

Consolidated Financial Results for the Six Months Ended August 31, 2023 [Japanese GAAP]



October 11, 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: November 8, 2023

Scheduled date for filing of quarterly securities report: October 13, 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 Six Months Ended August 31, 2023 (March 1, 2023 to August 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	%
Six months ended August 31, 2023	26,717	(6.3)	169	—	249	—	398	—
Six months ended August 31, 2022	28,504	11.5	(338)	—	(119)	—	(466)	—

(Note) Comprehensive income: Six months ended August 31, 2023: ¥2,070 million [169.5%]

Six months ended August 31, 2022: ¥768 million [-%]

	Earnings per share	Diluted earnings per share
	yen	yen
Six months ended August 31, 2023	43.27	43.02
Six months ended August 31, 2022	(50.76)	—

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	million yen	million yen	%	yen
As of August 31, 2023	46,338	29,847	64.2	3,226.65
As of February 28, 2023	47,121	27,868	58.9	3,014.62

(Reference) Equity: As of August 31, 2023: ¥29,752 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
Fiscal year ended February 28, 2023	yen —	yen 10.00	yen —	yen 10.00	yen 20.00
Fiscal year ending February 29, 2024	—	10.00	—	—	—
Fiscal year ending February 29, 2024 (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 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
Full year	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):

August 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:

August 31, 2023	279,268 shares
February 28, 2023	297,868 shares

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

Six months ended August 31, 2023	9,218,074 shares
Six months ended August 31, 2022	9,190,333 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 six months ended August 31, 2023, customer interest in buying clothing remained stagnant despite positive signs, such as the lifting of COVID-19 pandemic-related restrictions, an increase in personal income resulting from wage increase, ongoing monetary policy easing, and a resurgence in inbound tourism.

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 have been focusing on improving the gross profit margin by taking a thorough sales stance to secure appropriate profits while curbing unprofitable orders and increasing added value. At the same time, we have also been working on expanding the proportion of production in Southeast Asia, given the continuous increase in production costs due to the rising energy prices and the persistently weak yen trend.

As a result, for the six months ended August 31, 2023, net sales, operating profit, ordinary profit, and profit attributable to owners of parent were ¥26,717 million (a 6.3% decrease from the previous corresponding period), ¥169 million (an operating loss of ¥338 million in the previous corresponding period), ¥249 million (an ordinary loss of ¥119 million in the previous corresponding period), and ¥398 million yen (a loss of ¥466 million in the previous corresponding period), respectively.

(2) Qualitative Information on Financial Position

1) Assets

Current assets decreased by ¥1,220 million compared with the end of the previous fiscal year, to ¥21,691 million, due primarily to a decrease of ¥2,221 million in notes and accounts receivable - trade, despite an increase of ¥1,263 million in derivatives.

Non-current assets increased by ¥437 million compared with the end of the previous fiscal year, to ¥24,646 million, due primarily to an increase of ¥439 million in investment securities.

As a result, total assets decreased by ¥782 million compared with the end of the previous fiscal year, to ¥46,338 million.

2) Liabilities

Liabilities decreased by ¥2,761 million compared with the end of the previous fiscal year, to ¥16,490 million, due primarily to decreases of ¥813 million in notes and accounts payable - trade and ¥2,150 million in borrowings.

3) Net assets

Net assets increased by ¥1,978 million compared with the end of the previous fiscal year, to ¥29,847 million, due primarily to increases of ¥305 million in retained earnings, ¥304 million in valuation difference on available-for-sale securities, and ¥1,346 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 August 31, 2023
Assets		
Current assets		
Cash and deposits	3,333	3,539
Notes and accounts receivable - trade	12,366	10,145
Inventories	6,267	6,020
Other	949	1,988
Allowance for doubtful accounts	(5)	(2)
Total current assets	<u>22,912</u>	<u>21,691</u>
Non-current assets		
Property, plant and equipment		
Land	16,660	16,660
Other, net	3,350	3,239
Total property, plant and equipment	<u>20,010</u>	<u>19,899</u>
Intangible assets	59	170
Investments and other assets		
Investment securities	3,000	3,439
Retirement benefit asset	112	88
Other	1,065	1,090
Allowance for doubtful accounts	(39)	(41)
Total investments and other assets	<u>4,138</u>	<u>4,577</u>
Total non-current assets	<u>24,208</u>	<u>24,646</u>
Total assets	<u>47,121</u>	<u>46,338</u>

(Millions of yen)

	As of February 28, 2023	As of August 31, 2023
Liabilities		
Current liabilities		
Notes and accounts payable - trade	5,632	4,819
Short-term borrowings	5,000	2,500
Current portion of long-term borrowings	1,200	1,400
Income taxes payable	88	109
Provisions	89	82
Other	2,364	2,162
Total current liabilities	14,375	11,074
Non-current liabilities		
Long-term borrowings	3,000	3,150
Retirement benefit liability	52	46
Provision for retirement benefits for directors (and other officers)	11	11
Asset retirement obligations	205	212
Other	1,607	1,996
Total non-current liabilities	4,876	5,416
Total liabilities	19,252	16,490
Net assets		
Shareholders' equity		
Share capital	3,622	3,622
Capital surplus	4,148	4,148
Retained earnings	19,844	20,149
Treasury shares	(556)	(521)
Total shareholders' equity	27,058	27,398
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,127	1,432
Deferred gains or losses on hedges	(642)	704
Revaluation reserve for land	0	0
Foreign currency translation adjustment	125	149
Remeasurements of defined benefit plans	71	66
Total accumulated other comprehensive income	682	2,353
Share acquisition rights	127	95
Total net assets	27,868	29,847
Total liabilities and net assets	47,121	46,338

(2) Consolidated Statements of Income and Comprehensive Income

Consolidated Statements of Income

	For the six months ended August 31, 2022	For the six months ended August 31, 2023	(Millions of yen)
Net sales	28,504	26,717	
Cost of sales	23,129	20,792	
Gross profit	5,374	5,925	
Selling, general and administrative expenses	5,713	5,755	
Operating profit (loss)	(338)	169	
Non-operating income			
Interest income	3	4	
Dividend income	52	45	
Foreign exchange gains	162	48	
Other	34	30	
Total non-operating income	252	128	
Non-operating expenses			
Interest expenses	32	47	
Other	1	0	
Total non-operating expenses	33	47	
Ordinary profit (loss)	(119)	249	
Extraordinary income			
Gain on sale of investment securities	275	–	
Gain on sale of non-current assets	–	203	
Other	–	22	
Total extraordinary income	275	225	
Extraordinary losses			
Premium allowance of retirement	491	–	
Other	48	0	
Total extraordinary losses	539	0	
Profit (loss) before income taxes	(383)	475	
Income taxes	82	76	
Profit (loss)	(466)	398	
Profit (loss) attributable to owners of parent	(466)	398	

Consolidated Statements of Comprehensive Income

(Millions of yen)

	For the six months ended August 31, 2022	For the six months ended August 31, 2023
Profit (loss)	(46)	38
Other comprehensive income		
Valuation difference on available-for-sale securities	(15)	31
Deferred gains or losses on hedges	122	136
Foreign currency translation adjustment	1	2
Remeasurements of defined benefit plans, net of tax	4	4
Total other comprehensive income	<u>124</u>	<u>161</u>
Comprehensive income	<u>78</u>	<u>200</u>
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	78	200

(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. 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 ¥3,539 million as of August 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 ¥3,439 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 ¥29,847 million, it believes that there is no significant uncertainty regarding a going concern assumption.