

# Consolidated Financial Results for the Three Months Ended May 31, 2023 [Japanese GAAP]



July 10, 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)

Representative: Kazuo Taki, Representative Director, CEO

Contact: Yuichiro Inaba, Section Leader, Corporate Planning

Phone: +81-52-587-7111

Scheduled date of commencing dividend payments: –

Scheduled date for filing of quarterly securities report: July 14, 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 Three Months Ended May 31, 2023 (March 1, 2023 to May 31, 2023)

(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                             | % |
| Three months ended May 31, 2023 | 14,660      | (0.1) | 415              | – | 446             | –      | 540                                     | – |
| Three months ended May 31, 2022 | 14,676      | 4.8   | (87)             | – | 24              | (87.6) | (36)                                    | – |

(Note) Comprehensive income: Three months ended May 31, 2023: ¥1,122 million [37.1%]

Three months ended May 31, 2022: ¥818 million [164.8%]

|                                 | Earnings per share | Diluted earnings per share |
|---------------------------------|--------------------|----------------------------|
|                                 | yen                | yen                        |
| Three months ended May 31, 2023 | 58.67              | 58.33                      |
| Three months ended May 31, 2022 | (4.02)             | –                          |

(2) Consolidated Financial Position

|                         | Total assets | Net assets  | Equity ratio | Net assets per share |
|-------------------------|--------------|-------------|--------------|----------------------|
|                         | million yen  | million yen | %            | yen                  |
| As of May 31, 2023      | 46,763       | 28,899      | 61.6         | 3,123.85             |
| As of February 28, 2023 | 47,121       | 27,868      | 58.9         | 3,014.62             |

(Reference) Equity: As of May 31, 2023: ¥28,804 million

As of February 28, 2023: ¥27,740 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, 2023             | –                | 10.00           | –               | 10.00    | 20.00 |
| Fiscal year ending February 29, 2024            | –                |                 |                 |          |       |
| Fiscal year ending February 29, 2024 (Forecast) |                  | 10.00           | –               | 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 29, 2024 (March 1, 2023 to February 29, 2024)**

(% 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      | (2.9) | 400              | 323.5 | 400             | 31.7 | 400                                     | - | 43.39              |

(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):

|                   |                  |
|-------------------|------------------|
| May 31, 2023      | 9,500,000 shares |
| February 28, 2023 | 9,500,000 shares |

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

|                   |                |
|-------------------|----------------|
| May 31, 2023      | 279,268 shares |
| February 28, 2023 | 297,868 shares |

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

|                                 |                  |
|---------------------------------|------------------|
| Three months ended May 31, 2023 | 9,216,082 shares |
| Three months ended May 31, 2022 | 9,181,462 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 three months ended May 31, 2023, the Japanese economy showed signs of a moderate recovery and personal consumption was also recovering with the normalization of economic activity, wage increases in the annual spring wage offensive and continued accommodative fiscal and monetary policies supporting the economy. However, we see the long-term downward trend in clothing expenditures as still continuing due to rising food prices and utility costs.

Under such circumstances, the Company has been working on the “Revitalization Plan (Plan to Run a Chronic Surplus Again)” as a three-year plan for the fiscal years from 2022 to 2024. As for the recovery of earning power for our wholesale business, our biggest challenge, we are striving for a thorough sales stance to improve added values and secure appropriate profits while holding down unprofitable orders for the sake of price appeal. We will continue to review a series of business processes from planning, proposal, production, to logistics to ensure sharing of clear company-wide standards and advance the development of production bases, which we once returned to China due to the COVID-19 pandemic, in South and Southeast Asia in a bid to firmly establish a structure to run a chronic surplus.

As a result of these efforts, for the three months ended May 31, 2023, the Company registered net sales at the same level as the previous year (¥14,660 million, a 0.1% decrease from the previous corresponding period), however, an improvement in gross profit margin (22.8%, an increase of 4.0 points from the previous corresponding period) resulted in the Company registering an operating profit of ¥415 million (an operating loss of ¥87 million in the previous corresponding period) and ordinary profit of ¥446 million (an increase of ¥421 million from the previous corresponding period), going into the black. Profit attributable to owners of parent was ¥540 million (a loss of ¥36 million in the previous corresponding period) mainly due to recording of gain on sale of non-current assets of overseas bases that were decided to be closed.

### (2) Qualitative Information on Financial Position

#### 1) Assets

Current assets decreased by ¥371 million compared with the end of the previous fiscal year, to ¥22,540 million, due primarily to decreases of ¥828 million in notes and accounts receivable - trade and ¥821 million in inventories, despite an increase of ¥110 million in cash and deposits.

Non-current assets increased by ¥14 million compared with the end of the previous fiscal year, to ¥24,223 million, due primarily to a decrease of ¥89 million in property, plant and equipment, despite an increase of ¥100 million in intangible assets.

As a result, total assets decreased by ¥357 million compared with the end of the previous fiscal year, to ¥46,763 million.

#### 2) Liabilities

Liabilities decreased by ¥1,387 million compared with the end of the previous fiscal year, to ¥17,864 million, due primarily to decreases of ¥2,448 million in notes and accounts payable - trade and ¥419 million in short-term derivatives liabilities, despite an increase of ¥1,700 million in borrowings.

#### 3) Net assets

Net assets increased by ¥1,030 million compared with the end of the previous fiscal year, to ¥28,899 million, due primarily to increases of ¥446 million in retained earnings and ¥576 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, 2023.

## 2. Consolidated Financial Statements and Primary Notes

### (1) Consolidated Balance Sheets

(Millions of yen)

|  | As of February 28, 2023 | As of May 31, 2023 |
|--|-------------------------|--------------------|
| <b>Assets</b>                              |                         |                    |
| <b>Current assets</b>                      |                         |                    |
| Cash and deposits                          | 3,333                   | 4,443              |
| Notes and accounts receivable - trade      | 12,366                  | 11,538             |
| Inventories                                | 6,267                   | 5,446              |
| Other                                      | 949                     | 1,114              |
| Allowance for doubtful accounts            | (5)                     | (2)                |
| <b>Total current assets</b>                | <b>22,912</b>           | <b>22,540</b>      |
| <b>Non-current assets</b>                  |                         |                    |
| <b>Property, plant and equipment</b>       |                         |                    |
| Land                                       | 16,660                  | 16,660             |
| Other, net                                 | 3,350                   | 3,260              |
| <b>Total property, plant and equipment</b> | <b>20,010</b>           | <b>19,920</b>      |
| Intangible assets                          | 59                      | 159                |
| <b>Investments and other assets</b>        |                         |                    |
| Investment securities                      | 3,000                   | 2,993              |
| Retirement benefit asset                   | 112                     | 98                 |
| Other                                      | 1,065                   | 1,091              |
| Allowance for doubtful accounts            | (39)                    | (40)               |
| <b>Total investments and other assets</b>  | <b>4,138</b>            | <b>4,142</b>       |
| <b>Total non-current assets</b>            | <b>24,208</b>           | <b>24,223</b>      |
| <b>Total assets</b>                        | <b>47,121</b>           | <b>46,763</b>      |

(Millions of yen)

|  | As of February 28, 2023 | As of May 31, 2023 |
|--|-------------------------|--------------------|
| <b>Liabilities</b>   |                         |                    |
| Current liabilities  |                         |                    |
| Notes and accounts payable - trade                                   | 5,632                   | 3,184              |
| Short-term borrowings  | 5,000                   | 7,000              |
| Current portion of long-term borrowings                              | 1,200                   | 1,200              |
| Income taxes payable   | 88                      | 68                 |
| Provisions   | 89                      | 159                |
| Other  | 2,364                   | 1,657              |
| Total current liabilities  | 14,375                  | 13,269             |
| Non-current liabilities  |                         |                    |
| Long-term borrowings   | 3,000                   | 2,700              |
| Retirement benefit liability   | 52                      | 46                 |
| Provision for retirement benefits for directors (and other officers) | 11                      | 11                 |
| Asset retirement obligations   | 205                     | 208                |
| Other  | 1,607                   | 1,628              |
| Total non-current liabilities  | 4,876                   | 4,595              |
| Total liabilities  | 19,252                  | 17,864             |
| Net assets   |                         |                    |
| Shareholders' equity   |                         |                    |
| Share capital  | 3,622                   | 3,622              |
| Capital surplus  | 4,148                   | 4,148              |
| Retained earnings  | 19,844                  | 20,291             |
| Treasury shares  | (556)                   | (521)              |
| Total shareholders' equity   | 27,058                  | 27,540             |
| Accumulated other comprehensive income                               |                         |                    |
| Valuation difference on available-for-sale securities                | 1,127                   | 1,122              |
| Deferred gains or losses on hedges                                   | (642)                   | (65)               |
| Revaluation reserve for land   | 0                       | 0                  |
| Foreign currency translation adjustment                              | 125                     | 137                |
| Remeasurements of defined benefit plans                              | 71                      | 68                 |
| Total accumulated other comprehensive income                         | 682                     | 1,263              |
| Share acquisition rights   | 127                     | 95                 |
| Total net assets   | 27,868                  | 28,899             |
| Total liabilities and net assets                                     | 47,121                  | 46,763             |

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

(Millions of yen)

|  | For the three months<br>ended May 31, 2022 | For the three months<br>ended May 31, 2023 |
|--|--|--|
| Net sales                                      | 14,676                                     | 14,660                                     |
| Cost of sales                                  | 11,921                                     | 11,316                                     |
| Gross profit                                   | 2,755                                      | 3,343                                      |
| Selling, general and administrative expenses   | 2,843                                      | 2,927                                      |
| Operating profit (loss)                        | (87)                                       | 415  |
| Non-operating income                           |  |  |
| Interest income                                | 1  | 0  |
| Dividend income                                | 15   | 14   |
| Dividend income of insurance                   | 7  | 12   |
| Foreign exchange gains                         | 85   | 17   |
| Other  | 15   | 8  |
| Total non-operating income                     | 126  | 54   |
| Non-operating expenses                         |  |  |
| Interest expenses                              | 13   | 23   |
| Other  | 0  | 0  |
| Total non-operating expenses                   | 13   | 23   |
| Ordinary profit                                | 24   | 446  |
| Extraordinary income                           |  |  |
| Gain on sale of investment securities          | 2  | –  |
| Gain on sale of non-current assets             | –  | 186  |
| Total extraordinary income                     | 2  | 186  |
| Extraordinary losses                           |  |  |
| Loss on retirement of non-current assets       | 5  | –  |
| Loss on sales of investments in capital        | 15   | –  |
| Total extraordinary losses                     | 21   | –  |
| Profit before income taxes                     | 5  | 633  |
| Income taxes                                   | 42   | 92   |
| Profit (loss)                                  | (36)                                       | 540  |
| Profit (loss) attributable to owners of parent | (36)                                       | 540  |



Consolidated Statements of Comprehensive Income

(Millions of yen)

|   | For the three months<br>ended May 31, 2022 | For the three months<br>ended May 31, 2023 |
|---|--|--|
| Profit (loss)   | (36)                                       | 540  |
| Other comprehensive income                            |  |  |
| Valuation difference on available-for-sale securities | (2)  | (5)  |
| Deferred gains or losses on hedges                    | 796  | 576  |
| Foreign currency translation adjustment               | 63   | 12   |
| Remeasurements of defined benefit plans, net of tax   | (2)  | (2)  |
| Total other comprehensive income                      | 855  | 581  |
| Comprehensive income                                  | 818  | 1,122                                      |
| Comprehensive income attributable to                  |  |  |
| Comprehensive income attributable to owners of parent | 818  | 1,122                                      |

(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.

3. Others

(Significant Events on Going Concern Assumption)

The Group recorded negative operating cash flows for three consecutive terms in the previous fiscal year, and it has recorded negative operating cash flows for the three months ended May 31, 2023.

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

In order to resolve this situation as soon as possible, the Group has been working on “Revitalization Plan (Plan to Run a Chronic Surplus Again)”.

In terms of funds, the Group has cash and deposits of ¥4,443 million as of May 31, 2023. 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 ¥2,993 million and land that is not pledged of ¥16,660 million. Furthermore, as the Group has a sufficient financial base with a net asset balance of ¥28,899 million, it believes that there is no significant uncertainty regarding a going concern assumption.