

Consolidated Financial Results for the Fiscal Year Ended February 29, 2020 [Japanese GAAP]



April 14, 2020

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 Ordinary General Meeting of Shareholders: May 27, 2020

Scheduled date of commencing dividend payments: May 28, 2020

Scheduled date for filing of annual securities report: May 28 2020

Availability of supplementary briefing material on financial results: Available

Schedule of financial results briefing session: Not scheduled (The session is canceled from the view point of preventing spread of COVID-19 infection. Briefing materials will be posted on the Company's website and the questions and such will be taken through phone call and e-mail.)

(Figures are rounded down to the nearest million yen)

1. Consolidated Financial Results for the Fiscal Year Ended February 29, 2020 (March 1, 2019 to February 29, 2020)

(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 29, 2020	60,274	(7.0)	(103)	–	1	(99.3)	45	–
Fiscal year ended February 28, 2019	64,815	(10.9)	101	–	209	–	(1,621)	–

(Note) Comprehensive income: Fiscal year ended February 29, 2020: ¥(463) million [–%]

Fiscal year ended February 28, 2019: ¥(1,533) million [–%]

	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 29, 2020	4.86	4.79	0.1	0.0	(0.2)
Fiscal year ended February 28, 2019	(173.80)	–	(4.7)	0.4	0.2

(Reference) Equity in earnings (losses) of associates: Fiscal year ended February 29, 2020: ¥– million

Fiscal year ended February 28, 2019: ¥– million

(Note) 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 29, 2020	44,694	32,619	72.4	3,469.15
As of February 28, 2019	47,785	33,456	69.5	3,558.94

(Reference) Equity: As of February 29, 2020: ¥32,359million

As of February 28, 2019: ¥33,195million

(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 fiscal year ended February 29, 2020, and figures for the fiscal year ended February 28, 2019 are presented after retrospective application of such accounting standard, etc.

(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 29, 2020	875	423	(1,386)	3,406
Fiscal year ended February 28, 2019	(283)	(2,621)	290	3,510

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, 2019	–	20.00	–	20.00	40.00	373	–	1.1
Fiscal year ended February 29, 2020	–	20.00	–	20.00	40.00	373	823.0	1.1
Fiscal year ending February 28, 2021 (Forecast)	–	20.00	–	20.00	40.00		523.8	

3. Consolidated Financial Results Forecast for the Fiscal Year Ending February 28, 2021 (March 1, 2020 to February 28, 2021)

(% 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	60,000	(0.5)	100	–	200	–	70	54.4	7.64

***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: Yes

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 29, 2020	9,600,000 shares
February 28, 2019	9,600,000 shares

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

February 29, 2020	272,117 shares
February 28, 2019	272,653 shares

3) Average number of shares during the period:

Fiscal year ended February 29, 2020	9,327,497 shares
Fiscal year ended February 28, 2019	9,327,347 shares

(Reference) Summary of Non-consolidated Financial Results

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

(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 29, 2020	54,274	(7.0)	(334)	–	(256)	–	(203)	–
Fiscal year ended February 28, 2019	58,331	(12.2)	(81)	–	281	–	(1,372)	–

	Earnings per share	Diluted earnings per share
	yen	yen
Fiscal year ended February 29, 2020	(21.81)	–
Fiscal year ended February 28, 2019	(147.14)	–

* Though dilutive shares exist, diluted earnings per share for the fiscal year ended February 29, 2020 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 29, 2020	41,182	29,137	70.1	3,095.79
As of February 28, 2019	44,298	30,158	67.5	3,205.35

(Reference) Equity: As of February 29, 2020: ¥28,877 million

As of February 28, 2019: ¥29,897 million

2. Non-consolidated Financial Results Forecast for the Fiscal Year Ending February 28, 2021 (March 1, 2020 to February 28, 2021)

(% indicates changes from the previous corresponding period)

	Net sales		Ordinary profit		Profit		Earnings per share
	million yen	%	million yen	%	million yen	%	yen
Full year	57,500	5.9	50	–	450	–	49.09

* 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 Company's operating results for the fiscal year ended February 29, 2020, severe price competition among suppliers (delivery vendors) arising from the consumers' shift towards low-price products has been continuing in the market for apparel in the volume zone (general price range), which is the zone for our core business. Furthermore, we recognize that the apparel market has entered a major turning point, as evidenced that major apparel manufacturers and GMS (mass retailers) are reducing the sales floors for clothing, and some foreign fast fashion companies have withdrawn from Japan, while apparel sales through e-commerce (sales on the Internet) are steadily increasing.

In light of these circumstances, under the company-wide theme of "Back Home (returning to the basics)," the Company has worked to recover sales by securing an adequate profit margin and strengthening sales promotion of high value-added product groups. In addition, the Company is working on challenges to B2C (retail business) and sustainability (corporate activities that pay attention to burdens on the environment and limited resources) as medium- to long-term issues.

However, the Company struggled throughout the year due to weather factors such as a record-setting lack of sunlight in July and warm winter, as well as the stronger tendency of clients to make "demand-based" orders (placing product orders carefully after discerning the actual instore demand trends). In addition, the outbreak of the coronavirus disease (COVID-19) since late January caused the suspension of operations at subcontract plants in China, which manufacture the majority of our products, delaying the delivery of spring and early summer products.

As a result, for the fiscal year ended February 29, 2020, net sales stood at ¥60,274 million (7.0% decrease from the previous fiscal year, of which, ¥740 million decrease due to the coronavirus). In terms of profit and loss, the Company registered an operating loss of ¥103 million (operating profit of ¥101 million in the previous fiscal year) and ordinary profit of ¥1 million (99.3% decrease from the previous fiscal year) due to the impact of decreased sales. Profit attributable to owners of parent in the fiscal year ended February 29, 2020 amounted to ¥45 million (loss of ¥1,621 million in the previous fiscal year) due to the absence of the impact from impairment losses, which the Company recognized in the previous fiscal year in the amount of ¥1,507 million.

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 ¥53,800 million net sales (8.0% decrease from the previous fiscal year).

2) Rental Business

As a result of the acquisition of rental property, the segment registered ¥861 million net sales (10.5% 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 ¥5,612 million net sales (0.6% increase from the previous fiscal year).

(2) Financial Position as of the Current Fiscal Year

(Assets)

Current assets decreased by ¥2,012 million compared with the end of the previous fiscal year, to ¥18,840 million, due primarily to decreases of ¥854 million in notes and accounts receivable – trade and ¥608 million in merchandise and finished goods.

Non-current assets decreased by ¥1,078 million compared with the end of the previous fiscal year, to ¥25,853 million, due primarily to a decrease of ¥1,050 million in investment securities.

As a result, total assets decreased by ¥3,091 million compared with the end of the previous fiscal year, to ¥44,694 million.

(Liabilities)

Liabilities decreased by ¥2,254 million compared with the end of the previous fiscal year, to ¥12,074 million, due primarily to decreases of ¥1,760 million in notes and accounts payable – trade and ¥925 million in long-term loans payable, despite an increase of ¥407 million in accounts payable – other.

(Net assets)

Net assets decreased by ¥836 million compared with the end of the previous fiscal year, to ¥32,619 million, due primarily to decreases of ¥165 million in retained earnings and ¥670 million in accumulated other comprehensive income.

(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 ¥104 million (3.0%) compared with the end of the previous fiscal year, to ¥3,406 million.

(Cash flows from operating activities)

Net cash provided by operating activities for the current fiscal year amounted to ¥875 million (¥283 million used for the previous fiscal year), due primarily to profit before income taxes amounting to ¥87 million, depreciation amounting to ¥276 million, ¥851 million decrease in notes and accounts receivable – trade, ¥590 million decrease in inventories, and ¥451 million increase in other liabilities, despite ¥1,760 million decrease in notes and accounts payable – trade.

(Cash flows from investing activities)

Net cash provided by investing activities for the current fiscal year amounted to ¥423 million (¥2,621 million used for the previous fiscal year), due primarily to ¥627 million in proceeds from sales of property, plant and equipment, and ¥631 million in proceeds from sales of investment securities, despite ¥522 million in purchase of property, plant and equipment, and ¥144 million in purchase of investment securities.

(Cash flows from financing activities)

Net cash used in financing activities for the current fiscal year amounted to ¥1,386 million (¥290 million provided for the previous fiscal year), due primarily to ¥950 million in repayments of long-term loans payable, and ¥372 million in cash dividends paid.

(Reference) Indicators relative to cash flows

	Fiscal year ended February 28, 2019	Fiscal year ended February 29, 2020
Equity ratio (%)	69.5	72.4
Equity ratio on a market value basis (%)	35.6	29.5
Interest-bearing debt/cash flow ratio (years)	–	5.3
Interest coverage ratio (multiple)	–	12.6

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, 2019 are not shown since the cash flow from operating activities was negative.

(4) Outlook

For the fiscal year ending February 28, 2021, the Company forecasts ¥60,000 million in net sales, ¥100 million in operating profit, ¥200 million in ordinary profit, and ¥70 million in profit attributable to owners of parent.

The forecast assumes that orders for the Apparel & Textiles segment will continue to decline during the first half of the fiscal year due to the impact of the coronavirus disease (COVID-19). It may change depending on when the disease will be stamped out.

(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 43.6% 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.

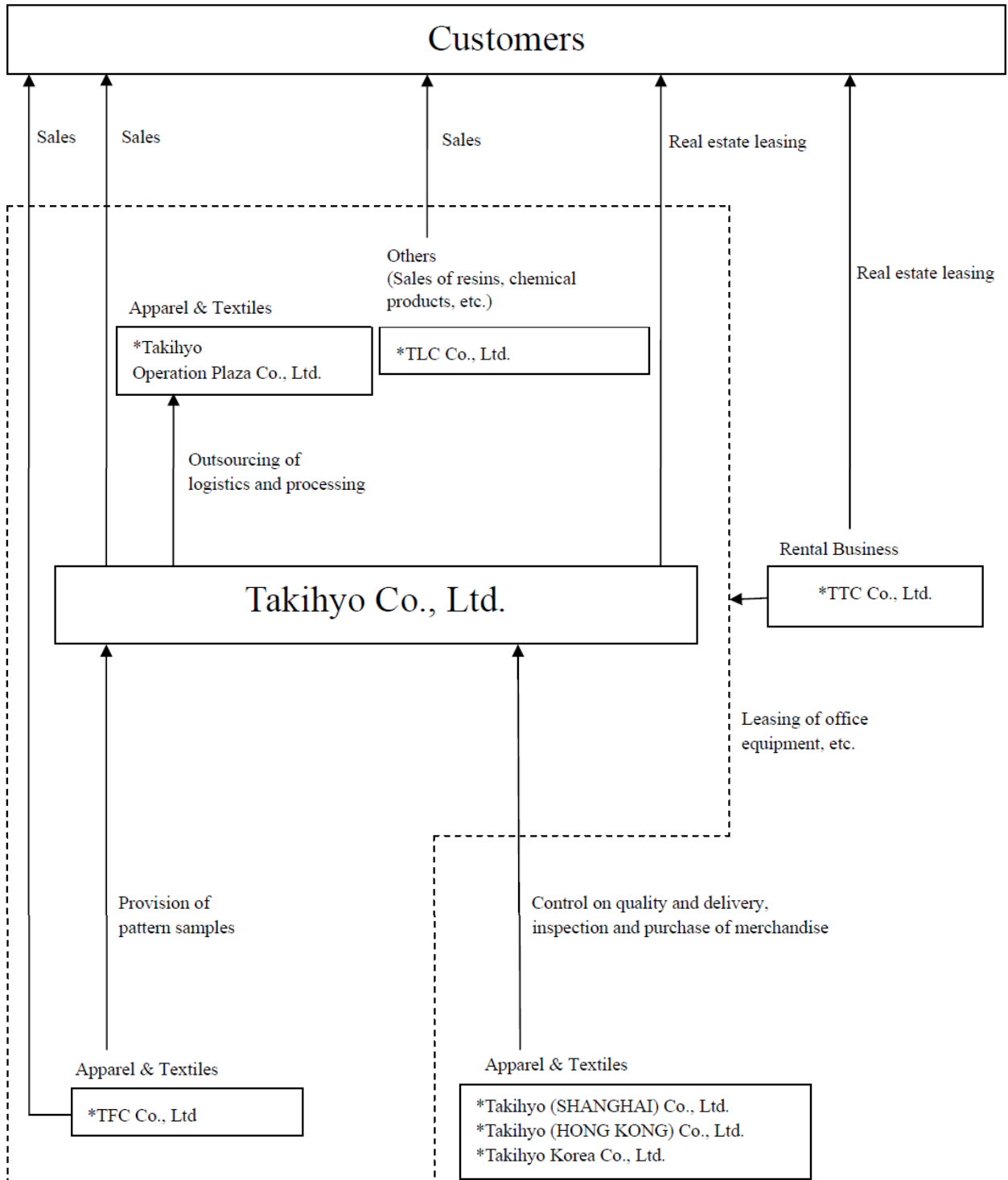
Rental Business The Company engages in leasing and management of real estate and related activities.

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

Others

The Company engages in the operation of “Komeda Coffee Shop” as a franchisee.
TLC Co., Ltd. engages in sales of products including resins and chemical products.

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, 2019	As of February 29, 2020
Assets		
Current assets		
Cash and deposits	3,510	3,406
Notes and accounts receivable - trade	12,141	11,286
Merchandise and finished goods	4,061	3,452
Work in process	35	54
Raw materials and supplies	34	33
Other	1,075	621
Allowance for doubtful accounts	(4)	(13)
Total current assets	20,853	18,840
Non-current assets		
Property, plant and equipment		
Buildings and structures	4,689	4,393
Accumulated depreciation	(2,198)	(1,935)
Buildings and structures, net	2,490	2,457
Machinery, equipment and vehicles	284	291
Accumulated depreciation	(177)	(197)
Machinery, equipment and vehicles, net	107	94
Tools, furniture and fixtures	1,762	1,771
Accumulated depreciation	(408)	(382)
Tools, furniture and fixtures, net	1,353	1,388
Land	16,938	16,772
Construction in progress	-	2
Total property, plant and equipment	20,889	20,715
Intangible assets	43	84
Investments and other assets		
Investment securities	4,771	3,721
Investments in capital	22	22
Long-term loans receivable	39	43
Long-term guarantee deposit	911	1,001
Insurance funds	120	122
Deferred tax assets	42	49
Other	126	171
Allowance for doubtful accounts	(36)	(79)
Total investments and other assets	5,998	5,053
Total non-current assets	26,932	25,853
Total assets	47,785	44,694

(Millions of yen)

	As of February 28, 2019	As of February 29, 2020
Liabilities		
Current liabilities		
Notes and accounts payable - trade	6,574	4,813
Current portion of long-term loans payable	950	925
Lease obligations	-	54
Accounts payable-other	1,551	1,959
Income taxes payable	48	173
Provision for bonuses	99	98
Provision for sales returns	26	25
Other	251	461
Total current liabilities	9,502	8,511
Non-current liabilities		
Long-term loans payable	2,450	1,525
Lease obligations	-	16
Retirement benefit liability	233	192
Provision for retirement benefits for directors (and other officers)	176	176
Asset retirement obligations	175	187
Deferred tax liabilities	1,359	1,122
Deferred tax liabilities for land revaluation	133	61
Other	298	282
Total non-current liabilities	4,827	3,563
Total liabilities	14,329	12,074
Net assets		
Shareholders' equity		
Capital stock	3,622	3,622
Capital surplus	4,148	4,148
Retained earnings	24,297	24,131
Treasury shares	(571)	(570)
Total shareholders' equity	31,496	31,332
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,402	953
Deferred gains or losses on hedges	110	110
Revaluation reserve for land	162	0
Foreign currency translation adjustment	(21)	(43)
Remeasurements of defined benefit plans	45	6
Total accumulated other comprehensive income	1,698	1,027
Share acquisition rights	261	259
Total net assets	33,456	32,619
Total liabilities and net assets	47,785	44,694

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

	(Millions of yen)	
	For the previous fiscal year ended February 28, 2019	For the current fiscal year ended February 29, 2020
Net sales	64,815	60,274
Cost of sales	52,324	48,416
Gross profit	12,491	11,857
Provision for sales returns	2	(1)
Gross profit - net	12,489	11,858
Selling, general and administrative expenses		
Freightage related expenses	2,714	2,596
Advertising and promotion expenses	384	325
Salaries and allowances	4,231	4,142
Bonuses	419	417
Share-based compensation expenses	9	-
Welfare expenses	1,084	1,050
Provision for bonuses	93	93
Retirement benefit expenses	184	158
Traveling and transportation expenses	655	625
Communication expenses	355	323
Rent expenses	828	783
Depreciation	226	125
Other	1,198	1,318
Total selling, general and administrative expenses	12,387	11,962
Operating profit (loss)	101	(103)
Non-operating income		
Interest income	25	12
Dividend income	90	107
Other	99	90
Total non-operating income	216	210
Non-operating expenses		
Interest expenses	84	73
Commission expenses	20	19
Other	3	12
Total non-operating expenses	108	105
Ordinary profit	209	1
Extraordinary income		
Gain on sales of non-current assets	0	116
Gain on sales of investment securities	-	133
Total extraordinary income	0	250

	(Millions of yen)	
	For the previous fiscal year ended February 28, 2019	For the current fiscal year ended February 29, 2020
Extraordinary losses		
Loss on retirement of non-current assets	28	0
Impairment loss	1,507	95
Loss on sales of investment securities	-	4
Loss on valuation of investment securities	28	64
Other	1	-
Total extraordinary losses	1,566	164
Profit (loss) before income taxes	(1,356)	87
Income taxes-current	71	155
Income taxes-deferred	193	(113)
Total income taxes	264	42
Profit (loss)	(1,621)	45
Profit (loss) attributable to owners of parent	(1,621)	45

Consolidated Statements of Comprehensive Income

(Millions of yen)

	For the previous fiscal year ended February 28, 2019	For the current fiscal year ended February 29, 2020
Profit (loss)	(1,621)	45
Other comprehensive income		
Valuation difference on available-for-sale securities	(458)	(448)
Deferred gains or losses on hedges	647	0
Revaluation reserve for land	(0)	-
Foreign currency translation adjustment	(42)	(21)
Remeasurements of defined benefit plans, net of tax	(58)	(38)
Total other comprehensive income	87	(509)
Comprehensive income	(1,533)	(463)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(1,533)	(463)

(3) Consolidated Statements of Changes in Net Assets

For the previous 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

For the current fiscal year ended February 29, 2020

(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	24,297	(571)	31,496
Changes of items during period					
Dividends of surplus			(373)		(373)
Profit attributable to owners of parent			45		45
Purchase of treasury shares				(0)	(0)
Disposal of treasury shares			(0)	1	1
Reversal of revaluation reserve for land			161		161
Net changes of items other than shareholders' equity					
Total changes of items during period	-	-	(165)	1	(164)
Balance at end of current period	3,622	4,148	24,131	(570)	31,332

(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	1,402	110	162	(21)	45	1,698	261	33,456
Changes of items during period								
Dividends of surplus								(373)
Profit attributable to owners of parent								45
Purchase of treasury shares								(0)
Disposal of treasury shares								1
Reversal of revaluation reserve for land			(161)			(161)		-
Net changes of items other than shareholders' equity	(448)	0	-	(21)	(38)	(509)	(1)	(510)
Total changes of items during period	(448)	0	(161)	(21)	(38)	(670)	(1)	(836)
Balance at end of current period	953	110	0	(43)	6	1,027	259	32,619

(4) Consolidated Statements of Cash Flows

(Millions of yen)

	For the previous fiscal year ended February 28, 2019	For the current fiscal year ended February 29, 2020
Cash flows from operating activities		
Profit (loss) before income taxes	(1,356)	87
Depreciation	371	276
Impairment loss	1,507	95
Increase (decrease) in allowance for doubtful accounts	0	52
Increase (decrease) in provision for bonuses	(3)	(0)
Increase (decrease) in provision for sales returns	2	(1)
Increase (decrease) in retirement benefit liability	(69)	(97)
Interest and dividend income	(116)	(119)
Interest expenses	84	73
Loss (gain) on sales of investment securities	-	(129)
Loss (gain) on valuation of investment securities	28	64
Loss (gain) on sales of property, plant and equipment	(0)	(116)
Loss on retirement of property, plant and equipment	28	0
Decrease (increase) in notes and accounts receivable - trade	1,262	851
Decrease (increase) in inventories	(101)	590
Increase (decrease) in notes and accounts payable - trade	(944)	(1,760)
Increase (decrease) in accrued consumption taxes	30	178
Decrease (increase) in other assets	188	95
Increase (decrease) in other liabilities	(504)	451
Other, net	2	(0)
Subtotal	409	591
Interest and dividend income received	116	125
Interest expenses paid	(86)	(69)
Income taxes (paid) refund	(723)	227
Net cash provided by (used in) operating activities	(283)	875

	(Millions of yen)	
	For the previous fiscal year ended February 28, 2019	For the current fiscal year ended February 29, 2020
Cash flows from investing activities		
Payments into time deposits	(146)	-
Proceeds from withdrawal of time deposits	146	-
Purchase of property, plant and equipment	(2,517)	(522)
Proceeds from sales of property, plant and equipment	7	627
Purchase of intangible assets	(56)	(76)
Purchase of investment securities	(202)	(144)
Proceeds from sales of investment securities	-	631
Proceeds from redemption of investment securities	100	-
Payments of loans receivable	-	(10)
Collection of loans receivable	6	5
Proceeds from collection of guarantee deposits	47	14
Other, net	(6)	(102)
Net cash provided by (used in) investing activities	(2,621)	423
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(210)	-
Proceeds from long-term loans payable	2,000	-
Repayments of long-term loans payable	(1,125)	(950)
Cash dividends paid	(373)	(372)
Purchase of treasury shares	-	(0)
Other, net	(0)	(63)
Net cash provided by (used in) financing activities	290	(1,386)
Effect of exchange rate change on cash and cash equivalents	(33)	(16)
Net increase (decrease) in cash and cash equivalents	(2,647)	(104)
Cash and cash equivalents at beginning of period	6,157	3,510
Cash and cash equivalents at end of period	3,510	3,406

(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 96th 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
 - 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.

(Changes in Accounting Policies)

The overseas consolidated subsidiaries have adopted IFRS 16 Leases from the current fiscal year. The application of IFRS 16 did not have a significant effect on the consolidated financial statements.

(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 current fiscal year. Accordingly, deferred tax assets are presented as investments and other assets, and deferred tax liabilities are presented as non-current liabilities.

(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, 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	35	47,785
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)
- "Others" refers to business segments not included in the reportable segments, including sales of synthetic resins and chemical products, etc.
 - 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 ¥35 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 loss in the consolidated statements of income.

For the current fiscal year (From March 1, 2019 to February 29, 2020)

(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	53,800	861	54,662	5,612	60,274	-	60,274
Inter-segment sales and transfers	-	71	71	24	96	(96)	-
Total	53,800	933	54,734	5,637	60,371	(96)	60,274
Segment income (loss)	(641)	561	(79)	(28)	(108)	5	(103)
Segment assets	25,203	18,535	43,738	1,683	45,422	(727)	44,694
Other items							
Depreciation	129	144	273	3	276	-	276
Increase in property, plant and equipment and intangible assets	165	416	581	36	617	-	617

- (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 -¥727 million adjustment to segment assets includes elimination of inter-segment of -¥1,021 million and corporate assets of ¥293 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, 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

For the current fiscal year (From March 1, 2019 to February 29, 2020)

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.	17,553	Apparel & Textiles and others

(Information regarding impairment loss on non-current assets by reportable segment)

For the previous 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

For the current fiscal year (From March 1, 2019 to February 29, 2020)

(Millions of yen)

	Reportable segment			Others	Corporate / elimination	Total
	Apparel & Textiles	Rental Business	Subtotal			
Impairment loss	95	-	95	-	-	95

(Per Share Information)

(Yen)

For the previous fiscal year (From March 1, 2018 to February 28, 2019)		For the current fiscal year (From March 1, 2019 to February 29, 2020)	
Net assets per share	3,558.94	Net assets per share	3,469.15
Net (loss) per share	(173.80)	Earnings per share	4.86
Diluted earnings per share	-	Diluted earnings per share	4.79

- (Notes)
1. Though dilutive shares exist, diluted earnings per share for the previous fiscal year are not provided, as net loss per share was recorded.
 2. The basis for calculation of net assets per share is as follows:

(Millions of yen)

	For the previous fiscal year (As of February 28, 2019)	For the current fiscal year (As of February 29, 2020)
Total net assets	33,456	32,619
Amount deducted from the total net assets	261	259
(Share acquisition rights included in the above)	(261)	(259)
Amount of net assets related to common stock as of the end of the fiscal year	33,195	32,359
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

3. 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, 2018 to February 28, 2019)	For the current fiscal year (From March 1, 2019 to February 29, 2020)
Earnings per share or net (loss) per share		
Profit (loss) attributable to owners of parent	(1,621)	45
Profit (loss) not attributable to common shareholders	-	-
Profit (loss) attributable to owners of parent related to common stock	(1,621)	45
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)	-	144
(Share acquisition rights included in the above) (Thousands shares)	(-)	(144)
Summary of potential stock that were not included in the computation of diluted earnings per share since there was no effect of dilution	-	-

(Significant Subsequent Events)

Not applicable.

6. Non-consolidated Financial Statements and Primary Notes

(1) Non-consolidated Balance Sheets

(Millions of yen)

	As of February 28, 2019	As of February 29, 2020
Assets		
Current assets		
Cash and deposits	2,527	2,379
Notes receivable - trade	1,322	1,161
Accounts receivable - trade	9,569	9,127
Merchandise	3,822	3,210
Advance payments - trade	272	168
Prepaid expenses	137	154
Lease receivables	-	47
Other	655	236
Allowance for doubtful accounts	(3)	(5)
Total current assets	18,305	16,481
Non-current assets		
Property, plant and equipment		
Buildings	1,538	1,360
Structures	21	18
Machinery and equipment	29	20
Vehicles	-	0
Tools, furniture and fixtures	1,301	1,331
Land	16,077	15,828
Construction in progress	-	2
Total property, plant and equipment	18,968	18,562
Intangible assets		
Leasehold right	10	10
Software	5	6
Other	6	3
Total intangible assets	23	21
Investments and other assets		
Investment securities	4,722	3,681
Shares of subsidiaries and associates	1,216	1,216
Investments in capital	22	21
Long-term loans receivable	39	43
Long-term retaining claims	23	39
Long-term prepaid expenses	22	18
Long-term guarantee deposit	797	951
Insurance funds	120	122
Other	61	61
Allowance for doubtful accounts	(23)	(39)
Total investments and other assets	7,001	6,116
Total non-current assets	25,993	24,700
Total assets	44,298	41,182

(Millions of yen)

	As of February 28, 2019	As of February 29, 2020
Liabilities		
Current liabilities		
Foreign notes payable	3,389	2,123
Accounts payable - trade	2,591	2,050
Short-term loans payable	780	1,133
Current portion of long-term loans payable	950	925
Lease obligations	8	8
Accounts payable-other	1,579	1,963
Income taxes payable	-	45
Provision for bonuses	76	76
Provision for sales returns	26	25
Other	165	401
Total current liabilities	9,568	8,752
Non-current liabilities		
Long-term loans payable	2,450	1,525
Lease obligations	13	4
Provision for retirement benefits	182	87
Provision for retirement benefits for directors (and other officers)	176	176
Asset retirement obligations	126	156
Deferred tax liabilities	1,261	1,051
Deferred tax liabilities for land revaluation	133	61
Other	228	228
Total non-current liabilities	4,571	3,292
Total liabilities	14,140	12,045
Net assets		
Shareholders' equity		
Capital stock	3,622	3,622
Capital surplus		
Legal capital surplus	4,148	4,148
Total capital surpluses	4,148	4,148
Retained earnings		
Legal retained earnings	806	806
Other retained earnings		
Reserve for advanced depreciation of non-current assets	1,424	1,382
General reserve	15,500	15,500
Retained earnings brought forward	3,287	2,914
Total other retained earnings	20,211	19,797
Total retained earnings	21,017	20,603
Treasury shares	(571)	(570)
Total shareholders' equity	28,217	27,803
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	1,403	964
Deferred gains or losses on hedges	113	108
Revaluation reserve for land	162	0
Total valuation and translation adjustments	1,680	1,073
Share acquisition rights	261	259
Total net assets	30,158	29,137
Total liabilities and net assets	44,298	41,182

(2) Non-consolidated Statements of Income

(Millions of yen)

	For the previous fiscal year ended February 28, 2019	For the current fiscal year ended February 29, 2020
Net sales	58,331	54,274
Cost of sales	46,631	43,076
Gross profit	11,700	11,198
Provision for sales returns	2	(1)
Gross profit-net	11,698	11,199
Selling, general and administrative expenses	11,779	11,534
Operating loss	(81)	(334)
Non-operating income		
Interest and dividend income	389	112
Other	84	75
Total non-operating income	474	188
Non-operating expenses		
Interest expenses	87	74
Commission expenses	20	19
Other	2	15
Total non-operating expenses	110	109
Ordinary profit (loss)	281	(256)
Extraordinary income		
Gain on sales of non-current assets	-	9
Gain on sales of investment securities	-	133
Total extraordinary income	-	143
Extraordinary losses		
Loss on retirement of non-current assets	28	0
Impairment loss	1,384	95
Loss on sales of investment securities	-	4
Loss on valuation of investment securities	28	64
Total extraordinary losses	1,441	164
Loss before income taxes	(1,159)	(276)
Income taxes-current	15	20
Income taxes-deferred	197	(93)
Total income taxes	212	(73)
Loss	(1,372)	(203)

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

For the previous 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				
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)
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)
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

For the current fiscal year ended February 29, 2020

(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				
Loss				
Purchase of treasury shares				
Disposal of treasury shares				
Reversal of revaluation reserve for land				
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	Total retained earnings		
Balance at beginning of current period	1,424	15,500	3,287	21,017	(571)	28,217
Changes of items during period						
Dividends of surplus			(373)	(373)		(373)
Loss			(203)	(203)		(203)
Purchase of treasury shares					(0)	(0)
Disposal of treasury shares			(0)	(0)	1	1
Reversal of revaluation reserve for land			161	161		161
Reversal of reserve for advanced depreciation of non-current assets	(41)		41	-		-
Net changes of items other than shareholders' equity						
Total changes of items during period	(41)	-	(372)	(414)	1	(413)
Balance at end of current period	1,382	15,500	2,914	20,603	(570)	27,803

(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	1,403	113	162	1,680	261	30,158
Changes of items during period						
Dividends of surplus						(373)
Loss						(203)
Purchase of treasury shares						(0)
Disposal of treasury shares						1
Reversal of revaluation reserve for land			(161)	(161)		-
Reversal of reserve for advanced depreciation of non-current assets						-
Net changes of items other than shareholders' equity	(439)	(5)	-	(444)	(1)	(446)
Total changes of items during period	(439)	(5)	(161)	(606)	(1)	(1,021)
Balance at end of current period	964	108	0	1,073	259	29,137

(4) Notes to Non-consolidated Financial Statements

(Notes on Going Concern Assumption)

Not applicable.

7. Others

(1) Change of Officers

Regarding the change of officers, please refer to the “Notice regarding officer appointments after partial changes to the Articles of Incorporation and transition to a company with an audit and supervisory committee,” which was released today.

(2) Others

Net sales by product

(Millions of yen, all fractions are rounded down to the nearest 1 million yen)

Item	The 108th fiscal year (From March 1, 2018 to February 28, 2019)		The 109th fiscal year (From March 1, 2019 to February 29, 2020)		Increase (decrease) from the previous fiscal year
	Net sales	Composition ratio	Net sales	Composition ratio	
		%		%	%
Ladies' apparel	25,493	44.2	23,495	44.2	(7.8)
Baby/Kids' apparel	13,034	22.6	12,098	22.7	(7.2)
Homewear	3,993	6.9	3,928	7.4	(1.6)
Textile/OEM	10,429	18.1	9,040	17.0	(13.3)
Men's apparel	2,980	5.2	2,820	5.3	(5.4)
Others	1,739	3.0	1,801	3.4	3.6
Total	57,671	100.0	53,184	100.0	(7.8)

* Sales of rental business and “Komeda Coffee Shop” operated as a franchisee are not included.