

Consolidated Financial Results for the Six Months Ended August 31, 2020 [Japanese GAAP]



October 9, 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)

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Scheduled date of commencing dividend payments: November 4, 2020

Scheduled date for filing of quarterly securities report: October 14, 2020

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, 2020 (March 1, 2020 to August 31, 2020)

(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, 2020	22,970	(21.9)	(699)	–	(632)	–	(726)	–
Six months ended August 31, 2019	29,404	(9.0)	3	–	45	–	80	–

(Note) Comprehensive income: Six months ended August 31, 2020: ¥(811) million [–%]

Six months ended August 31, 2019: ¥(648) million [–%]

	Earnings per share	Diluted earnings per share
	yen	yen
Six months ended August 31, 2020	(77.86)	–
Six months ended August 31, 2019	8.65	8.52

(Note) Diluted earnings per share for the six months ended August 31, 2020 are not shown due to quarterly net loss per share, although there are dilutive shares.

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	million yen	million yen	%	yen
As of August 31, 2020	44,457	31,593	70.5	3,362.11
As of February 29, 2020	44,694	32,619	72.4	3,469.15

(Reference) Equity: As of August 31, 2020: ¥31,361 million

As of February 29, 2020: ¥32,359 million

2. Dividends

	Annual Dividends				
	1st quarter end	2nd quarter end	3rd quarter end	Year end	Total
	yen	yen	yen	yen	yen
Fiscal year ended February 29, 2020	–	20.00	–	20.00	40.00
Fiscal year ending February 28, 2021	–	10.00			
Fiscal year ending February 28, 2021 (Forecast)			–	Pending	Pending

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

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	–	–	–	–	–	–	–	–	–

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

* The consolidated financial results forecast for the fiscal year ending February 28, 2021 is currently yet to be determined, since it is difficult to reasonably calculate the effect of the coronavirus disease (COVID-19). The Company will disclose the forecast when reasonable calculation becomes possible.

***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, 2020	9,600,000 shares
February 29, 2020	9,600,000 shares

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

August 31, 2020	272,054 shares
February 29, 2020	272,117 shares

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

Six months ended August 31, 2020	9,330,186 shares
Six months ended August 31, 2019	9,327,337 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

During the six months ended August 31, 2020, current conditions such as self-restraint from going out and temporary closures or shorter operating hours of commercial facilities, etc. caused by the spread of the coronavirus disease (COVID-19) have been gradually eased, following the lifting of the state of emergency declaration by the government. However, the recovery of fashion-related consumption is slow except at some major specialist retailers, resulting in a decrease in sales compared with the previous fiscal year.

The Company also continued to experience difficulty in receiving orders and selling products. As a result, net sales were ¥22,970 million (21.9% decrease from the previous corresponding period), and the Company registered operating loss of ¥699 million (operating profit of ¥3 million in the previous corresponding period), ordinary loss of ¥632 million (ordinary profit of ¥45 million in the previous corresponding period) and loss attributable to owners of parent of ¥726 million (profit of ¥80 million in the previous corresponding period).

Under these circumstances, the Company has determined that the cause of the current struggle stems from an issue that needs to be addressed in a structural manner, rather than a temporary environmental factor. Accordingly, the Company believes that it is imperative to develop various measures quickly. Specifically, the Company has been working with a team of external experts to transform the overall sales process, engaging in efforts including reinforcement of product planning that allows for an appeal of product strengths from consumers' point of view, commitment to materials and patterns to that end, and diversification of sales promotion methods. Secondly, with the remote work becoming established on a company-wide basis, the Company will scale down office spaces, reallocate personnel through streamlining of the organization, and accelerate reduction of fixed costs.

The Company plans to pay an interim dividend of 10 yen per share, which had previously been undetermined. The Company has yet to determine the year-end dividend forecast at this time.

(2) Qualitative Information on Financial Position

1) Assets

Current assets decreased by ¥228 million compared with the end of the previous fiscal year, to ¥18,612 million, due primarily to a decrease of ¥2,385 million in notes and accounts receivable - trade despite increases of ¥1,756 million in cash and deposits and ¥267 million in inventories.

Non-current assets decreased by ¥8 million compared with the end of the previous fiscal year, to ¥25,844 million, due primarily to a decrease of ¥24 million in investment securities despite an increase of ¥6 million in property, plant and equipment.

As a result, total assets decreased by ¥237 million compared with the end of the previous fiscal year, to ¥44,457 million.

2) Liabilities

Liabilities increased by ¥788 million compared with the end of the previous fiscal year, to ¥12,863 million, due primarily to an increase of ¥2,515 million in borrowings despite decreases of ¥717 million in notes and accounts payable - trade and ¥694 million in accounts payable - other.

3) Net assets

Net assets decreased by ¥1,026 million compared with the end of the previous fiscal year, to ¥31,593 million, due primarily to a decrease of ¥917 million in retained earnings.

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

The full-year financial results forecast remains undetermined as it is difficult to reasonably calculate the figures at present due to the uncertain outlook from the impact of COVID-19. Once it becomes possible to determine the figures, the Company will announce them.

2. Consolidated Financial Statements and Primary Notes

(1) Consolidated Balance Sheets

(Millions of yen)

	As of February 29, 2020	As of August 31, 2020
Assets		
Current assets		
Cash and deposits	3,406	5,162
Notes and accounts receivable - trade	11,286	8,901
Inventories	3,540	3,807
Other	621	750
Allowance for doubtful accounts	(13)	(9)
Total current assets	18,840	18,612
Non-current assets		
Property, plant and equipment		
Land	16,772	16,772
Other, net	3,943	3,949
Total property, plant and equipment	20,715	20,721
Intangible assets	84	84
Investments and other assets		
Investment securities	3,721	3,696
Other	1,411	1,423
Allowance for doubtful accounts	(79)	(81)
Total investments and other assets	5,053	5,038
Total non-current assets	25,853	25,844
Total assets	44,694	44,457

(Millions of yen)

	As of February 29, 2020	As of August 31, 2020
Liabilities		
Current liabilities		
Notes and accounts payable - trade	4,813	4,096
Short-term borrowings	-	40
Current portion of long-term borrowings	925	1,250
Income taxes payable	173	65
Provisions	124	122
Other	2,474	1,608
Total current liabilities	8,511	7,182
Non-current liabilities		
Long-term borrowings	1,525	3,675
Retirement benefit liability	192	172
Provision for retirement benefits for directors (and other officers)	176	157
Asset retirement obligations	187	174
Other	1,482	1,501
Total non-current liabilities	3,563	5,680
Total liabilities	12,074	12,863
Net assets		
Shareholders' equity		
Share capital	3,622	3,622
Capital surplus	4,148	4,148
Retained earnings	24,131	23,213
Treasury shares	(570)	(565)
Total shareholders' equity	31,332	30,419
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	953	965
Deferred gains or losses on hedges	110	32
Revaluation reserve for land	0	0
Foreign currency translation adjustment	(43)	(62)
Remeasurements of defined benefit plans	6	6
Total accumulated other comprehensive income	1,027	942
Share acquisition rights	259	231
Total net assets	32,619	31,593
Total liabilities and net assets	44,694	44,457

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

(Millions of yen)

	For the six months ended August 31, 2019	For the six months ended August 31, 2020
Net sales	29,404	22,970
Cost of sales	23,504	18,298
Gross profit	5,899	4,671
Provision for sales returns	(2)	(5)
Gross profit - net	5,901	4,676
Selling, general and administrative expenses	5,898	5,375
Operating profit (loss)	3	(699)
Non-operating income		
Interest income	6	5
Dividend income	57	58
Other	49	51
Total non-operating income	113	115
Non-operating expenses		
Interest expenses	36	20
Foreign exchange losses	23	16
Commission expenses	10	9
Other	0	1
Total non-operating expenses	71	49
Ordinary profit (loss)	45	(632)
Extraordinary income		
Gain on sales of investment securities	16	56
Gain on sales of non-current assets	106	-
Total extraordinary income	122	56
Extraordinary losses		
Loss on valuation of investment securities	-	38
Loss on sales of investment securities	4	-
Loss on retirement of non-current assets	0	6
Impairment loss	-	42
Total extraordinary losses	4	87
Profit (loss) before income taxes	163	(663)
Income taxes	83	62
Profit (loss)	80	(726)
Profit (loss) attributable to owners of parent	80	(726)

Consolidated Statements of Comprehensive Income

(Millions of yen)

	For the six months ended August 31, 2019	For the six months ended August 31, 2020
Profit (loss)	80	(726)
Other comprehensive income		
Valuation difference on available-for-sale securities	(341)	11
Deferred gains or losses on hedges	(349)	(78)
Foreign currency translation adjustment	(28)	(18)
Remeasurements of defined benefit plans, net of tax	(10)	(0)
Total other comprehensive income	(729)	(85)
Comprehensive income	(648)	(811)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(648)	(811)

(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)

(Accounting estimates with regard to COVID-19)

As it is difficult to predict when the spread of COVID-19 infections will come to an end, the Group has given consideration to the estimates based on information available. However, even after the spread of infections has come to an end for the time being, in the event of prolonged stagnation of the global economy due to a resurgence of the spread of infections, etc., there may be a significant impact on the Group's financial position, results of operations, and status of cash flows.

The Group has made accounting estimates on the assumption that the impact of the disease may remain throughout the period under review.