

Consolidated Financial Results for the Nine Months Ended November 30, 2022 [Japanese GAAP]



January 13, 2023

Company name: Takihyo Co., Ltd.

Code number: 9982

URL: <https://www.takihyo.co.jp>

Stock exchange listing: Tokyo Stock Exchange (Standard Market), Nagoya Stock Exchange (Premier Market)

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Scheduled date of commencing dividend payments: –

Scheduled date for filing of quarterly securities report: January 16, 2023

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, 2022 (March 1, 2022 to November 30, 2022)

(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, 2022	47,906	16.4	246	–	466	–	163	–
Nine months ended November 30, 2021	41,161	–	(920)	–	(748)	–	(987)	–

(Note) Comprehensive income: Nine months ended November 30, 2022: ¥(307) million [–%]

Nine months ended November 30, 2021: ¥(866) million [–%]

	Earnings per share	Diluted earnings per share
	yen	yen
Nine months ended November 30, 2022	17.80	17.64
Nine months ended November 30, 2021	(106.90)	–

Effective the beginning of the first quarter of the fiscal year ending February 28, 2023, the Company has adopted the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020) and other related accounting standards. Therefore, the figures for the nine months ended November 30, 2021 are retrospectively restated to reflect these accounting standards and percentage changes from the previous corresponding period are not provided.

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	million yen	million yen	%	yen
As of November 30, 2022	51,716	28,625	55.1	3,096.81
As of February 28, 2022	47,087	29,151	61.4	3,151.49

(Reference) Equity: As of November 30, 2022: ¥28,497 million

As of February 28, 2022: ¥28,919 million

Effective the beginning of the first quarter of the fiscal year ending February 28, 2023, the Company has adopted the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020) and other related accounting standards. Therefore, the figures as of February 28, 2022 are retrospectively restated to reflect these accounting standards.

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, 2022	–	10.00	–	10.00	20.00
Fiscal year ending February 28, 2023	–	10.00	–		
Fiscal year ending February 28, 2023 (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, 2023 (March 1, 2022 to February 28, 2023)

(% 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	54,300	1.0	(700)	–	(500)	–	(600)	–	(65.25)

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

Effective the beginning of the fiscal year ending February 28, 2023, the Company has adopted the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020) and other related accounting standards. Therefore, these standards have been retrospectively applied to the figures for the year ended February 28, 2022 used for year-on-year comparisons.

***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: Yes
 - 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, 2022	9,500,000 shares
February 28, 2022	9,500,000 shares

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

November 30, 2022	297,838 shares
February 28, 2022	323,438 shares

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

Nine months ended November 30, 2022	9,193,882 shares
Nine months ended November 30, 2021	9,241,230 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

For the nine months ended November 30, 2022, an unprecedented and unstable situation has continued in the Japanese economy, with raw material prices and sea freight rates remaining high, energy issues, disrupted supply chains and the fluctuation of exchange rates caused by the prolonged Ukraine crisis. As for consumer spending, the Company expects the recovery of consumer sentiment due to the normalization of economic activities along with recovery from the coronavirus disease (COVID-19) catastrophe such as the lifting of movement restrictions, while consumers have continuously been precautionary in their purchasing behavior for clothing due to soaring commodity prices mainly of utilities and food products.

Under such circumstances, in order to recover earning power, the Company has been working on securing appropriate profits for each product number from the order-taking activity stage, and entering into negotiations to compensate for cost increases.

In addition, in the current fiscal year, the Company has started the “Revitalization Plan (Plan to Run a Chronic Surplus Again)” with the offer of voluntary retirement, reduction of Head Office space, and relocation of Tokyo Branch Office. Furthermore, the Company has been working to reduce fixed costs through efforts such as deciding on the consolidation and abolition of overseas bases.

As a result of these efforts, for the nine months ended November 30, 2022, the Company registered net sales of ¥47,906 million (a 16.4% increase from the previous corresponding period). In terms of profit and loss, gross profit margin improved (18.9%, a 0.9% increase from the previous corresponding period) while logistics costs and other costs increased in line with an increase in revenue, and the Company registered an operating profit of ¥246 million (an operating loss of ¥920 million in the previous corresponding period), ordinary profit of ¥466 million (an ordinary loss of ¥748 million in the previous corresponding period), and profit attributable to owners of parent of ¥163 million (a loss of ¥987 million in the previous corresponding period), going into the black for the first time in six quarters.

The Company will continue to work on the “Revitalization Plan (Plan to Run a Chronic Surplus Again)” to improve profitability and carry out a structural reform to run a chronic surplus.

(2) Qualitative Information on Financial Position

1) Assets

Current assets increased by ¥5,384 million compared with the end of the previous fiscal year, to ¥27,022 million, due primarily to an increase of ¥5,440 million in notes and accounts receivable - trade.

Non-current assets decreased by ¥755 million compared with the end of the previous fiscal year, to ¥24,693 million, due primarily to decreases of ¥413 million in investment securities and ¥211 million in long-term guarantee deposit.

As a result, total assets increased by ¥4,628 million compared with the end of the previous fiscal year, to ¥51,716 million.

2) Liabilities

Liabilities increased by ¥5,154 million compared with the end of the previous fiscal year, to ¥23,091 million, due primarily to increases of ¥1,342 million in notes and accounts payable - trade and ¥3,725 million in borrowings.

3) Net assets

Net assets decreased by ¥526 million compared with the end of the previous fiscal year, to ¥28,625 million, due primarily to a decrease of ¥526 million in deferred gains or losses on hedges.

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

The financial results forecast has not changed since its earlier announcement on April 14, 2022.

2. Consolidated Financial Statements and Primary Notes

(1) Consolidated Balance Sheets

(Millions of yen)

	As of February 28, 2022	As of November 30, 2022
Assets		
Current assets		
Cash and deposits	4,533	2,777
Notes and accounts receivable - trade	11,025	16,465
Inventories	4,600	6,658
Other	1,494	1,127
Allowance for doubtful accounts	(15)	(6)
Total current assets	21,638	27,022
Non-current assets		
Property, plant and equipment		
Land	16,875	16,875
Other, net	3,931	3,831
Total property, plant and equipment	20,806	20,706
Intangible assets	67	158
Investments and other assets		
Investment securities	3,205	2,792
Other	1,441	1,075
Allowance for doubtful accounts	(72)	(39)
Total investments and other assets	4,574	3,827
Total non-current assets	25,449	24,693
Total assets	47,087	51,716

(Millions of yen)

	As of February 28, 2022	As of November 30, 2022
Liabilities		
Current liabilities		
Notes and accounts payable - trade	3,222	4,564
Short-term borrowings	7,000	12,500
Current portion of long-term borrowings	1,925	600
Income taxes payable	70	69
Provisions	139	162
Other	2,199	2,316
Total current liabilities	14,556	20,212
Non-current liabilities		
Long-term borrowings	1,350	900
Retirement benefit liability	55	18
Provision for retirement benefits for directors (and other officers)	157	11
Asset retirement obligations	171	199
Other	1,646	1,749
Total non-current liabilities	3,379	2,878
Total liabilities	17,936	23,091
Net assets		
Shareholders' equity		
Share capital	3,622	3,622
Capital surplus	4,148	4,148
Retained earnings	20,315	20,290
Treasury shares	(630)	(556)
Total shareholders' equity	27,455	27,504
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,051	975
Deferred gains or losses on hedges	303	(222)
Revaluation reserve for land	0	0
Foreign currency translation adjustment	49	188
Remeasurements of defined benefit plans	58	51
Total accumulated other comprehensive income	1,463	992
Share acquisition rights	231	127
Total net assets	29,151	28,625
Total liabilities and net assets	47,087	51,716

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

(Millions of yen)

	For the nine months ended November 30, 2021	For the nine months ended November 30, 2022
Net sales	41,161	47,906
Cost of sales	33,762	38,848
Gross profit	7,399	9,057
Selling, general and administrative expenses	8,320	8,811
Operating profit (loss)	(920)	246
Non-operating income		
Interest income	8	7
Dividend income	60	65
Foreign exchange gains	34	169
Other	113	45
Total non-operating income	216	288
Non-operating expenses		
Interest expenses	26	60
Other	17	6
Total non-operating expenses	43	67
Ordinary profit (loss)	(748)	466
Extraordinary income		
Gain on sale of investment securities	–	275
Gain on sale of non-current assets	0	73
Total extraordinary income	0	348
Extraordinary losses		
Impairment losses	93	–
Loss on valuation of investment securities	17	–
Premium allowance of retirement	–	491
Other	0	53
Total extraordinary losses	110	545
Profit (loss) before income taxes	(858)	270
Income taxes	128	106
Profit (loss)	(987)	163
Profit (loss) attributable to owners of parent	(987)	163

Consolidated Statements of Comprehensive Income

(Millions of yen)

	For the nine months ended November 30, 2021	For the nine months ended November 30, 2022
Profit (loss)	(987)	163
Other comprehensive income		
Valuation difference on available-for-sale securities	(94)	(76)
Deferred gains or losses on hedges	149	(526)
Foreign currency translation adjustment	68	138
Remeasurements of defined benefit plans, net of tax	(2)	(7)
Total other comprehensive income	121	(471)
Comprehensive income	(866)	(307)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(866)	(307)

(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.

(Changes in Accounting Policies)

(Adoption of Accounting Standard for Revenue Recognition, etc.)

The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020; hereinafter "Revenue Recognition Standard") and other related accounting standards from the beginning of the first quarter of the fiscal year ending February 28, 2023. The Company recognizes revenue when control of a promised good or service is transferred to a customer in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods and services.

The main changes due to the adoption of accounting standard for revenue recognition, etc., are as follows.

(1) Consideration payable to customers

The Company has changed to a method whereby consideration payable to customers previously recorded in selling, general and administrative expenses, is subtracted from net sales.

(2) Agent transactions

For some sales transactions, the Company has changed to a method whereby the total amount of consideration received from customers previously recognized as revenue, is recognized in net amount for transactions that correspond to agents.

(3) Transactions that a certain amount of return is expected

For "provision for sales returns" that was previously recorded as current liabilities based on the amount equivalent to the expected gross profit of the returned goods portion, the Company has changed to a method whereby the net sales and amount equivalent to cost of sales that are expected to be returned are not recognized. Refund liabilities are included in "Other" of current liabilities and returned assets are included in "Other" of current assets.

(4) Buy-sell transactions

For buy-sell transactions which the Company is obligated to buy them back, the Company has changed to a method whereby the items that it supplied for a fee are not derecognized at the time of transfer, is continued to be recognized as inventories.

In principle, these changes in accounting policies are applied retrospectively, including the quarterly consolidated financial statements and the consolidated financial statements for the previous year's quarter and the previous fiscal year, which have been adjusted retrospectively, provided the following methods are applied as stipulated in Paragraph 85 (1) of the Revenue Recognition Standard.

- Comparative information is not retrospectively restated for contracts where substantially all the revenue amounts have been recognized prior to the beginning of the previous fiscal year in accordance with the previous treatment

As a result of this change, compared with the figures before the retrospective application, for the nine

months ended November 30, 2021, net sales decreased by ¥2,109 million, cost of sales decreased by ¥1,476 million, selling, general and administrative expenses decreased by ¥635 million, and operating loss, ordinary loss, and loss before income taxes decreased by ¥3 million, respectively. The cumulative impact of this change has been reflected on net assets at the beginning of the previous fiscal year. As a result, the beginning balance of retained earnings of the previous fiscal year increased by ¥5 million.

(Accounting Standard for Fair Value Measurement)

The Company has applied the “Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, July 4, 2019; hereinafter “Fair Value Measurement Standard”) and other standards from the beginning of the first quarter of the fiscal year ending February 28, 2023, and will prospectively apply the new accounting policies stipulated by the Fair Value Measurement Standard, etc. in accordance with the transitional treatment provided in Paragraph 19 of the Fair Value Measurement Standard and Paragraph 44-2 of the “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, July 4, 2019). This does not affect the quarterly consolidated financial statements.

(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, 2022.

3. Others

(Significant Events on Going Concern Assumption)

The Group continues to record operating losses (for three consecutive terms) in the previous fiscal year. While the Company recorded operating profit during the nine months ended November 30, 2022, it continues to expect operating loss in the current fiscal year.

In light of the above, the Group recognizes that there are events or situations that raise significant doubts about the going concern assumption.

In order to resolve this situation as soon as possible, the Group has been tackling not only medium-term challenges such as “recovery of the existing wholesale business” and “planning and proposal of distinctive product lines,” but also securing appropriate profits for each product number from the order-taking activity stage while working to reduce fixed costs by restructuring the business.

In terms of funds, the Group has cash and deposits of ¥2,777 million as of November 30, 2022. In order to efficiently raise operating funds, we have concluded an overdraft agreement with our bank to secure the necessary funds. In addition, the Group owns investment securities of ¥2,792 million and land that is not pledged of ¥16,875 million. Furthermore, as the Group has a sufficient financial base with a net asset balance of ¥28,625 million, it believes that there is no significant uncertainty regarding a going concern assumption.