

Consolidated Financial Results for the Six Months Ended August 31, 2019 [Japanese GAAP]



September 30, 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 commencing dividend payments: October 28, 2019
 Scheduled date for filing of quarterly securities report: October 9, 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 Six Months Ended August 31, 2019 (March 1, 2019 to August 31, 2019)

(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	%
Six months ended August 31, 2019	29,404	(9.0)	3	–	45	–	80	–
Six months ended August 31, 2018	32,319	(7.1)	(121)	–	(40)	–	(64)	–

(Note) Comprehensive income: Six months ended August 31, 2019: ¥(648) million [–%]
 Six months ended August 31, 2018: ¥546 million [(78.0)%]

	Earnings per share	Diluted earnings per share
	yen	yen
Six months ended August 31, 2019	8.65	8.52
Six months ended August 31, 2018	(6.93)	–

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	million yen	million yen	%	yen
As of August 31, 2019	46,999	32,621	68.9	3,469.39
As of February 28, 2019	47,785	33,456	69.5	3,558.94

(Reference) Equity: As of August 31, 2019: ¥32,360 million
 As of February 28, 2019: ¥33,195 million

(Note) The Company has adopted “Partial Amendments to Accounting Standard for Tax Effect Accounting” (ASBJ Statement No. 28, February 16, 2018), etc. from the beginning of the three months ended May 31, 2019, and figures for the fiscal year ended February 28, 2019 are presented after retrospective application of such accounting standard, etc.

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, 2019	–	20.00	–	20.00	40.00
Fiscal year ending February 29, 2020	–	20.00			
Fiscal year ending February 29, 2020 (Forecast)			–	20.00	40.00

(Note) Revision of dividends forecast from recently announced figures: None

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

(Note) Revision of forecast results from recently announced figures: None

***Notes**

(1) Significant changes of subsidiaries during the period under review (affecting specified subsidiaries resulting in changes in scope of consolidation): No

(2) Adoption of special accounting treatment for preparing quarterly consolidated financial statements: No

(3) Changes in accounting policies, changes in accounting estimates and restatements

1) Changes in accounting policies due to the revision of accounting standards: No

2) Any changes in accounting policies other than 1) above: No

3) Changes in accounting estimates: No

4) Restatements: No

(4) Total number of issued shares (common stock)

1) Total number of issued shares at the end of the period (including treasury shares):

August 31, 2019	9,600,000 shares
February 28, 2019	9,600,000 shares

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

August 31, 2019	272,717 shares
February 28, 2019	272,653 shares

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

Six months ended August 31, 2019	9,327,337 shares
Six months ended August 31, 2018	9,327,347 shares

* 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.

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

(1) Qualitative Information on Results of Operations

With regard to the apparel market during the six months ended August 31, 2019, competition among suppliers (delivery vendors) remains to be severe backed by the sluggish consumption. Under such circumstances, the Company raised “Back Home (to get back to the basics)” as a company-wide theme, and made efforts to strengthen planning and development of highly value-added product groups by working on in-house creation of patterns afresh from scratch and development of differentiated designs and materials in order to recover financial results of the Company as early as possible. The Company also promoted activities on receiving orders focusing on securing the adequate profit margin per product or client.

With respect to the performance for the six months ended August 31, 2019, however, activities on receiving orders struggled due to the stronger tendency of specialist retailers chain stores and GMS to make “attracted-type” orders (placing product orders carefully after seeing the in-store circumstances), in addition to the sluggish sales of summer products affected by a record-setting lack of sunlight and low temperature in July.

As a result, with respect to the consolidated performance for the six months ended August 31, 2019, net sales was ¥29,404 million (9.0% decrease from the previous corresponding period). As for profit, the Company registered the operating profit of ¥3 million (loss of ¥121 million in the previous corresponding period), ordinary profit of ¥45 million (loss of ¥40 million in the previous corresponding period) and profit attributable to owners of parent of ¥80 million (loss of ¥64 million in the previous corresponding period) owing to increased product profitability and reduced selling expenses.

Under the theme of “Back Home (back to the source),” the Company will do its utmost to recover sales and improve profitability by strengthening proposals for highly value-added product groups.

(2) Qualitative Information on Financial Position

The Company has adopted “Partial Amendments to Accounting Standard for Tax Effect Accounting” (ASBJ Statement No. 28, February 16, 2018), etc. from the beginning of the three months ended May 31, 2019. Financial position is compared and analyzed with the previous fiscal year using the figures after retrospective application of such accounting standard, etc.

1) Assets

Current assets decreased by ¥339 million compared with the end of the previous fiscal year, to ¥20,514 million, due primarily to decreases of ¥208 million in notes and accounts receivable – trade and ¥287 million in accounts receivable – other despite an increase of ¥219 million in inventories.

Non-current assets decreased by ¥447 million compared with the end of the previous fiscal year, to ¥26,484 million, due primarily to a decrease of ¥730 million in investment securities despite an increase of ¥165 million in property, plant and equipment.

As a result, total assets decreased by ¥786 million compared with the end of the previous fiscal year, to ¥46,999 million.

2) Liabilities

Liabilities increased by ¥48 million compared with the end of the previous fiscal year, to ¥14,378 million, due primarily to increases of ¥92 million in income taxes payable and ¥298 million in short-term derivatives liabilities despite a decrease of ¥343 million in notes and accounts payable – trade.

3) Net assets

Net assets decreased by ¥835million compared with the end of the previous fiscal year, to ¥32,621 million, due primarily to decreases of ¥341 million in valuation difference on available-for-sale securities and ¥349 million in deferred gains or losses on hedges.

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

The financial results forecast has not changed since its earlier announcement on March 28, 2019.

2. Consolidated Financial Statements and Primary Notes

(1) Consolidated Balance Sheets

(Millions of yen)

	As of February 28, 2019	As of August 31, 2019
Assets		
Current assets		
Cash and deposits	3,510	3,619
Notes and accounts receivable - trade	12,141	11,932
Inventories	4,131	4,350
Other	1,075	628
Allowance for doubtful accounts	(4)	(16)
Total current assets	20,853	20,514
Non-current assets		
Property, plant and equipment		
Land	16,938	17,021
Other, net	3,951	4,033
Total property, plant and equipment	20,889	21,054
Intangible assets	43	95
Investments and other assets		
Investment securities	4,771	4,041
Other	1,262	1,371
Allowance for doubtful accounts	(36)	(78)
Total investments and other assets	5,998	5,333
Total non-current assets	26,932	26,484
Total assets	47,785	46,999

(Millions of yen)

	As of February 28, 2019	As of August 31, 2019
Liabilities		
Current liabilities		
Notes and accounts payable - trade	6,574	6,230
Short-term loans payable	-	200
Current portion of long-term loans payable	950	875
Income taxes payable	48	141
Provision	126	127
Other	1,802	2,506
Total current liabilities	9,502	10,082
Non-current liabilities		
Long-term loans payable	2,450	2,075
Net defined benefit liability	233	271
Provision for directors' retirement benefits	176	176
Asset retirement obligations	175	178
Other	1,791	1,595
Total non-current liabilities	4,827	4,296
Total liabilities	14,329	14,378
Net assets		
Shareholders' equity		
Capital stock	3,622	3,622
Capital surplus	4,148	4,148
Retained earnings	24,297	24,191
Treasury shares	(571)	(571)
Total shareholders' equity	31,496	31,390
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,402	1,060
Deferred gains or losses on hedges	110	(239)
Revaluation reserve for land	162	162
Foreign currency translation adjustment	(21)	(50)
Remeasurements of defined benefit plans	45	34
Total accumulated other comprehensive income	1,698	969
Share acquisition rights	261	261
Total net assets	33,456	32,621
Total liabilities and net assets	47,785	46,999

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

(Millions of yen)

	For the six months ended August 31, 2018	For the six months ended August 31, 2019
Net sales	32,319	29,404
Cost of sales	26,144	23,504
Gross profit	6,174	5,899
Provision for sales returns	(3)	(2)
Gross profit - net	6,177	5,901
Selling, general and administrative expenses	6,299	5,898
Operating profit (loss)	(121)	3
Non-operating income		
Interest income	13	6
Dividend income	49	57
Other	63	49
Total non-operating income	127	113
Non-operating expenses		
Interest expenses	32	36
Foreign exchange losses	-	23
Other	14	11
Total non-operating expenses	46	71
Ordinary profit (loss)	(40)	45
Extraordinary income		
Gain on sales of investment securities	-	16
Gain on sales of non-current assets	0	106
Total extraordinary income	0	122
Extraordinary losses		
Loss on valuation of investment securities	20	-
Loss on sales of investment securities	-	4
Loss on retirement of non-current assets	0	0
Total extraordinary losses	20	4
Profit (loss) before income taxes	(61)	163
Income taxes	3	83
Profit (loss)	(64)	80
Profit (loss) attributable to owners of parent	(64)	80

Consolidated Statements of Comprehensive Income

(Millions of yen)

	For the six months ended August 31, 2018	For the six months ended August 31, 2019
Profit (loss)	(64)	80
Other comprehensive income		
Valuation difference on available-for-sale securities	(217)	(341)
Deferred gains or losses on hedges	857	(349)
Revaluation reserve for land	(0)	-
Foreign currency translation adjustment	(27)	(28)
Remeasurements of defined benefit plans, net of tax	(1)	(10)
Total other comprehensive income	610	(729)
Comprehensive income	546	(648)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	546	(648)

(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)

(Adoption of "Partial Amendments to Accounting Standard for Tax Effect Accounting," etc.)

The Company has adopted "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, February 16, 2018), etc. from the beginning of the three months ended May 31, 2019. Accordingly, deferred tax assets are presented as investments and other assets, and deferred tax liabilities are presented as non-current liabilities.