

Consolidated Financial Results for the Six Months Ended August 31, 2021 [Japanese GAAP]



October 11, 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)
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 Scheduled date of commencing dividend payments: November 8, 2021
 Scheduled date for filing of quarterly securities report: October 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 Six Months Ended August 31, 2021 (March 1, 2021 to August 31, 2021)

(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, 2021 | 26,903 | 17.1 | (548) | – | (449) | – | (563) | – |
| Six months ended August 31, 2020 | 22,970 | (21.9) | (699) | – | (632) | – | (726) | – |

(Note) Comprehensive income: Six months ended August 31, 2021: ¥(542) million [–%]
 Six months ended August 31, 2020: ¥(811) million [–%]

| | Earnings per share | Diluted earnings per share |
|----------------------------------|--------------------|----------------------------|
| | yen | yen |
| Six months ended August 31, 2021 | (60.94) | – |
| Six months ended August 31, 2020 | (77.86) | – |

(Note) Though dilutive shares exist, diluted earnings per share 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 August 31, 2021 | 44,108 | 30,663 | 69.0 | 3,298.09 |
| As of February 28, 2021 | 44,673 | 31,404 | 69.8 | 3,357.62 |

(Reference) Equity: As of August 31, 2021: ¥30,431 million
 As of February 28, 2021: ¥31,172 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 28, 2021 | – | 10.00 | – | 10.00 | 20.00 |
| Fiscal year ending February 28, 2022 | – | 10.00 | | | |
| Fiscal year ending February 28, 2022 (Forecast) | | | – | 10.00 | 20.00 |

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

3. Consolidated Financial Results Forecast for the Fiscal Year Ending February 28, 2022 (March 1, 2021 to February 28, 2022)

(% 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 | 55,000 | 9.9 | 220 | – | 320 | – | 200 | – | 21.69 |

(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, 2021 | 9,500,000 shares |
| February 28, 2021 | 9,600,000 shares |

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

| | |
|-------------------|----------------|
| August 31, 2021 | 273,038 shares |
| February 28, 2021 | 315,891 shares |

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

| | |
|----------------------------------|------------------|
| Six months ended August 31, 2021 | 9,252,688 shares |
| Six months ended August 31, 2020 | 9,330,186 shares |

* These consolidated quarterly financial results are outside the scope of quarterly review by certified public accountants or audit firms.

* 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, 2021, due to the continued impact of intermittent declarations of the state of emergency in response to the spread of the coronavirus disease (COVID-19), spending on clothing still remains below pre-pandemic levels.

In the current year, the Company has been working on the recovery of earnings under the four priority measures, “recovery of the existing wholesale business,” “strengthening of the retail business,” “planning and proposal of distinctive product lines,” and “collaboration with different industries.”

Under these circumstances, the Company launched a new brand targeting the family user segment collaborating with a major volume retailer, increased sales by adding brands in the golf clothing retail business, saw recovery in exports of textile for European brands, and embarked on exclusive sales of an Italian natural cosmetic brand L’Erbolario. While some businesses such as these showed some achievements, the existing wholesale business, which is the Company’s core segment, continues to face difficulties on the profit front, despite a gradual recovery in net sales.

For the six months ended August 31, 2021, the Company registered net sales of ¥26,903 million (17.1% increase from the previous corresponding period). In terms of profit and loss, losses improved but the Company did not return to profitability, registering an operating loss of ¥548 million (an operating loss of ¥699 million in the previous corresponding period), an ordinary loss of ¥449 million (an ordinary loss of ¥632 million in the previous corresponding period) and loss attributable to owners of parent of ¥563 million (a loss of ¥726 million in the previous corresponding period). This was primarily due to capacity shortage caused by lockdowns in ASEAN countries forcing production to be redirected to China, as well as increased costs derived from customers’ requests for shorter delivery turnaround and lower prices, in addition to a surge in raw materials prices.

(2) Qualitative Information on Financial Position

1) Assets

Current assets decreased by ¥562 million compared with the end of the previous fiscal year, to ¥18,267 million, due primarily to decreases of ¥570 million in cash and deposits and ¥389 million in notes and accounts receivable - trade despite an increase of ¥346 million in inventories.

Non-current assets decreased by ¥1 million compared with the end of the previous fiscal year, to ¥25,841 million, due primarily to decreases of ¥17 million in property, plant and equipment and ¥84 million in long-term guarantee deposit, despite increases of ¥34 million in intangible assets and ¥63 million in investment securities.

As a result, total assets decreased by ¥564 million compared with the end of the previous fiscal year, to ¥44,108 million.

2) Liabilities

Liabilities increased by ¥176 million compared with the end of the previous fiscal year, to ¥13,445 million, due primarily to an increase of ¥560 million in borrowings despite a decrease of ¥472 million in notes and accounts payable - trade.

3) Net assets

Net assets decreased by ¥741 million compared with the end of the previous fiscal year, to ¥30,663 million, due primarily to a decrease of ¥860 million in retained earnings.

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

The financial results forecast has not changed since its earlier announcement on April 14, 2021.

2. Consolidated Financial Statements and Primary Notes

(1) Consolidated Balance Sheets

(Millions of yen)

| | As of February 28, 2021 | As of August 31, 2021 |
|--|-------------------------|-----------------------|
| Assets | | |
| Current assets | | |
| Cash and deposits | 3,877 | 3,306 |
| Notes and accounts receivable - trade | 10,083 | 9,694 |
| Inventories | 4,023 | 4,370 |
| Other | 857 | 907 |
| Allowance for doubtful accounts | (11) | (11) |
| Total current assets | 18,830 | 18,267 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Land | 16,803 | 16,803 |
| Other, net | 3,909 | 3,892 |
| Total property, plant and equipment | 20,713 | 20,696 |
| Intangible assets | 76 | 110 |
| Investments and other assets | | |
| Investment securities | 3,736 | 3,800 |
| Other | 1,395 | 1,312 |
| Allowance for doubtful accounts | (78) | (79) |
| Total investments and other assets | 5,053 | 5,033 |
| Total non-current assets | 25,843 | 25,841 |
| Total assets | 44,673 | 44,108 |

(Millions of yen)

| | As of February 28, 2021 | As of August 31, 2021 |
|--|-------------------------|-----------------------|
| Liabilities | | |
| Current liabilities | | |
| Notes and accounts payable - trade | 4,932 | 4,459 |
| Short-term borrowings | 40 | 1,000 |
| Current portion of long-term borrowings | 800 | 1,400 |
| Income taxes payable | 100 | 121 |
| Provisions | 114 | 114 |
| Other | 2,007 | 2,008 |
| Total current liabilities | 7,994 | 9,103 |
| Non-current liabilities | | |
| Long-term borrowings | 3,275 | 2,275 |
| Retirement benefit liability | 29 | 54 |
| Provision for retirement benefits for directors (and other officers) | 157 | 157 |
| Asset retirement obligations | 207 | 208 |
| Other | 1,605 | 1,646 |
| Total non-current liabilities | 5,274 | 4,341 |
| Total liabilities | 13,269 | 13,445 |
| Net assets | | |
| Shareholders' equity | | |
| Share capital | 3,622 | 3,622 |
| Capital surplus | 4,148 | 4,148 |
| Retained earnings | 22,725 | 21,865 |
| Treasury shares | (646) | (549) |
| Total shareholders' equity | 29,849 | 29,086 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 1,231 | 1,291 |
| Deferred gains or losses on hedges | 107 | 12 |
| Revaluation reserve for land | 0 | 0 |
| Foreign currency translation adjustment | (50) | 7 |
| Remeasurements of defined benefit plans | 34 | 32 |
| Total accumulated other comprehensive income | 1,323 | 1,344 |
| Share acquisition rights | 231 | 231 |
| Total net assets | 31,404 | 30,663 |
| Total liabilities and net assets | 44,673 | 44,108 |

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

| | (Millions of yen) | |
|--|---|---|
| | For the six months ended August 31, 2020 | For the six months ended August 31, 2021 |
| Net sales | 22,970 | 26,903 |
| Cost of sales | 18,298 | 21,683 |
| Gross profit | 4,671 | 5,219 |
| Provision for sales returns | (5) | - |
| Gross profit - net | 4,676 | 5,219 |
| Selling, general and administrative expenses | 5,375 | 5,768 |
| Operating loss | (699) | (548) |
| Non-operating income | | |
| Interest income | 5 | 2 |
| Dividend income | 58 | 45 |
| Subsidies for employment adjustment | 3 | 32 |
| Other | 48 | 50 |
| Total non-operating income | 115 | 131 |
| Non-operating expenses | | |
| Interest expenses | 20 | 17 |
| Foreign exchange losses | 16 | - |
| Commission expenses | 9 | 11 |
| Other | 1 | 2 |
| Total non-operating expenses | 49 | 32 |
| Ordinary loss | (632) | (449) |
| Extraordinary income | | |
| Gain on sales of investment securities | 56 | - |
| Gain on sales of non-current assets | - | 0 |
| Total extraordinary income | 56 | 0 |
| Extraordinary losses | | |
| Loss on valuation of investment securities | 38 | 16 |
| Loss on retirement of non-current assets | 6 | - |
| Impairment loss | 42 | - |
| Total extraordinary losses | 87 | 16 |
| Loss before income taxes | (663) | (465) |
| Income taxes | 62 | 97 |
| Loss | (726) | (563) |
| Loss attributable to owners of parent | (726) | (563) |

Consolidated Statements of Comprehensive Income

(Millions of yen)

| | For the six months ended August 31, 2020 | For the six months ended August 31, 2021 |
|---|---|---|
| Loss | (726) | (563) |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | 11 | 59 |
| Deferred gains or losses on hedges | (78) | (94) |
| Foreign currency translation adjustment | (18) | 58 |
| Remeasurements of defined benefit plans, net of tax | (0) | (1) |
| Total other comprehensive income | (85) | 21 |
| Comprehensive income | (811) | (542) |
| Comprehensive income attributable to | | |
| Comprehensive income attributable to owners of parent | (811) | (542) |

(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)

There are no significant changes to the content described in (Additional Information) (Accounting estimates with regard to COVID-19) in the annual securities report for the fiscal year ended February 28, 2021.