

Consolidated Financial Results for the Nine Months Ended November 30, 2020 [Japanese GAAP]



January 12, 2021

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: Kazuhito Yokoyama, Section Leader, Corporate Planning

Phone: +81-52-587-7111

Scheduled date of commencing dividend payments: –

Scheduled date for filing of quarterly securities report: January 14, 2021

Availability of supplementary briefing material on quarterly results: None

Schedule of quarterly results briefing session: None

(Figures are rounded down to the nearest million yen)

1. Consolidated Financial Results for the Nine Months Ended November 30, 2020 (March 1, 2020 to November 30, 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	%
Nine Months Ended November 30, 2020	37,696	(19.8)	(543)	–	(399)	–	(710)	–
Nine Months Ended November 30, 2019	46,979	(7.6)	410	6.7	483	0.4	383	–

(Note) Comprehensive income: Nine months ended November 30, 2020: ¥(823) million [–%]

Nine months ended November 30, 2019: ¥457 million [–%]

	Earnings per share	Diluted earnings per share
	yen	yen
Nine Months Ended November 30, 2020	(76.22)	–
Nine Months Ended November 30, 2019	41.14	40.51

(Note) Diluted earnings per share for the nine months ended November 30, 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 November 30, 2020	46,752	31,459	66.8	3,353.65
As of February 29, 2020	44,694	32,619	72.4	3,469.15

(Reference) Equity: As of November 30, 2020: ¥31,227 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)				10.00	20.00

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

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	50,300	(16.5)	(1,140)	–	(940)	–	(1,240)	–	(133.12)

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

***Notes**

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

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

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

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

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

3) Changes in accounting estimates: No

4) Restatements: No

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

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

November 30, 2020	9,600,000 shares
February 29, 2020	9,600,000 shares

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

November 30, 2020	288,354 shares
February 29, 2020	272,117 shares

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

Nine months ended November 30, 2020	9,326,354 shares
Nine months ended November 30, 2019	9,327,381 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 nine months ended November 30, 2020, consumer spending turned to positive growth for the first time in four quarters in the July-September period, partly due to the receding of the second wave of the coronavirus disease (COVID-19), “Go To” campaigns, and the provision of the Special Cash Payment, but it has yet to recover from the significant decline.

The recovery of fashion-related consumption is also slow except at some major specialist retailers.

The Company also continued to experience difficulty in receiving orders and selling products. As a result, net sales were ¥37,696 million (19.8% decrease from the previous corresponding period), and the Company registered operating loss of ¥543 million (operating profit of ¥410 million in the previous corresponding period), ordinary loss of ¥399 million (ordinary profit of ¥483 million in the previous corresponding period) and loss attributable to owners of parent of ¥710 million (profit of ¥383 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. The Company has been working to transform the overall sales process, engaging in efforts including reinforcement of product group planning and proposals that allow for an appeal of product characteristics and their needs from consumers’ point of view, commitment to materials and patterns to that end, and diversification of sales promotion methods.

To accelerate these initiatives, the Company restructured its organization on January 1, without waiting for the new fiscal year. In this process, the Company reformed the existing divisional system into a flat organization to speed up the realization of the Company policy and to create a structure that facilitates the proposals of product groups across the organization regardless of the type of items or age groups.

At the same time, in order to plan new categories and develop new retail businesses (B2C, D2C), the Company will set up several specialized organizations and strengthen cooperation with a team of external experts.

On the other hand, the Company will further reduce fixed costs and promote more efficient ways of working by returning one floor of office space at Head Office (about 1,980 square meters), relocating Osaka Branch Office to a shared office, and downsizing the office space at Takihyo (Shanghai) Co., Ltd by the end of the current fiscal year, as well as implementing telework on a daily basis.

In consideration of the current order status and the Declaration of the State of Emergency in the Tokyo metropolitan area due to the recent spread of the third wave of COVID-19, the Company has decided to downwardly revise the full-year financial results forecast for the fiscal year ending February 28, 2021 and to reduce the year-end dividend forecast to 10 yen per share.

In addition, the Company has decided to reduce the monthly remuneration for Directors for January and February of this fiscal year.

(2) Qualitative Information on Financial Position

1) Assets

Current assets increased by ¥1,931 million compared with the end of the previous fiscal year, to ¥20,772 million, due primarily to an increase of ¥2,178 million in cash and deposits.

Non-current assets increased by ¥126 million compared with the end of the previous fiscal year, to ¥25,980 million, due primarily to an increase of ¥135 million in investment securities.

As a result, total assets increased by ¥2,057 million compared with the end of the previous fiscal year, to ¥46,752 million.

2) Liabilities

Liabilities increased by ¥3,217 million compared with the end of the previous fiscal year, to ¥15,292 million, due primarily to an increase of ¥4,215 million in borrowings, despite a decrease of ¥872 million in notes and accounts payable - trade.

3) Net assets

Net assets decreased by ¥1,159 million compared with the end of the previous fiscal year, to ¥31,459 million, due primarily to a decrease of ¥995 million in retained earnings.

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

The Company had not determined the financial results forecast for the fiscal year ending February 28, 2021, as it was difficult to reasonably foresee the impact of the spread of the COVID-19 infections on our financial results. However, considering the results for the nine months ended November 30, 2020 announced today, the Company has calculated the financial results forecast based on currently available information and projections. For details, please refer to the “Notice Regarding Revision of Financial Results Forecast, Revision of Dividends Forecast and Reduction of Officers’ Remuneration (in Japanese)” released today.

2. Consolidated Financial Statements and Primary Notes

(1) Consolidated Balance Sheets

(Millions of yen)

	As of February 29, 2020	As of November 30, 2020
Assets		
Current assets		
Cash and deposits	3,406	5,584
Notes and accounts receivable - trade	11,286	11,046
Inventories	3,540	3,468
Other	621	684
Allowance for doubtful accounts	(13)	(11)
Total current assets	18,840	20,772
Non-current assets		
Property, plant and equipment		
Land	16,772	16,772
Other, net	3,943	3,955
Total property, plant and equipment	20,715	20,728
Intangible assets	84	93
Investments and other assets		
Investment securities	3,721	3,856
Other	1,411	1,386
Allowance for doubtful accounts	(79)	(84)
Total investments and other assets	5,053	5,158
Total non-current assets	25,853	25,980
Total assets	44,694	46,752

(Millions of yen)

	As of February 29, 2020	As of November 30, 2020
Liabilities		
Current liabilities		
Notes and accounts payable - trade	4,813	3,941
Short-term borrowings	-	2,040
Current portion of long-term borrowings	925	1,150
Income taxes payable	173	75
Provisions	124	213
Other	2,474	2,332
Total current liabilities	8,511	9,752
Non-current liabilities		
Long-term borrowings	1,525	3,475
Retirement benefit liability	192	192
Provision for retirement benefits for directors (and other officers)	176	157
Asset retirement obligations	187	207
Other	1,482	1,508
Total non-current liabilities	3,563	5,539
Total liabilities	12,074	15,292
Net assets		
Shareholders' equity		
Share capital	3,622	3,622
Capital surplus	4,148	4,148
Retained earnings	24,131	23,136
Treasury shares	(570)	(594)
Total shareholders' equity	31,332	30,312
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	953	1,077
Deferred gains or losses on hedges	110	(113)
Revaluation reserve for land	0	0
Foreign currency translation adjustment	(43)	(55)
Remeasurements of defined benefit plans	6	6
Total accumulated other comprehensive income	1,027	915
Share acquisition rights	259	231
Total net assets	32,619	31,459
Total liabilities and net assets	44,694	46,752

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

(Millions of yen)

	For the nine months ended November 30, 2019	For the nine months ended November 30, 2020
Net sales	46,979	37,696
Cost of sales	37,572	30,023
Gross profit	9,406	7,672
Provision for sales returns	4	(1)
Gross profit - net	9,402	7,673
Selling, general and administrative expenses	8,992	8,217
Operating profit (loss)	410	(543)
Non-operating income		
Interest income	7	7
Dividend income	71	71
Subsidies for employment adjustment	-	88
Other	71	69
Total non-operating income	150	236
Non-operating expenses		
Interest expenses	58	30
Foreign exchange losses	2	36
Other	16	24
Total non-operating expenses	77	92
Ordinary profit (loss)	483	(399)
Extraordinary income		
Gain on sales of investment securities	16	56
Gain on sales of non-current assets	116	-
Total extraordinary income	132	56
Extraordinary losses		
Impairment loss	95	117
Loss on valuation of investment securities	30	100
Other	4	11
Total extraordinary losses	129	229
Profit (loss) before income taxes	486	(572)
Income taxes	102	137
Profit (loss)	383	(710)
Profit (loss) attributable to owners of parent	383	(710)

Consolidated Statements of Comprehensive Income

(Millions of yen)

	For the nine months ended November 30, 2019	For the nine months ended November 30, 2020
Profit (loss)	383	(710)
Other comprehensive income		
Valuation difference on available-for-sale securities	(8)	123
Deferred gains or losses on hedges	143	(224)
Foreign currency translation adjustment	(44)	(11)
Remeasurements of defined benefit plans, net of tax	(16)	(0)
Total other comprehensive income	74	(112)
Comprehensive income	457	(823)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	457	(823)

(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.