(1,447)	(81)
Non-operating income		
Interest and dividend income	503	389
Other	89	84
Total non-operating income	593	474
Non-operating expenses		
Interest expenses	78	87
Commission fee	55	20
Foreign exchange losses	21	-
Other	8	2
Total non-operating expenses	164	110
Ordinary profit (loss)	(1,018)	281
Extraordinary income		
Gain on sales of non-current assets	4,116	-
Gain on sales of investment securities	0	-
Total extraordinary income	4,116	-
Extraordinary losses		
Loss on retirement of non-current assets	3	28
Impairment loss	-	1,384
Loss on valuation of investment securities	3	28
Loss on sales of membership	6	-
Total extraordinary losses	13	1,441
Profit (loss) before income taxes	3,084	(1,159)
Income taxes-current	565	15
Income taxes-deferred	333	197
Total income taxes	899	212
Profit (loss)	2,185	(1,372)



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

For the previous 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 (loss)				
Purchase of treasury shares				
Provision of reserve for advanced depreciation of non-current assets				
Reversal of reserve for advanced depreciation of non-current 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	1,060	15,500	3,584	20,950	(570)	28,151
Changes of items during period						
Dividends of surplus			(373)	(373)		(373)
Profit (loss)			2,185	2,185		2,185
Purchase of treasury shares					(0)	(0)
Provision of reserve for advanced depreciation of non-current assets	373		(373)	-		-
Reversal of reserve for advanced depreciation of non-current 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				Share acquisition rights	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 (loss)						2,185
Purchase of treasury shares						(0)
Provision of reserve for advanced depreciation of non-current assets						-
Reversal of reserve for advanced depreciation of non-current 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

For the current fiscal year ended February 28, 2019

(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 (loss)				
Reversal of reserve for advanced depreciation of non-current 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	1,430	15,500	5,026	22,763	(571)	29,962
Changes of items during period						
Dividends of surplus			(373)	(373)		(373)
Profit (loss)			(1,372)	(1,372)		(1,372)
Reversal of reserve for advanced depreciation of non-current assets	(5)		5	-		-
Net changes of items other than shareholders' equity						
Total changes of items during period	(5)	-	(1,739)	(1,745)	-	(1,745)
Balance at end of current period	1,424	15,500	3,287	21,017	(571)	28,217

(Millions of yen)

	Valuation and translation adjustments				Share acquisition rights	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	1,854	(508)	162	1,508	251	31,722
Changes of items during period						
Dividends of surplus						(373)
Profit (loss)						(1,372)
Reversal of reserve for advanced depreciation of non-current assets						-
Net changes of items other than shareholders' equity	(451)	622	(0)	171	9	180
Total changes of items during period	(451)	622	(0)	171	9	(1,564)
Balance at end of current period	1,403	113	162	1,680	261	30,158

## (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 107th fiscal year (From March 1, 2017 to February 28, 2018)		The 108th fiscal year (From March 1, 2018 to February 28, 2019)		Increase (decrease) from the previous fiscal year
	Net sales	Composition ratio	Net sales	Composition ratio	
Ladies' apparel	32,592	49.4	25,493	44.2	(21.8)
Baby/Kids' apparel	13,681	20.8	13,034	22.6	(4.7)
Homewear	4,725	7.2	3,993	6.9	(15.5)
Textile/OEM	9,992	15.2	10,429	18.1	4.4
Men's apparel	3,298	5.0	2,980	5.2	(9.6)
Others	1,555	2.4	1,739	3.0	11.9
Total	65,843	100.0	57,671	100.0	(12.4)

\* Sales of rental business are not included.