

Consolidated Financial Results for the Six Months Ended August 31, 2022 [Japanese GAAP]



October 12, 2022

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: November 8, 2022

Scheduled date for filing of quarterly securities report: October 14, 2022

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, 2022 (March 1, 2022 to August 31, 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	%
Six months ended August 31, 2022	28,504	11.5	(338)	—	(119)	—	(466)	—
Six months ended August 31, 2021	25,564	—	(547)	—	(448)	—	(561)	—

(Note) Comprehensive income: Six months ended August 31, 2022: ¥768 million [-%]

Six months ended August 31, 2021: ¥(539) million [-%]

	Earnings per share	Diluted earnings per share
	yen	yen
Six months ended August 31, 2022	(50.76)	—
Six months ended August 31, 2021	(60.70)	—

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 six months ended August 31, 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 August 31, 2022	50,522	29,793	58.7	3,223.73
As of February 28, 2022	47,087	29,151	61.4	3,151.49

(Reference) Equity: As of August 31, 2022: ¥29,665 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
Fiscal year ended February 28, 2022	yen –	yen 10.00	yen –	yen 10.00	yen 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):

August 31, 2022	9,500,000 shares
February 28, 2022	9,500,000 shares

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

August 31, 2022	297,838 shares
February 28, 2022	323,438 shares

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

Six months ended August 31, 2022	9,190,333 shares
Six months ended August 31, 2021	9,252,688 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.

1. Qualitative Information on Financial Results for the Period under Review	2
(1) Qualitative Information on Results of Operations	2
(2) Qualitative Information on Financial Position.....	2
(3) Explanation of Consolidated Forecast and Other Forward-looking Statements	3
2. Consolidated Financial Statements and Primary Notes	4
(1) Consolidated Balance Sheets.....	4
(2) Consolidated Statements of Income and Comprehensive Income.....	6
(3) Notes to Quarterly Consolidated Financial Statements	8
(Notes on Going Concern Assumption)	8
(Notes in Case of Significant Changes in Shareholders' Equity)	8
(Changes in Accounting Policies).....	8
(Additional Information).....	9
3. Others.....	9
Significant Events on Going Concern Assumption.....	9

1. Qualitative Information on Financial Results for the Period under Review

(1) Qualitative Information on Results of Operations

For the six months ended August 31, 2022, the Company recognizes that business environment was tougher due to raw material prices and sea freight rates remaining high under the influence of the prolonged Ukraine crisis and rising costs arising from yen's rapid depreciation, in addition to a large change in consumers' behavior triggered by the coronavirus disease (COVID-19) catastrophe.

In the current fiscal year, in order to recover earning power, the Company has been working on entering into negotiations on passing on rising costs to products to secure appropriate profits for each product number.

While the Company did not achieve satisfactory results in the three months ended May 31, 2022 due to recognition of relatively low-margin sales from orders received in the previous fiscal year, revenue turned to an increase due to the improvement of profit margin in and after July 2022 and orders for future products to be manufactured in and after September 2022 also increased compared with the previous fiscal year, which show signs of bottoming out.

In particular, revenues from golf clothing brands in the retail business and from wholesale of textile mainly for luxury brands of western countries continued to increase by approximately 80% and 20% compared with the previous fiscal year, respectively, which are serving as driving forces of recovery.

In addition, in the current fiscal year, the Company has already started offer of voluntary retirement, reduced Head Office space and relocated Tokyo Branch Office. Furthermore, the Company has been reducing fixed costs through efforts such as deciding on the closure of overseas offices in Korea and Hong Kong and representative offices in Qingdao and Ho Chi Minh.

For the six months ended August 31, 2022, the Company registered net sales of ¥28,504 million (an 11.5% 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 ¥338 million (an operating loss of ¥547 million in the previous corresponding period) and ordinary loss of ¥119 million (an ordinary loss of ¥448 million in the previous corresponding period). Loss attributable to owners of parent was ¥466 million (a loss of ¥561 million in the previous corresponding period) mainly due to recognition of an extraordinary loss of ¥491 million associated with costs for special retirement allowances, which is partially offset by gain on sale of investment securities of ¥275 million.

The Company will produce specific results of its efforts toward early recovery of earning power from the third quarter of the current fiscal year.

(2) Qualitative Information on Financial Position

1) Assets

Current assets increased by ¥3,890 million compared with the end of the previous fiscal year, to ¥25,528 million, due primarily to increases of ¥747 million in notes and accounts receivable - trade, ¥1,780 million in inventories, and ¥1,789 million in derivatives.

Non-current assets decreased by ¥455 million compared with the end of the previous fiscal year, to ¥24,993 million, due primarily to a decrease of ¥454 million in investment securities.

As a result, total assets increased by ¥3,434 million compared with the end of the previous fiscal year, to ¥50,522 million.

2) Liabilities

Liabilities increased by ¥2,793 million compared with the end of the previous fiscal year, to ¥20,729 million, due primarily to increases of ¥3,541 million in notes and accounts payable - trade and ¥910 million in accounts payable - other despite a decrease of ¥2,000 million in borrowings.

3) Net assets

Net assets increased by ¥641 million compared with the end of the previous fiscal year, to ¥29,793 million, due primarily to an increase of ¥1,232 million in deferred gains or losses on hedges despite a decrease of ¥562 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, 2022.

2. Consolidated Financial Statements and Primary Notes

(1) Consolidated Balance Sheets

(Millions of yen)

	As of February 28, 2022	As of August 31, 2022
Assets		
Current assets		
Cash and deposits	4,533	4,205
Notes and accounts receivable - trade	11,025	11,772
Inventories	4,600	6,381
Other	1,494	3,173
Allowance for doubtful accounts	(15)	(4)
Total current assets	21,638	25,528
Non-current assets		
Property, plant and equipment		
Land	16,875	16,875
Other, net	3,931	3,983
Total property, plant and equipment	20,806	20,858
Intangible assets	67	75
Investments and other assets		
Investment securities	3,205	2,751
Other	1,441	1,376
Allowance for doubtful accounts	(72)	(67)
Total investments and other assets	4,574	4,059
Total non-current assets	25,449	24,993
Total assets	47,087	50,522

(Millions of yen)

	As of February 28, 2022	As of August 31, 2022
Liabilities		
Current liabilities		
Notes and accounts payable - trade	3,222	6,763
Short-term borrowings	7,000	6,000
Current portion of long-term borrowings	1,925	1,225
Income taxes payable	70	100
Provisions	139	96
Other	2,199	3,058
Total current liabilities	14,556	17,244
Non-current liabilities		
Long-term borrowings	1,350	1,050
Retirement benefit liability	55	77
Provision for retirement benefits for directors (and other officers)	157	11
Asset retirement obligations	171	200
Other	1,646	2,146
Total non-current liabilities	3,379	3,484
Total liabilities	17,936	20,729
Net assets		
Shareholders' equity		
Share capital	3,622	3,622
Capital surplus	4,148	4,148
Retained earnings	20,315	19,752
Treasury shares	(630)	(556)
Total shareholders' equity	27,455	26,966
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,051	936
Deferred gains or losses on hedges	303	1,536
Revaluation reserve for land	0	0
Foreign currency translation adjustment	49	171
Remeasurements of defined benefit plans	58	53
Total accumulated other comprehensive income	1,463	2,698
Share acquisition rights	231	127
Total net assets	29,151	29,793
Total liabilities and net assets	47,087	50,522

(2) Consolidated Statements of Income and Comprehensive Income

Consolidated Statements of Income

	For the six months ended August 31, 2021	For the six months ended August 31, 2022	(Millions of yen)
Net sales	25,564	28,504	
Cost of sales	20,736	23,129	
Gross profit	4,827	5,374	
Selling, general and administrative expenses	5,375	5,713	
Operating loss	(547)	(338)	
Non-operating income			
Interest income	2	3	
Dividend income	45	52	
Foreign exchange gains	9	162	
Subsidies for employment adjustment	32	-	
Other	41	34	
Total non-operating income	131	252	
Non-operating expenses			
Interest expenses	17	32	
Commission expenses	11	-	
Other	2	1	
Total non-operating expenses	32	33	
Ordinary loss	(448)	(119)	
Extraordinary income			
Gain on sales of investment securities	-	275	
Gain on sales of non-current assets	0	-	
Total extraordinary income	0	275	
Extraordinary losses			
Loss on valuation of investment securities	16	-	
Premium allowance of retirement	-	491	
Other	-	48	
Total extraordinary losses	16	539	
Loss before income taxes	(464)	(383)	
Income taxes	96	82	
Loss	(561)	(466)	
Loss attributable to owners of parent	(561)	(466)	

Consolidated Statements of Comprehensive Income

(Millions of yen)

	For the six months ended August 31, 2021	For the six months ended August 31, 2022
Loss	(561)	(466)
Other comprehensive income		
Valuation difference on available-for-sale securities	59	(115)
Deferred gains or losses on hedges	(94)	1,232
Foreign currency translation adjustment	58	121
Remeasurements of defined benefit plans, net of tax	(1)	(4)
Total other comprehensive income	<u>21</u>	<u>1,234</u>
Comprehensive income	<u>(539)</u>	<u>768</u>
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(539)	768

(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 six

months ended August 31, 2021, net sales decreased by ¥1,338 million, cost of sales decreased by ¥947 million, selling, general and administrative expenses decreased by ¥392 million, and operating loss, ordinary loss, and loss before income taxes decreased by ¥1 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. During the six months ended August 31, 2022, while losses improved, the Company continued to record operating loss.

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 ¥4,205 million as of August 31, 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 ¥2,751 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 ¥29,793 million, it believes that there is no significant uncertainty regarding a going concern assumption.