

# 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>		
Current assets		
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)
Total current assets	22,912	22,540
Non-current assets		
Property, plant and equipment		
Land	16,660	16,660
Other, net	3,350	3,260
Total property, plant and equipment	20,010	19,920
Intangible assets	59	159
Investments and other assets		
Investment securities	3,000	2,993
Retirement benefit asset	112	98
Other	1,065	1,091
Allowance for doubtful accounts	(39)	(40)
Total investments and other assets	4,138	4,142
Total non-current assets	24,208	24,223
Total assets	47,121	46,763

(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 ended May 31, 2022	For the three months 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 ended May 31, 2022	For the three months 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.