

# Consolidated Financial Results for the Fiscal Year Ended February 28, 2017 [Japanese GAAP]



March 31, 2017

Company name: Takihyo Co., Ltd.  
 Code number: 9982  
 URL: <http://www.takihyo.co.jp>  
 Stock exchange listing: Tokyo Stock Exchange (First Section), Nagoya Stock Exchange (First Section)  
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 Scheduled date of Ordinary General Meeting of Shareholders: May 24, 2017  
 Scheduled date of commencing dividend payments: May 25, 2017  
 Scheduled date for filing of annual securities report: May 26, 2017  
 Availability of supplementary briefing material on financial results: Available  
 Schedule of financial results briefing session: Scheduled (for institutional investors)

(Figures are rounded down to the nearest million yen)

## 1. Consolidated Financial Results for the Fiscal Year Ended February 28, 2017 (March 1, 2016 to February 28, 2017)

(1) Consolidated Results of Operations (% indicates changes from the previous corresponding period)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	million yen	%	million yen	%	million yen	%	million yen	%
Fiscal year ended February 28, 2017	77,952	(7.6)	1,101	(56.2)	1,089	(52.3)	676	(50.3)
Fiscal year ended February 29, 2016	84,351	8.6	2,513	11.8	2,280	(5.1)	1,362	28.5

(Note) Comprehensive income: Fiscal year ended February 28, 2017: ¥2,758 million [—%]

Fiscal year ended February 29, 2016: ¥(3,973) million [—%]

	Earnings per share	Diluted earnings per share	Return on equity	Ordinary income to total assets	Operating income to net sales
	yen	yen	%	%	%
Fiscal year ended February 28, 2017	14.51	14.33	2.1	2.0	1.4
Fiscal year ended February 29, 2016	29.24	28.89	4.1	3.9	3.0

(Reference) Equity in earnings (losses) of associates: Fiscal year ended February 28, 2017: ¥— million

Fiscal year ended February 29, 2016: ¥— million

## (2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	million yen	million yen	%	yen
As of February 28, 2017	52,294	33,758	64.1	719.11
As of February 29, 2016	57,030	31,344	54.6	668.26

(Reference) Equity: As of February 28, 2017: ¥33,538 million

As of February 29, 2016: ¥31,136 million

### (3) Consolidated Cash Flows

	Net cash provided by (used in) operating activities	Net cash provided by (used in) investment activities	Net cash provided by (used in) financing activities	Cash and cash equivalents at end of period
	million yen	million yen	million yen	million yen
Fiscal year ended February 28, 2017	2,137	(941)	(932)	3,447
Fiscal year ended February 29, 2016	1,420	(550)	(660)	3,217

### 2. Dividends

	Annual Dividends					Total dividends paid (annual)	Payout ratio (consolidated)	Dividends to net assets (consolidated)
	1st quarter end	2nd quarter end	3rd quarter end	Year end	Total			
	yen	yen	yen	yen	yen	million yen	%	%
Fiscal year ended February 29, 2016	—	4.00	—	4.00	8.00	372	27.4	1.1
Fiscal year ended February 28, 2017	—	4.00	—	4.00	8.00	373	55.1	1.2
Fiscal year ending February 28, 2018 (Forecast)	—	4.00	—	4.00	8.00		10.7	

### 3. Consolidated Financial Results Forecast for the Fiscal Year Ending February 28, 2018 (March 1, 2017 to February 28, 2018)

(% indicates changes from the previous corresponding period)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Earnings per share
	million yen	%	million yen	%	million yen	%	million yen	%	yen
First six months	37,500	(2.4)	300	(61.3)	300	(58.5)	2,900	604.1	62.18
Full year	80,000	2.6	1,300	18.1	1,300	19.4	3,500	417.2	75.05

#### \*Notes

- (1) Significant changes of subsidiaries during the year under review (affecting specified subsidiaries resulting in changes in scope of consolidation): No
- (2) 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

#### (3) Total number of issued shares (common stock)

- 1) Total number of issued shares at the end of the period (including treasury shares):

February 28, 2017	48,000,000 shares
February 29, 2016	48,000,000 shares

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

February 28, 2017	1,361,865 shares
February 29, 2016	1,406,760 shares

- 3) Average number of shares during the period:

Fiscal year ended February 28, 2017	46,635,218 shares
Fiscal year ended February 29, 2016	46,594,229 shares

(Reference) Summary of Non-consolidated Financial Results

**1. Non-consolidated Financial Results for the Fiscal Year Ended February 28, 2017 (March 1, 2016 to February 28, 2017)**

(1) Non-consolidated Results of Operations (% indicates changes from the previous corresponding period)

	Net sales		Operating income		Ordinary income		Profit	
	million yen	%	million yen	%	million yen	%	million yen	%
Fiscal year ended February 28, 2017	72,011	(8.3)	824	(63.1)	777	(59.9)	502	(53.0)
Fiscal year ended February 29, 2016	78,488	10.2	2,235	2.7	1,936	(14.9)	1,070	64.2

	Earnings per share	Diluted earnings per share
	yen	yen
Fiscal year ended February 28, 2017	10.78	10.65
Fiscal year ended February 29, 2016	22.97	22.69

(2) Non-consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	million yen	million yen	%	yen
As of February 28, 2017	48,649	29,979	61.2	638.08
As of February 29, 2016	53,557	27,807	51.5	592.35

(Reference) Equity: As of February 28, 2017: ¥29,758 million

As of February 29, 2016: ¥27,599 million

**2. Non-consolidated Financial Results Forecast for the Fiscal Year Ending February 28, 2018 (March 1, 2017 to February 28, 2018)**

(% indicates changes from the previous corresponding period)

	Net sales		Ordinary income		Profit		Earnings per share
	million yen	%	million yen	%	million yen	%	yen
First six months	34,200	(3.4)	100	(81.5)	2,800	875.1	60.04
Full year	74,000	2.8	1,000	28.6	3,300	556.3	70.76

\* Summary of consolidated financial results is not subject to the audit.

\* Explanation of the proper use of performance forecast and other notes

The projections above were prepared based on available information 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 be different from the projections due to various factors. Furthermore, for the items on the forecast of the financial results above, please refer to page 6.

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## 1. Analyses of Results of Operations and Financial Position

### (1) Analysis of Results of Operations

(Results of Operations for the current fiscal year)

With regard to the condition of the Japanese economy during the fiscal year ended February 28, 2017, real household expenditures declined throughout the year concerning personal consumption, which accounts for 60% of real GDP, and expenditures in the apparel market especially remained stagnant.

Under these circumstances, the Company firstly made efforts to expand the sales share mainly through cultivating new specialist retailers with a high growth potential and further deepening the relationship with existing clients. Secondly, the Company carried out an overhaul of the core system as part of a measure to improve the Company's infrastructure aimed at realizing creative and careful work. Thirdly, the Company strived to reduce costs by raising the production ratio in ASEAN and other countries. Fourthly, the Company aimed to develop new overseas markets. Fifthly, the Company carried out the selection and concentration of business operations including suspension of the development of its brand "BERARDI."

As a result of the above initiatives, the Company was able to reduce selling, general and administrative expenses by ¥743 million (5.3% decrease from the previous fiscal year). In addition, the Company completed the overhaul of the core system at the beginning of the year, and is now testing it for stable operation.

However, in our core business of ladies' apparel wholesale, since the autumn and winter season the Company has seen that sales for items which the Company had considered a strength, such as knit shirts (cut-and-sew), bottoms, and knit tops, have declined.

While the overall apparel market continues to mature, major specialty chains, major SPA retailers (specialty store retailers of private label apparel), and globally operational foreign fast fashion companies have been growing in importance.

Meanwhile, the Company's strength lies in its nature as a specialized textile company which can provide its many clients with the services of OEM (manufacturing of clients' brand products) and ODM (design proposal and manufacturing of clients' brand products). However, in repeatedly providing proposals that closely follow certain trends, the proposals' novelty wore off. The Company considers the primary reason for sales decline the insufficient promotion of the characteristics and uniqueness of its products.

As a result, net sales for the fiscal year ended February 28, 2017 stayed at ¥77,952 million (7.6% decrease from the previous fiscal year). Due to the lowered gross profit margin, consolidated performance for the fiscal year ended February 28, 2017 registered ¥1,101 million operating income (56.2% decrease from the previous fiscal year), ¥1,089 million ordinary income (52.3% decrease from the previous fiscal year), and ¥676 million profit attributable to owners of parent (50.3% decrease from the previous fiscal year).

Performance by segment for the fiscal year ended February 28, 2017 was as follows.

#### 1) Apparel & Textiles

In the Apparel & Textiles segment, while sales of babies' was strong compared with the previous fiscal year, ladies' apparel and the textile business were weak. As a result, the segment registered ¥72,377 million net sales (8.3% decrease from the previous fiscal year).

#### 2) Rental Business

The segment registered ¥823 million net sales (2.0% increase from the previous fiscal year) as sales were largely even with the previous fiscal year.

### 3) Others

The segment registered ¥4,752 million net sales (3.8% increase from the previous fiscal year) as the chemical products business performed steadily.

#### (Outlook for the next fiscal year)

For the fiscal year ending February 28, 2018, the Company forecasts ¥80,000 million in net sales, ¥1,300 million in operating income, ¥1,300 million in ordinary income, and ¥3,500 million in profit attributable to owners of parent.

### (2) Analysis of Financial Position

#### 1) Assets, liabilities and net assets

##### (Assets)

Current assets decreased by ¥6,129 million compared with the end of the previous fiscal year, to ¥22,131 million, due primarily to decreases of ¥4,106 million in notes and accounts receivable-trade and ¥1,637 million in merchandise and finished goods.

Non-current assets increased by ¥1,394 million compared with the end of the previous fiscal year, to ¥30,163 million, due primarily to increases of ¥764 million in intangible assets and ¥808 million in investment securities.

As a result, total assets decreased by ¥4,735 million compared with the end of the previous fiscal year, to ¥52,294 million.

##### (Liabilities)

Liabilities decreased by ¥7,150 million compared with the end of the previous fiscal year, to ¥18,536 million, due primarily to decreases of ¥3,992 million in notes and accounts payable-trade, ¥549 million in loans payable, and ¥2,261 million in derivatives liabilities.

##### (Net assets)

Net assets increased by ¥2,414 million compared with the end of the previous fiscal year, to ¥33,758 million, due primarily to increases of ¥300 million in retained earnings and ¥2,082 million in accumulated other comprehensive income.

### 2) Cash Flows

Cash and cash equivalents as at the end of the current fiscal year (hereinafter referred to as “fund”) increased by ¥229 million (7.1%) compared with the end of the previous fiscal year, to ¥3,447 million.

#### (Cash flows from operating activities)

Net cash provided by operating activities for the current fiscal year amounted to ¥2,137 million (¥1,420 million provided for the previous fiscal year), due primarily to profit before income taxes standing at ¥1,078 million, ¥4,096 million decrease in notes and accounts receivable-trade and ¥1,619 million decrease in inventories, despite ¥3,991 million decrease in notes and accounts payable-trade.

#### (Cash flows from investing activities)

Net cash used in investing activities for the current fiscal year amounted to ¥941 million (¥550 million used for the previous fiscal year), due primarily to ¥355 million in purchase of investment securities and ¥818 million in purchase of intangible assets, despite ¥260 million in proceeds from redemption of investment securities.

(Cash flows from financing activities)

Net cash used in financing activities for the current fiscal year amounted to ¥932 million (¥660 million used for the previous fiscal year), due primarily to ¥372 million in cash dividends paid, ¥2,250 million in repayments of long-term loans payable, and ¥800 million decrease in short-term loans payable, despite ¥2,500 million in proceeds from long-term loans payable.

(Reference) Indicators relative to cash flows

	Fiscal year ended February 29, 2016	Fiscal year ended February 28, 2017
Equity ratio (%)	54.6	64.1
Equity ratio on a market value basis (%)	36.1	41.0
Interest-bearing debt/cash flow ratio (years)	9.8	4.3
Interest coverage ratio (multiple)	12.6	25.1

Equity ratio: Equity/Total assets

Equity ratio on a market value basis: Total market capitalization/Total assets

Interest-bearing debt/cash flow ratio: Interest-bearing debt/cash flows from operating activities

Interest coverage ratio: Cash flows from operating activities/Interest expenses paid

(Notes) 1. All indicators are calculated using consolidated financial results.

2. Total market capitalization is calculated by multiplying the final share price at the end of the fiscal year by the total number of issued shares at the end of the fiscal year (excluding treasury shares).

3. Cash flows from operating activities refer to net cash provided by (used in) operating activities on the Consolidated Statements of Cash Flows. Interest-bearing debt refers to all liabilities on the Consolidated Balance Sheets for which interest is paid. Interest expenses paid refer to interest expenses paid on the Consolidated Statements of Cash Flows.

### (3) Principles of Appropriation of Profits and Dividend Payment for the Current Fiscal Year and the Next Fiscal Year

The company recognizes that returning profit to shareholders is an important management issue. Our basic policy calls for continuing active and stable dividend payment by comprehensively taking into consideration trends in performance, payout ratio, dividend yield, and internal reserves required for investment in product development that meets market needs and implementation of businesses with an eye to the future.

Under this basic policy, we are planning to pay a dividend of 4 yen per share at the end of the current fiscal year. Therefore, when combined with an interim dividend of 4 yen per share, the annual dividend becomes 8 yen per share for the current fiscal year. In the next fiscal year, we plan to pay an interim dividend of 4 yen per share and a year-end dividend of 4 yen per share, making the annual dividend 8 yen per share.

### (4) Risks Related to Business

The following is information regarding risks associated with the Group's business activities.

Forward-looking statements contained herein are based on the Group's best judgment as of the end of the current fiscal year.

#### 1) Risks associated with changes in consumers' taste

Clothing provided by the Group are prone to be influenced by external factors including changes in fashion trends, impact on consumer confidence from economic conditions and pressure on sales prices due to competition. Under these circumstances, the Group is striving to develop well-marketable products by enhancing the effectiveness of the planning process through more relevant analysis and accurate information, while reducing the manufacturing cycle. However, the Group's performance could still be affected by tougher competition or by the Group's failure to implement adequate merchandise policies to meet unexpected changes in market trends.

#### 2) Risks associated with foreign exchange

Products manufactured overseas represent a high proportion of the Group's purchase amount, which is settled largely in USD. For the purpose of hedging exchange risk, we use forward exchange contracts on the scale not beyond actual demand based on quarterly estimations of purchase amounts. However, the Group's performance could be affected by unexpected fluctuations in the exchange rate.

3) Risks associated with places of production

The Group is highly dependent on production facilities in Asia, including China and South Korea. Thus, the Group's performance could be affected in the event of disruption in the procurement of merchandise due to developments in those countries including unexpected change in laws and regulations, unforeseen turnaround in political regime or economic policy, national or regional disturbance due to acts of terrorism, war, natural disasters and other developments, and epidemic breakout with significant impact.

4) Risks associated with customers

i) Sales dependency

The group's five largest customers account for roughly 47.1% of the Group's sales. Our major sales policy is to attract new distribution customers while taking care at all times to reinforce close relationships with the main existing customers. However, the Group's performance could be affected by interruptions or disturbances to the continuing business transactions with existing customers due to unforeseen developments including changes in their management policies.

ii) Creditworthiness

The Group is selling its products to a range of customers including retailers such as volume retailers, specialist retailers, mail-order businesses, department stores and wholesale distributors of clothing products. Although the Group is making the best efforts to ensure protection of its receivables accounts by exercising thoroughgoing credit control over these customers according to relevant internal rules, its performance could be affected by bad debt losses or decline in sales due to unforeseen business failures of customers.

5) Risks associated with weather

The Group's main products, such as ladies' apparel, are composed predominantly of seasonal products. Thus the Group's performance could be affected by disappointing sales of them due to undesirable weather such as a cold summer and mild winter.

6) Risks associated with personal data

The Group has arranged an internal security control system for the protection of personal data involving use and control thereof. However, the Group's performance could be affected by external leakage of such protected data due to unexpected circumstances, resulting in deterioration of the Group's social credibility or give rise to liability in damages.

7) Risks associated with new businesses

To enhance its corporate value, the Group engages in business investment such as development of new business models and brands, flexibly adapting to customers' situations and changes in the market, on the basis of adequate research and development activities beforehand. However, the Group's performance could be affected if business activities in line with such investments would not make progress as originally scheduled due to changes in the market environment.

8) Risks associated with quality control

The Group is enforcing quality control over its products according to rigorous quality standards established under its control system. However, the Group's performance could be affected, in the event of an accident involving its products due to unexpected circumstances originating from the Group or its suppliers, consequently degrading the Group's corporate/brand image, or giving rise to liability in damages.

The Group's performance could also be affected, in the event of an interruption to business transactions with its main customers due to quality issues of the products supplied.

9) Risks associated with licensing agreements

As the Group benefits from licensing from various companies, its performance could be affected in the event of termination or cancellation of the licensing agreements or major changes in the terms and conditions thereof.



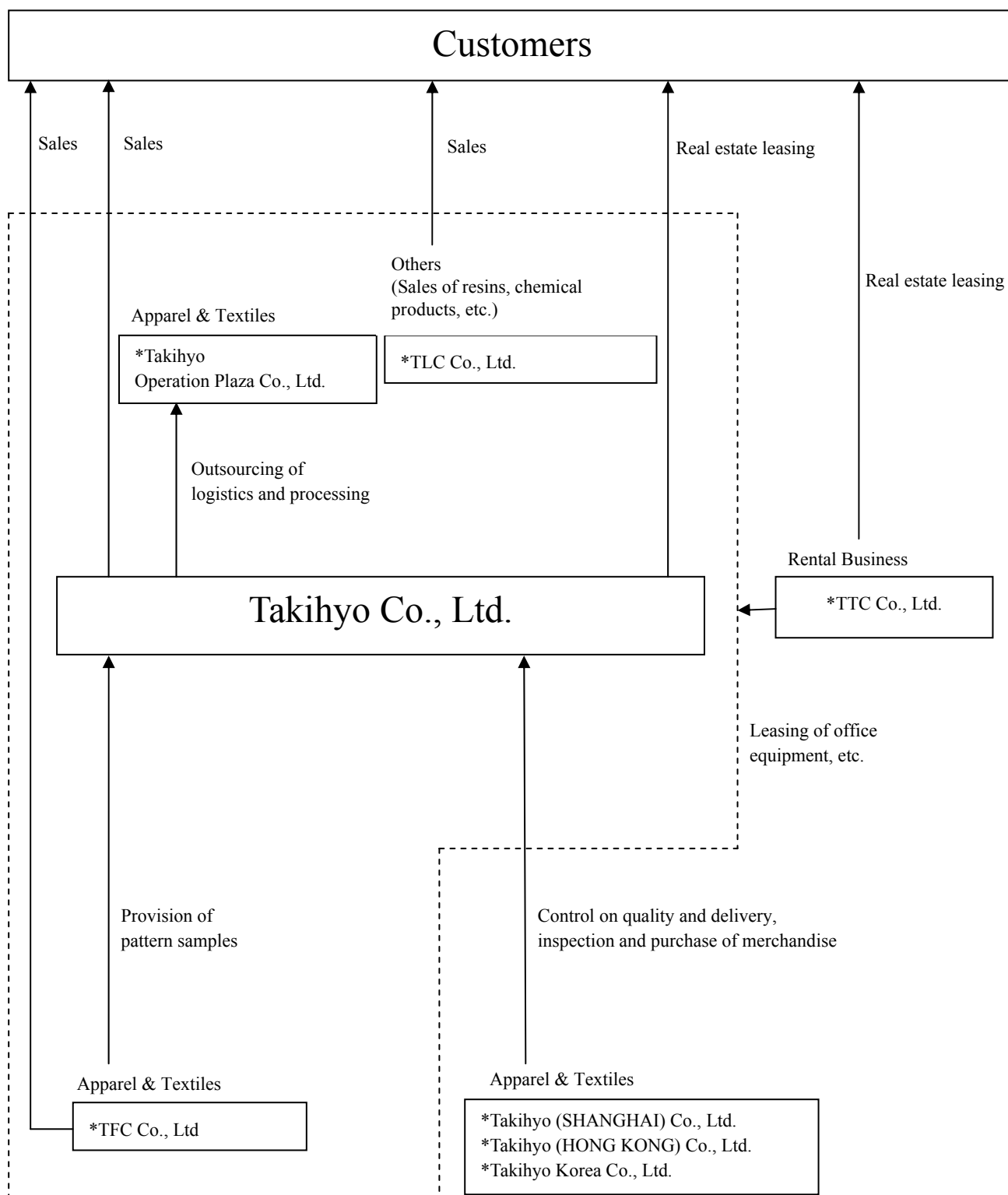
## 2. Consolidated Group

The Group comprises the Company and seven consolidated subsidiaries mainly engaged in planning, manufacturing and sales of various apparel & textiles products, along with business activities including the real estate rental business, and sales of resins and chemical products.

The operational positioning of the Group in connection with each segment is as follows.

Apparel & Textiles	<p>The Company's main line of business is designing, manufacturing and merchandising of clothing primarily for ladies, kids and babies along with textile products (cloths) primarily made of wool.</p> <p>Each of the three overseas consolidated subsidiaries, Takihyo (SHANGHAI) Co., Ltd., Takihyo (HONG KONG) Co., Ltd. and Takihyo Korea Co., Ltd., primarily engages in local management of manufacturing process, delivery and quality control of the products to be shipped to the Company, as well as assistance in export to the Head Office.</p> <p>Of the domestic consolidated subsidiaries, TFC Co., Ltd. engages in production of pattern samples, knit shirts (cut-and-sew) and other sewing products, as well as designing and selling of uniforms, while Takihyo Operation Plaza Co., Ltd. engages in delivery-related businesses including sorting, packing and shipping of products primarily manufactured overseas for delivery to each retail premises of customers.</p>
Rental Business	<p>The Company engages in leasing and management of real estate and related activities. TTC Co., Ltd. primarily provides leasing of equipment along with leasing and management of real estate to the Group companies.</p>
Others	<p>TLC Co., Ltd. engages in sales of products including resins and chemical products, TTC Co., Ltd. engages in the operation of "Komeda Coffee Shop" as a franchisee.</p>

The following diagram illustrates how business within the Group is interrelated.



(Note) 1. \* indicates consolidated subsidiaries.

### 3. Management Policy

#### (1) Basic Management Policy of the Company

The Company's basic policy is to keep providing apparel products that keenly respond to the needs and lifestyles of our customers, based on the three constant management philosophies: "Pay more attention to customers' interest than your own," "Modesty generates profits," and "Good name always comes first."

#### (2) Targeted Management Benchmark

The Company is striving to enhance its corporate value, by maximizing operating income and cash flows as the two critical management benchmarks that demonstrate the strength of its core businesses.

#### (3) Medium- to long-term Management Strategy

A new company-wide policy called "Global Challenge ~Change and Advance~" was developed and presented on the occasion of the Company's 260th anniversary.

As part of an implementation of this strategy, with regard to our core business of ladies' apparel, we consolidated women's sales groups, which were launched last year, with a view to appropriately adapting to changes of the times and market. Through the consolidation, we will cultivate transactions with the fast-growing specialist retailers, and our OEM and ODM efforts, mainly for department store apparel. In addition, we are going to explore opportunities to provide universally marketable merchandise to the global markets i.e. Asia, Europe, and the United States, to rise above our current status which greatly depends on the domestic market.

#### (4) Issues to be Addressed of the Company

For the fiscal year ending February 28, 2018, the Company will work on the following three points.

- Restructure OEM and ODM businesses
- Strengthen initiatives for the stability of quality
- Further raise effectiveness

### 4. Basic Policy on Selection of Accounting Standards

The Group applies Japanese GAAP to ensure comparability with its domestic competitors.

5. Consolidated Financial Statements  
(1) Consolidated Balance Sheets

(Millions of yen)

	As of February 29, 2016	As of February 28, 2017
<b>Assets</b>		
Current assets		
Cash and deposits	3,350	3,447
Notes and accounts receivable-trade	18,102	13,996
Merchandise and finished goods	5,138	3,501
Work in process	27	39
Raw materials and supplies	31	36
Deferred tax assets	841	274
Other	782	863
Allowance for doubtful accounts	(13)	(26)
Total current assets	28,261	22,131
Non-current assets		
Property, plant and equipment		
Buildings and structures	4,601	4,573
Accumulated depreciation	(2,050)	(2,179)
Buildings and structures, net	2,551	2,393
Machinery, equipment and vehicles	211	222
Accumulated depreciation	(146)	(159)
Machinery, equipment and vehicles, net	65	62
Tools, furniture and fixtures	1,812	1,879
Accumulated depreciation	(380)	(412)
Tools, furniture and fixtures, net	1,432	1,466
Land	18,890	18,890
Leased assets	83	83
Accumulated depreciation	(83)	(83)
Leased assets, net	0	—
Construction in progress	51	1
Total property, plant and equipment	22,990	22,813
Intangible assets	567	1,331
Investments and other assets		
Investment securities	3,978	4,786
Investments in capital	22	22
Long-term loans receivable	54	49
Long-term guarantee deposit	813	809
Insurance funds	114	116
Deferred tax assets	64	55
Other	238	205
Allowance for doubtful accounts	(74)	(27)
Total investments and other assets	5,211	6,017
Total non-current assets	28,769	30,163
<b>Total assets</b>	<b>57,030</b>	<b>52,294</b>

(Millions of yen)

	As of February 29, 2016	As of February 28, 2017
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable-trade	12,008	8,015
Short-term loans payable	1,980	1,180
Current portion of long-term loans payable	2,250	1,050
Lease obligations	8	2
Accounts payable-other	2,637	1,937
Income taxes payable	540	88
Provision for bonuses	118	105
Provision for sales returns	34	25
Provision for loss on store closing	52	—
Deferred tax liabilities	1	0
Other	2,304	1,479
Total current liabilities	21,934	13,883
Non-current liabilities		
Long-term loans payable	1,075	2,525
Lease obligations	3	0
Net defined benefit liability	526	396
Provision for directors' retirement benefits	176	176
Asset retirement obligations	140	134
Deferred tax liabilities	520	952
Deferred tax liabilities for land revaluation	139	132
Other	1,171	334
Total non-current liabilities	3,751	4,652
Total liabilities	25,686	18,536
<b>Net assets</b>		
Shareholders' equity		
Capital stock	3,622	3,622
Capital surplus	4,148	4,148
Retained earnings	24,404	24,705
Treasury shares	(589)	(570)
Total shareholders' equity	31,585	31,905
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,093	1,528
Deferred gains or losses on hedges	(1,691)	(82)
Revaluation reserve for land	155	162
Foreign currency translation adjustment	68	16
Remeasurements of defined benefit plans	(75)	7
Total accumulated other comprehensive income	(449)	1,632
Subscription rights to shares	207	220
Total net assets	31,344	33,758
Total liabilities and net assets	57,030	52,294

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

	(Millions of yen)	
	For the previous fiscal year ended February 29, 2016	For the current fiscal year ended February 28, 2017
Net sales	84,351	77,952
Cost of sales	67,791	63,553
Gross profit	16,559	14,399
Provision for sales returns	(4)	(9)
Gross profit-net	16,563	14,408
Selling, general and administrative expenses		
Freightage related expenses	3,445	3,168
Advertising and promotion expenses	474	354
Salaries and allowances	4,617	4,467
Bonuses	561	573
Share-based compensation expenses	31	29
Welfare expenses	1,148	1,134
Provision for bonuses	112	100
Retirement benefit expenses	298	237
Traveling and transportation expenses	671	641
Communication expenses	373	369
Rent expenses	815	796
Depreciation	179	179
Other	1,321	1,254
Total selling, general and administrative expenses	14,050	13,306
Operating income	2,513	1,101
Non-operating income		
Interest income	31	23
Dividend income	76	79
Boarding fees income	31	29
Subsidy income	53	53
Other	79	67
Total non-operating income	272	253
Non-operating expenses		
Interest expenses	114	90
Loss on valuation of derivatives	326	117
Commission fee	24	28
Other	38	29
Total non-operating expenses	504	265
Ordinary income	2,280	1,089
Extraordinary income		
Gain on sales of investment securities	—	176
Gain on redemption of investment securities	29	—
Gain on sales of non-current assets	83	—
Total extraordinary income	112	176
Extraordinary losses		
Loss on retirement of non-current assets	12	7
Impairment loss	75	67
Loss on valuation of goods	111	—
Provision for loss on store closing	52	—
Settlement	—	98
Other	10	14
Total extraordinary losses	260	187
Profit before income taxes	2,132	1,078
Income taxes-current	968	348
Income taxes-deferred	(198)	53
Total income taxes	770	401
Profit	1,362	676
Profit attributable to owners of parent	1,362	676

# Consolidated Statements of Comprehensive Income

(Millions of yen)

	For the previous fiscal year ended February 29, 2016	For the current fiscal year ended February 28, 2017
Profit	1,362	676
Other comprehensive income		
Valuation difference on available-for-sale securities	(356)	435
Deferred gains or losses on hedges	(4,901)	1,609
Revaluation reserve for land	14	6
Foreign currency translation adjustment	(31)	(52)
Remeasurements of defined benefit plans, net of tax	(61)	83
Total other comprehensive income	(5,335)	2,082
Comprehensive income	(3,973)	2,758
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(3,973)	2,758

(3) Consolidated Statements of Changes in Net Assets  
For the previous fiscal year ended February 29, 2016

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	3,622	4,148	23,414	(588)	30,597
Changes of items during period					
Dividends of surplus			(372)		(372)
Profit attributable to owners of parent			1,362		1,362
Purchase of treasury shares				(0)	(0)
Net changes of items other than shareholders' equity					
Total changes of items during period	—	—	989	(0)	988
Balance at end of current period	3,622	4,148	24,404	(589)	31,585

(Millions of yen)

	Accumulated other comprehensive income						Subscription rights to shares	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	1,449	3,210	141	99	(14)	4,886	176	35,660
Changes of items during period								
Dividends of surplus								(372)
Profit attributable to owners of parent								1,362
Purchase of treasury shares								(0)
Net changes of items other than shareholders' equity	(356)	(4,901)	14	(31)	(61)	(5,335)	31	(5,304)
Total changes of items during period	(356)	(4,901)	14	(31)	(61)	(5,335)	31	(4,315)
Balance at end of current period	1,093	(1,691)	155	68	(75)	(449)	207	31,344



For the current fiscal year ended February 28, 2017

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	3,622	4,148	24,404	(589)	31,585
Changes of items during period					
Dividends of surplus			(372)		(372)
Profit attributable to owners of parent			676		676
Purchase of treasury shares				(0)	(0)
Disposal of treasury shares			(2)	19	16
Net changes of items other than shareholders' equity					
Total changes of items during period	—	—	300	18	319
Balance at end of current period	3,622	4,148	24,705	(570)	31,905

(Millions of yen)

	Accumulated other comprehensive income						Subscription rights to shares	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	1,093	(1,691)	155	68	(75)	(449)	207	31,344
Changes of items during period								
Dividends of surplus								(372)
Profit attributable to owners of parent								676
Purchase of treasury shares								(0)
Disposal of treasury shares								16
Net changes of items other than shareholders' equity	435	1,609	6	(52)	83	2,082	12	2,094
Total changes of items during period	435	1,609	6	(52)	83	2,082	12	2,414
Balance at end of current period	1,528	(82)	162	16	7	1,632	220	33,758

## (4) Consolidated Statements of Cash Flows

(Millions of yen)

	For the previous fiscal year ended February 29, 2016	For the current fiscal year ended February 28, 2017
Cash flows from operating activities		
Profit before income taxes	2,132	1,078
Depreciation	352	335
Impairment loss	75	67
Increase (decrease) in allowance for doubtful accounts	28	(34)
Increase (decrease) in provision for bonuses	5	(12)
Increase (decrease) in provision for sales returns	(4)	(9)
Increase (decrease) in provision for loss on store closing	52	(52)
Increase (decrease) in net defined benefit liability	(18)	(1)
Interest and dividend income	(108)	(103)
Interest expenses	114	90
Loss (gain) on valuation of derivatives	326	117
Loss (gain) on sales of investment securities	—	(176)
Loss (gain) on redemption of investment securities	(29)	—
Loss (gain) on sales of property, plant and equipment	(83)	—
Loss on retirement of property, plant and equipment	12	7
Decrease (increase) in notes and accounts receivable-trade	25	4,096
Decrease (increase) in inventories	(196)	1,619
Increase (decrease) in notes and accounts payable-trade	652	(3,991)
Increase (decrease) in accrued consumption taxes	(120)	631
Decrease (increase) in other assets	(161)	(96)
Increase (decrease) in other liabilities	(551)	(673)
Other, net	38	26
Subtotal	2,541	2,919
Interest and dividend income received	119	99
Interest expenses paid	(112)	(85)
Income taxes paid	(1,128)	(796)
Net cash provided by (used in) operating activities	1,420	2,137

	(Millions of yen)	
	For the previous fiscal year ended February 29, 2016	For the current fiscal year ended February 28, 2017
Cash flows from investing activities		
Payments into time deposits	(132)	(10)
Proceeds from withdrawal of time deposits	132	138
Purchase of property, plant and equipment	(938)	(181)
Proceeds from sales of property, plant and equipment	401	—
Purchase of intangible assets	(486)	(818)
Purchase of investment securities	—	(355)
Proceeds from sales of investment securities	—	260
Proceeds from redemption of investment securities	541	10
Payments of loans receivable	(68)	(2)
Collection of loans receivable	29	37
Proceeds from collection of guarantee deposits	9	40
Other, net	(38)	(60)
Net cash provided by (used in) investing activities	(550)	(941)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	240	(800)
Proceeds from long-term loans payable	1,625	2,500
Repayments of long-term loans payable	(2,125)	(2,250)
Cash dividends paid	(373)	(372)
Purchase of treasury shares	(0)	(0)
Other, net	(26)	(8)
Net cash provided by (used in) financing activities	(660)	(932)
Effect of exchange rate change on cash and cash equivalents	(26)	(34)
Net increase (decrease) in cash and cash equivalents	182	229
Cash and cash equivalents at beginning of period	3,035	3,217
Cash and cash equivalents at end of period	3,217	3,447

(5) Notes to Consolidated Financial Statements

(Notes on Going Concern Assumption)

Not applicable.

(Important Matters that Form the Basis for Preparing Consolidated Financial Statements)

1. Scope of consolidation

(1) Number of consolidated subsidiaries:

7 companies

Names of the principal consolidated subsidiaries:

TTC Co., Ltd., TLC Co., Ltd., Max & Growing Co., Ltd., Takihyo (HONG KONG) Co., Ltd., TFC Co., Ltd., Takihyo (SHANGHAI) Co., Ltd., Takihyo Operation Plaza Co., Ltd., Takihyo Korea Co., Ltd.

(2) There are no non-consolidated subsidiaries.

2. Scope of application of the equity method

There is no application of equity method due to the absence of non-consolidated subsidiaries and associates.

3. Fiscal year, etc. of consolidated subsidiaries

Of all the consolidated subsidiaries, Takihyo (HONG KONG) Co., Ltd. and Takihyo (SHANGHAI) Co., Ltd. close accounts on December 31 of each year. Since the difference of closing dates does not exceed three months, financial statements of these two subsidiaries are consolidated as at their own closing date, while necessary adjustment is made for the purpose of consolidation in the event of significant transactions taking place between such closing date and the consolidation date. All other consolidated subsidiaries share the same closing date as the consolidation date.

4. Accounting policies

(1) Valuation standards and methods regarding significant assets

1) Securities

Other securities:

Securities with market quotations:

Market value method based on the quoted market price at the fiscal year-end (with any unrealized gains or losses being reported directly as a component of shareholders' equity and the cost of securities sold is calculated using the moving-average method).

Securities without market quotations:

Cost method using the moving-average method.

2) Inventories

a. Merchandise:

Stated at cost primarily using the moving-average method (Amounts shown on the balance sheets take into account declines in book values based on reduced profitability.)

b. Finished goods, work in process, and raw materials:

Stated at cost primarily using the specific cost method (Amounts shown on the balance sheets take into account declines in book values based on reduced profitability.)

c. Supplies:

Stated at cost using the last-purchase-price method (Amounts shown on the balance sheets take into account declines in book values based on reduced profitability)

3) Derivatives

Stated at market value

(2) Depreciation method for significant depreciable assets

1) Property, plant and equipment (excluding leased assets)

Stated at declining-balance method. Service life is determined using the same standard as set out in the Corporation Tax Law, provided however that buildings (excluding auxiliary equipment) acquired on and after April 1, 1998 and auxiliary equipment and structures acquired on and after April 1, 2016, are subject to the straight-line method.

(Petty sum depreciable assets)

Assets acquired at the cost of 100,000 yen or more but less than 200,000 yen are subject to equal depreciation over three years.

- 2) Intangible assets (excluding lease assets)  
Stated at straight-line method. Service life is determined using the same standard as set out in the Corporation Tax Law, provided however that software (for internal use) is subject to the straight-line method over the internally available period of five or 10 years.
- 3) Lease assets  
Lease assets concerning non-transfer ownership finance leases:  
Straight-line method is applied, with useful lives being lease terms and assuming that residual values would be zero.
- 4) Long-term prepaid expenses  
Stated at straight-line method. Service life is determined using the same standard as set out in the Corporation Tax Law.
- (3) Accounting standards for significant allowances and provisions
  - 1) Allowance for doubtful accounts  
The Group provides for possible credit losses stemming from notes and accounts receivable-trade and loans receivable. Estimated amounts of irrecoverable debt are calculated based on historical write-off ratio for ordinary receivables, and on a consideration of feasibly recoverable amounts in individual cases of specific debts such as doubtful accounts.
  - 2) Provision for bonuses  
The Group provides for payments of employee bonuses based on the portion of the estimated amount of bonus payment as attributable to the current fiscal year.
  - 3) Provision for sales returns  
To provide for losses due to return of goods, Takihyo Co., Ltd. records estimated amounts of losses in consideration of the past return ratios actually experienced.
  - 4) Provision for loss on store closing  
To provide for losses resulting from store closing, the Group records estimated amounts of losses, which are expected to occur in the future, for stores whose closure has been decided.
  - 5) Provision for directors' retirement benefits  
Takihyo Co., Ltd. provides for the payment of retirement benefits to officers based on the aggregate amount of liabilities corresponding to each officer's period in office up to May 23, 2007 (the 96th Ordinary General Meeting of Shareholders) in accordance with the relevant internal rules.
- (4) Accounting methods for retirement benefits
  - 1) Method of attributing projected retirement benefits to periods  
In calculating benefit obligations, straight-line attribution is adopted for the purpose of attributing the projected retirement benefits to the period up to the end of the current fiscal year.
  - 2) Calculation of actuarial differences and past service costs  
Past service costs are charged to expenses, using the straight-line method, over the determined number of years (10 years) not exceeding average remaining service years of the employees at the time of their accrual.  
Actuarial differences are amortized using the straight-line method over the determined number of years (10 years) not exceeding average remaining service years of the employees at the time of their accrual in each fiscal year, from the fiscal year following the year of their accrual.
  - 3) Adoption of the simplified method in small businesses, etc.  
Certain consolidated subsidiaries adopt the simplified method, where benefit obligations are estimated at the amount of retirement benefit payments required for voluntary retirements at the end of the fiscal year, to calculate net defined benefit liability and retirement benefit expenses.
- (5) Translation of significant assets and liabilities denominated in foreign currencies into yen  
Monetary claims and liabilities denominated in foreign currencies have been translated into yen at the rates of exchange in effect at the fiscal year end. Translation adjustments are treated as gains or losses. Assets and liabilities as well as revenues and expenses of overseas subsidiaries, etc. have been translated into yen using the spot exchange rates in effect as of the closing dates, and the resultant translation differences are included in foreign currency translation adjustment in net assets.
- (6) Significant hedge accounting
  - 1) Hedge accounting  
Deferred hedge accounting is adopted. Designation transactions are applied to foreign exchange forward contracts which conform to the requirements for designation transactions.

2) Means of hedging and hedged items

<u>Means of hedging</u>	<u>Hedged items</u>
Foreign exchange forward contracts	Foreign currency-denominated monetary claims and liabilities

3) Hedging policy

The Group is primarily hedging exchange risk according to the internal control rules of the Company.

4) Methods for evaluating the effectiveness of hedges

Since all foreign exchange forward contracts are carried out on the basis of the actual demand for future transactions, with a very high likelihood of being exercised, process to evaluate the hedging effectiveness is spared.

(7) Scope of cash and cash equivalents in the consolidated statements of cash flows

Cash and cash equivalents as stated in the consolidated statements of cash flows consist of cash in hand, readily available deposits, and any short-term liquid investments with a maturity not exceeding three months at the time of purchase whose value is not subject to significant fluctuation risk.

(8) Other significant matters for preparing consolidated financial statements

Accounting method for consumption taxes  
The tax exclusion method.

(Changes in Accounting Policies)

Application of Accounting Standard for Business Combinations, etc.

Effective from the current fiscal year, the Company has applied the “Revised Accounting Standard for Business Combinations” (Accounting Standards Board of Japan (ASBJ) Statement No. 21, September 13, 2013), the “Revised Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No. 22, September 13, 2013), and the “Revised Accounting Standard for Business Divestitures” (ASBJ Statement No. 7, September 13, 2013), etc. Accordingly, the Company has changed the presentation of net income and other related items. To reflect these changes in presentation, reclassifications of accounts have been made to the consolidated financial statements for the previous fiscal year.

Changes in Depreciation Method

In accordance with revisions of the Corporation Tax Law, in the current fiscal year, the Company has applied the “Practical Solution on a change in depreciation method due to Tax Reform 2016” (Practical Issues Task Force No. 32, June 17, 2016), and changed the depreciation method of auxiliary equipment of buildings and structures acquired on and after April 1, 2016 from the declining- balance method to the straight-line method.

The effect of this change on income or loss for the current fiscal year is immaterial.

(Segment Information)

1. Outline of reportable segments

The Group's reportable segments are those constituent units within the Group for which discrete financial information is available and are regularly reviewed by the Board of Directors for the purpose of determining the allocation of management resources and evaluating performance.

The Group's main line of business, centered on the Company, is the planning, manufacture and sale of apparel and textile products. In addition, the Company and one subsidiary engage in real estate rental business. The Group draws up a comprehensive strategy for each business unit to carry out its business activities.

Therefore, the Group comprises segments classified according to products and services, with "Apparel & Textiles" and "Rental Business" as two reportable segments.

The "Apparel & Textiles" segment is engaged in planning, manufacturing and selling of ladies' apparel, baby and kids' apparel, homewear, and textiles.

The "Rental Business" segment is engaged in leasing and management of real estate, and leasing of office automation equipment, etc.

2. Calculation methods for net sales, income or loss, assets, and other items by reportable segment

The accounting methods for the business segments reported are mostly the same as those described in the "Important Matters that Form the Basis for Preparing Consolidated Financial Statements."

Income by reportable segment is based on operating income, while inter-segment revenues and transfers are based on market price.

3. Information on net sales, income or loss, assets, and other items by reportable segment

For the previous fiscal year (From March 1, 2015 to February 29, 2016)

(Millions of yen)

	Reportable segment			Others	Total	Adjustment	Amounts on consolidated financial statements
	Apparel & Textiles	Rental Business	Subtotal				
Net sales							
Net sales to outside customers	78,964	806	79,771	4,579	84,351	—	84,351
Inter-segment sales and transfers	2	99	101	25	126	(126)	—
Total	78,966	906	79,873	4,604	84,478	(126)	84,351
Segment income	1,971	540	2,512	(7)	2,505	7	2,513
Segment assets	38,210	18,022	56,232	1,574	57,806	(775)	57,030
Other items							
Depreciation	170	164	335	17	352	—	352
Increase in property, plant and equipment and intangible assets	766	620	1,387	71	1,459	—	1,459

(Notes) 1. "Others" refers to business segments not included in the reportable segments, including sales of synthetic resins and chemical products, etc.

2. Depreciation includes the amortization of long-term prepaid expenses. Increase in property, plant and equipment and intangible assets includes an increase in long-term prepaid expenses.

3. The -¥775 million adjustment to segment assets includes elimination of inter-segment of -¥1,312 million and corporate assets of ¥536 million not allocated among reportable segments. Corporate assets consist primarily of surplus funds (investment securities) not belonging to any reportable segment.

4. The ¥7 million adjustment to segment income represents elimination of inter-segment transactions of ¥7 million, etc.

5. Segment income is adjusted with operating income in the consolidated statements of income.

For the current fiscal year (From March 1, 2016 to February 28, 2017)

(Millions of yen)

	Reportable segment			Others	Total	Adjustment	Amounts on consolidated financial statements
	Apparel & Textiles	Rental Business	Subtotal				
Net sales							
Net sales to outside customers	72,377	823	73,200	4,752	77,952	—	77,952
Inter-segment sales and transfers	0	99	99	39	138	(138)	—
Total	72,377	922	73,299	4,792	78,091	(138)	77,952
Segment income	457	590	1,047	47	1,095	5	1,101
Segment assets	32,794	17,930	50,724	1,802	52,527	(232)	52,294
Other items							
Depreciation	161	147	309	25	335	—	335
Increase in property, plant and equipment and intangible assets	912	21	934	69	1,003	—	1,003

- (Notes) 1. “Others” refers to business segments not included in the reportable segments, including sales of synthetic resins and chemical products, etc.
2. Depreciation includes the amortization of long-term prepaid expenses. Increase in property, plant and equipment and intangible assets includes an increase in long-term prepaid expenses.
3. The -¥232 million adjustment to segment assets includes elimination of inter-segment of -¥1,120 million and corporate assets of ¥888 million not allocated among reportable segments. Corporate assets consist primarily of surplus funds (investment securities) not belonging to any reportable segment.
4. The ¥5 million adjustment to segment income represents elimination of inter-segment transactions of ¥5 million, etc.
5. Segment income is adjusted with operating income in the consolidated statements of income.

#### 4. Changes in reportable segments, etc.

As stated in “Changes in Accounting Policies,” in line with the revisions in the Corporation Tax Law, the Company has changed the depreciation method for auxiliary equipment of buildings and structures acquired on and after April 1, 2016 from the declining-balance method to the straight-line method. Following this change, the Group changed the depreciation method in business segments in the same way.

The effect of this change on segment income for the current fiscal year is immaterial.

#### (Related Information)

For the previous fiscal year (From March 1, 2015 to February 29, 2016)

##### 1. Information by product or service

This information is omitted as the same information is disclosed in the segment information.

##### 2. Information by region

###### (1) Net sales

This information is omitted as net sales to outside customers in Japan exceeded 90% of net sales in the consolidated statements of income.

###### (2) Property, plant and equipment

This information is omitted as the amount of property, plant and equipment in Japan exceeded 90% of the amount of property, plant and equipment in the consolidated balance sheets.



### 3. Information by major customer

(Millions of yen)

Name of customer	Net sales	Related segment
SHIMAMURA Co., Ltd.	24,926	Apparel & Textiles and others

For the current fiscal year (From March 1, 2016 to February 28, 2017)

#### 1. Information by product or service

This information is omitted as the same information is disclosed in the segment information.

#### 2. Information by region

##### (1) Net sales

This information is omitted as net sales to outside customers in Japan exceeded 90% of net sales in the consolidated statements of income.

##### (2) Property, plant and equipment

This information is omitted as the amount of property, plant and equipment in Japan exceeded 90% of the amount of property, plant and equipment in the consolidated balance sheets.

### 3. Information by major customer

(Millions of yen)

Name of customer	Net sales	Related segment
SHIMAMURA Co., Ltd.	24,925	Apparel & Textiles and others

(Information regarding impairment loss on noncurrent assets by reportable segment)

For the previous fiscal year (From March 1, 2015 to February 29, 2016)

In the Apparel & Textiles segment, impairment loss on non-current assets of ¥75 million was recorded.

For the current fiscal year (From March 1, 2016 to February 28, 2017)

In the Apparel & Textiles segment, impairment loss on non-current assets of ¥67 million was recorded.

## (Per Share Information)

For the previous fiscal year (From March 1, 2015 to February 29, 2016)		For the current fiscal year (From March 1, 2016 to February 28, 2017)	
Net assets per share	668.26 yen	Net assets per share	719.11 yen
Earnings per share	29.24 yen	Earnings per share	14.51 yen
Diluted earnings per share	28.89 yen	Diluted earnings per share	14.33 yen

(Notes) 1. The basis for calculation of net assets per share is as follows:

(Millions of yen)

	For the previous fiscal year (As of February 29, 2016)	For the current fiscal year (As of February 28, 2017)
Total net assets	31,344	33,758
Amount deducted from the total net assets	207	220
(Subscription rights to shares included in the above)	(207)	(220)
Amount of net assets related to common stock as of the end of the fiscal year	31,136	33,538
Number of shares of common stock used in the calculation of net assets per share as of the end of the fiscal year (Thousands shares)	46,593	46,638

2. The basis for calculation of earnings per share and diluted earnings per share is as follows:

(Millions of yen)	For the previous fiscal year (From March 1, 2015 to February 29, 2016)	For the current fiscal year (From March 1, 2016 to February 28, 2017)
Earnings per share		
Profit attributable to owners of parent	1,362	676
Profit not attributable to common shareholders	—	—
Profit attributable to owners of parent related to common stock	1,362	676
Average number of shares of common stock outstanding during the fiscal year (Thousands shares)	46,594	46,635
Diluted earnings per share		
Increase in number of shares of common stock (Thousands shares)	562	596
(Subscription rights to shares included in the above) (Thousands shares)	(562)	(596)
Summary of potential stock that were not included in the computation of diluted earnings per share since there was no effect of dilution	—	—

(Significant Subsequent Events)

Transfer of non-current asset

The Company resolved a transfer of a non-current asset at a Board of Directors Meeting held on March 31, 2017.

1. Reason for transfer

The Company transfers a real estate property in order to efficiently utilize its business resources.

2. Details of transferred asset

(1) Name of asset	TH Ginza Bld.
(2) Address	1-7-1 Shinbashi, Minato-ku, Tokyo
(3) Area of land	498.62 m <sup>2</sup>
(4) Gain on transfer	Approx. ¥4,100 million
(5) Current status	Tokyo Branch Office and shops/offices for rent

Notes: 1. Gain on transfer is calculated by subtracting the carrying amount and costs related to the transfer from the transfer price.

2. Based on a non-disclosure agreement signed with the purchasing entity, transfer price and carrying amount may not be disclosed.

3. Outline of purchasing entity

Based on a non-disclosure agreement signed with the purchasing entity, the identity of said entity may not be disclosed. There is no capital relationship, personnel relationship, transactional relationship, or situation where the entity is seen as a related party between the Company and the purchasing entity which is required to be disclosed.

4. Schedule

Date of Board of Directors Meeting	March 31, 2017
Date of contract	March 31, 2017
Date of transfer of property	April 11, 2017 (planned)

5. Effect on income or loss

The Company plans to post the ¥4,100 million arising from this transfer as gain on transfer of non-current assets under extraordinary income in the consolidated financial statements and non-consolidated financial statements of the first quarter for the fiscal year ending February 28, 2018.

(Omission of Disclosure)

Disclosure of notes relating to the following items is omitted, as considered to be no great necessity for disclosing such items for Consolidated Financial Results: Notes to consolidated balance sheets, consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in net assets and consolidated statements of cash flows, and notes to lease transactions, transactions with relevant parties, tax effect accountings, financial instruments, investment securities, derivatives transactions, retirement benefits, asset retirement obligations, real estate properties, stock options and business combinations.

6. Non-consolidated Financial Statements  
(1) Non-consolidated Balance Sheets

(Millions of yen)

	As of February 29, 2016	As of February 28, 2017
<b>Assets</b>		
Current assets		
Cash and deposits	2,280	2,249
Notes receivable-trade	1,123	1,330
Accounts receivable-trade	15,925	11,586
Merchandise	5,009	3,338
Advance payments-trade	187	255
Prepaid expenses	134	130
Deferred tax assets	799	264
Other	358	354
Allowance for doubtful accounts	(11)	(24)
Total current assets	25,809	19,484
Non-current assets		
Property, plant and equipment		
Buildings	1,505	1,363
Structures	36	30
Machinery and equipment	16	16
Vehicles	0	0
Tools, furniture and fixtures	1,254	1,323
Land	18,095	18,095
Leased assets	39	25
Construction in progress	51	1
Total property, plant and equipment	21,001	20,856
Intangible assets		
Leasehold right	10	10
Trademark right	6	—
Software	25	1,273
Leased assets	5	0
Other	493	18
Total intangible assets	541	1,302
Investments and other assets		
Investment securities	3,933	4,742
Shares of subsidiaries and associates	1,216	1,216
Investments in capital	22	22
Long-term loans receivable	54	49
Long-term retaining claims	35	6
Long-term prepaid expenses	27	30
Long-term guarantee deposit	717	701
Insurance funds	114	116
Other	126	126
Allowance for doubtful accounts	(44)	(6)
Total investments and other assets	6,204	7,006
Total non-current assets	27,747	29,164
Total assets	53,557	48,649

(Millions of yen)

	As of February 29, 2016	As of February 28, 2017
<b>Liabilities</b>		
Current liabilities		
Foreign notes payable-trade	8,651	4,449
Accounts payable-trade	2,875	3,024
Short-term loans payable	2,863	2,217
Current portion of long-term loans payable	2,400	1,050
Lease obligations	14	8
Accounts payable-other	2,690	1,985
Income taxes payable	485	9
Provision for bonuses	93	80
Provision for sales returns	34	25
Provision for loss on store closing	52	—
Other	2,183	1,429
Total current liabilities	22,343	14,279
Non-current liabilities		
Long-term loans payable	1,075	2,525
Lease obligations	16	7
Provision for retirement benefits	252	267
Provision for directors' retirement benefits	176	176
Asset retirement obligations	89	85
Deferred tax liabilities	523	904
Deferred tax liabilities for land revaluation	139	132
Other	1,133	291
Total non-current liabilities	3,406	4,390
Total liabilities	25,750	18,670
<b>Net assets</b>		
Shareholders' equity		
Capital stock	3,622	3,622
Capital surplus		
Legal capital surplus	4,148	4,148
Total capital surpluses	4,148	4,148
Retained earnings		
Legal retained earnings	806	806
Other retained earnings		
Reserve for advanced depreciation of non-current assets	1,040	1,060
General reserve	15,500	15,500
Retained earnings brought forward	3,477	3,584
Total other retained earnings	20,017	20,144
Total retained earnings	20,823	20,950
Treasury shares	(589)	(570)
Total shareholders' equity	28,005	28,151
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	1,101	1,535
Deferred gains or losses on hedges	(1,662)	(91)
Revaluation reserve for land	155	162
Total valuation and translation adjustments	(405)	1,607
Subscription rights to shares	207	220
Total net assets	27,807	29,979
Total liabilities and net assets	53,557	48,649

## (2) Non-consolidated Statements of Income

(Millions of yen)

	For the previous fiscal year ended February 29, 2016	For the current fiscal year ended February 28, 2017
Net sales	78,488	72,011
Cost of sales	62,707	58,372
Gross profit	15,780	13,638
Provision for sales returns	(4)	(9)
Gross profit-net	15,784	13,647
Selling, general and administrative expenses	13,549	12,823
Operating income	2,235	824
Non-operating income		
Interest and dividend income	88	96
Subsidy income	53	53
Other	81	69
Total non-operating income	222	219
Non-operating expenses		
Interest expenses	122	96
Loss on valuation of derivatives	326	117
Other	71	51
Total non-operating expenses	521	265
Ordinary income	1,936	777
Extraordinary income		
Gain on sales of investment securities	—	175
Gain on redemption of investment securities	29	—
Total extraordinary income	29	175
Extraordinary losses		
Loss on retirement of non-current assets	12	3
Impairment loss	75	67
Loss on valuation of goods	111	—
Provision for loss on store closing	52	—
Settlement	—	98
Other	10	—
Total extraordinary losses	260	169
Profit before income taxes	1,705	783
Income taxes-current	862	256
Income taxes-deferred	(226)	24
Total income taxes	635	280
Profit	1,070	502

(3) Non-consolidated Statements of Changes in Net Assets  
For the previous fiscal year ended February 29, 2016

(Millions of yen)

	Shareholders' equity			
	Capital stock	Capital surplus		Retained earnings
		Legal capital surplus	Total capital surplus	Legal retained earnings
Balance at beginning of current period	3,622	4,148	4,148	806
Changes of items during period				
Dividends of surplus				
Profit				
Purchase of treasury shares				
Provision of reserve for advanced depreciation of non-current assets				
Reversal of reserve for advanced depreciation of non-current assets				
Net changes of items other than shareholders' equity				
Total changes of items during period	—	—	—	—
Balance at end of current period	3,622	4,148	4,148	806

(Millions of yen)

	Shareholders' equity					
	Retained earnings				Treasury shares	Total shareholders' equity
	Other retained earnings			Total retained earnings		
	Reserve for advanced depreciation of non-current assets	General reserve	Retained earnings brought forward			
Balance at beginning of current period	993	15,500	2,826	20,126	(588)	27,308
Changes of items during period						
Dividends of surplus			(372)	(372)		(372)
Profit			1,070	1,070		1,070
Purchase of treasury shares					(0)	(0)
Provision of reserve for advanced depreciation of non-current assets	50		(50)	—		—
Reversal of reserve for advanced depreciation of non-current assets	(3)		3	—		—
Net changes of items other than shareholders' equity						
Total changes of items during period	46	—	650	697	(0)	696
Balance at end of current period	1,040	15,500	3,477	20,823	(589)	28,005

(Millions of yen)

	Valuation and translation adjustments				Subscription rights to shares	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Total valuation and translation adjustments		
Balance at beginning of current period	1,433	3,203	141	4,779	176	32,264
Changes of items during period						
Dividends of surplus						(372)
Profit						1,070
Purchase of treasury shares						(0)
Provision of reserve for advanced depreciation of non-current assets						—
Reversal of reserve for advanced depreciation of non-current assets						—
Net changes of items other than shareholders' equity	(332)	(4,866)	14	(5,184)	31	(5,153)
Total changes of items during period	(332)	(4,866)	14	(5,184)	31	(4,457)
Balance at end of current period	1,101	(1,662)	155	(405)	207	27,807



For the current fiscal year ended February 28, 2017

(Millions of yen)

	Shareholders' equity			
	Capital stock	Capital surplus		Retained earnings
		Legal capital surplus	Total capital surplus	Legal retained earnings
Balance at beginning of current period	3,622	4,148	4,148	806
Changes of items during period				
Dividends of surplus				
Profit				
Purchase of treasury shares				
Disposal of treasury shares				
Provision of reserve for advanced depreciation of non-current assets				
Reversal of reserve for advanced depreciation of non-current assets				
Net changes of items other than shareholders' equity				
Total changes of items during period	—	—	—	—
Balance at end of current period	3,622	4,148	4,148	806

(Millions of yen)

	Shareholders' equity					
	Retained earnings				Treasury shares	Total shareholders' equity
	Other retained earnings			Total retained earnings		
	Reserve for advanced depreciation of non-current assets	General reserve	Retained earnings brought forward			
Balance at beginning of current period	1,040	15,500	3,477	20,823	(589)	28,005
Changes of items during period						
Dividends of surplus			(372)	(372)		(372)
Profit			502	502		502
Purchase of treasury shares					(0)	(0)
Disposal of treasury shares			(2)	(2)	19	16
Provision of reserve for advanced depreciation of non-current assets	24		(24)	—		—
Reversal of reserve for advanced depreciation of non-current assets	(3)		3	—		—
Net changes of items other than shareholders' equity						
Total changes of items during period	20	—	106	127	18	145
Balance at end of current period	1,060	15,500	3,584	20,950	(570)	28,151

(Millions of yen)

	Valuation and translation adjustments				Subscription rights to shares	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Total valuation and translation adjustments		
Balance at beginning of current period	1,101	(1,662)	155	(405)	207	27,807
Changes of items during period						
Dividends of surplus						(372)
Profit						502
Purchase of treasury shares						0
Disposal of treasury shares						16
Provision of reserve for advanced depreciation of non-current assets						—
Reversal of reserve for advanced depreciation of non-current assets						—
Net changes of items other than shareholders' equity	434	1,571	6	2,013	12	2,026
Total changes of items during period	434	1,571	6	2,013	12	2,172
Balance at end of current period	1,535	(91)	162	1,607	220	29,979

- (4) Notes to Non-consolidated Financial Statements  
 (Notes on Going Concern Assumption)  
 Not applicable.

7. Others

- (1) Change of Officers

- 1) Change of representatives  
 Not applicable.

- 2) Change of other officers  
 Not applicable.

- (2) Others

Net sales by product

(Millions of yen, all fractions are rounded down to the nearest 1 million yen)

Item	The 105th fiscal year (From March 1, 2015 to February 29, 2016)		The 106th fiscal year (From March 1, 2016 to February 28, 2017)		Increase (decrease) from the previous fiscal year
	Net sales	Composition ratio	Net sales	Composition ratio	
		%		%	%
Ladies' apparel	42,761	55.0	37,321	52.3	(12.7)
Baby/Kids' apparel	14,202	18.3	14,083	19.8	(0.8)
Homewear	5,089	6.5	4,920	6.9	(3.3)
Textile/OEM	11,615	14.9	10,400	14.6	(10.5)
Men's apparel	3,045	3.9	3,166	4.4	4.0
Others	1,072	1.4	1,405	2.0	31.1
Total	77,784	100.0	71,295	100.0	(8.3)

\* Sales of rental business are not included.