(Translation)

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To whom it may concern

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Notice regarding revision of the business performance forecast

Takihyo Co., Ltd. ("Takihyo") hereby announces that taking into consideration recent trends in business performance, etc., it will revise the business performance forecast initially announced on September 8, 2017. Details of the revision are as follows.

1. Revision of the consolidated business performance forecast for the full business year ending February 28, 2018
(March 1, 2017 to February 28, 2018)

	Net sales	Operating income	Ordinary income	Current net income attributable to parent company shareholders	Current net income per share
Previous forecast (A)	million yen 74,700	million yen (460)	million yen (380)	million yen 2,500	yen 268.02
Revised forecast (B)	73,500	(700)	(650)	2,400	257.30
Amount of increase/decrease (B - A)	(1,200)	(240)	(270)	(100)	-
Rate of increase/decrease (%)	(1.6)	-	-	(4.0)	-
(Reference) The previous fiscal year results (the fiscal year ended February 28, 2017)	77,952	1,101	1,089	676	72.55

2. Revision of the non-consolidated business performance forecast for the full business year ending February 28, 2018
(March 1, 2017 to February 28, 2018)

	Net sales	Ordinary income	Current net income	Current net income per share
Previous forecast (A)	million yen 68,100	million yen (350)	million yen 2,600	yen 278.74
Revised forecast (B)	67,000	(650)	2,500	268.02
Amount of increase/decrease (B - A)	(1,100)	(300)	(100)	-
Rate of increase/decrease (%)	(1.6)	-	(3.8)	-
(Reference) The previous fiscal year results (the fiscal year ended February 28, 2017)	72,011	777	502	53.91

(Note) Takihyo carried out a consolidation of shares at a ratio of one share per five common shares on September 1, 2017. The current net income per share has been calculated by supposing that this consolidation of shares had been carried out at the beginning of the previous consolidated fiscal year.

3. Reasons for revision

With regard to the first nine-month period of this fiscal year, Takihyo is working on restructuring the OEM (Original Equipment Manufacturing) and ODM (Original Design Manufacturing) lines of business, which are its core lines of business. This is being undertaken in order to reverse the trend of decreased sales and profits that has continued since the previous fiscal year.

On November 1, even though we were in the middle of the third quarter, we took the step of reorganizing the Sales Division: we dissolved the Sales Group (which we had launched in March 2015 as a group structured into separate organizations for different sales channels), integrated the human resources into the Sales Departments (which are structured into separate organizations for different items), and reorganized the Sales Departments with ladies' wear as the core.

Through this step, we reviewed the way planning and design should be (as they had begun merely to follow the trends), and began working on the development of a product lineup that will be trend-setting, highly fashionable, and capable of being appealing in terms of freshness.

In addition, we are in the process of steadily improving our earning capability by re-enhancing our efforts with regard to determining the prospective profits for each product number. In other words, we are re-enhancing our efforts with regard to accurate pricing based on an understanding of the cost price of goods, and on logistics costs, labor costs, and property costs.

However, with regard to the business performance for the first nine-month period of this fiscal year, these efforts have yet to yield results. Net sales reached no higher than 56,207 million yen (a decrease of 7.6% year-on-year), and owing to a decrease in the gross profit margin, the operating loss was 368 million yen (a gain of 1,642 million yen year-on-year) and the ordinary loss was 282 million yen (a gain of 1,640 million yen year-on-year). On the other hand, the net income for the quarter attributable to parent company shareholders came to 2,619 million yen (an increase of 1,605 million yen year-on-year), as a result of booking 4,104

million yen from the sale of fixed assets as extraordinary income.

With regard to the third quarter (September to November) in particular, although we continuously worked to recover the shortage in orders received up to the first six-month period and the decline in net sales was in the process of ceasing, the revenue situation proved to be more severe than we had predicted. This was because in order to recover the shortage in orders, we kept down asking prices and shortened delivery times, and these led, for example, to increased logistics costs.

With regard to the fourth quarter (December to February), we anticipate that our current efforts will yield results to some extent. However, for the full business year, we judged that the previous forecast (September 8) would not be reached, and have decided to revise our forecast again.

We are committed to steadily bringing to fruition our current efforts toward restoring our earning capability, and to recovering our business performance in the future.