

Consolidated Financial Results for the Three Months Ended May 31, 2018 [Japanese GAAP]



June 25, 2018

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 commencing dividend payments: –
 Scheduled date for filing of quarterly securities report: July 9, 2018
 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, 2018 (March 1, 2018 to May 31, 2018)

(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, 2018	17,886	(4.1)	443	–	472	–	320	(88.6)
Three months ended May 31, 2017	18,655	(11.7)	(93)	–	(45)	–	2,809	389.2

(Note) Comprehensive income: Three months ended May 31, 2018: ¥651 million [(77.4)%]
 Three months ended May 31, 2017: ¥2,881 million [546.4%]

	Earnings per share	Diluted earnings per share
	yen	yen
Three months ended May 31, 2018	34.38	33.87
Three months ended May 31, 2017	301.19	297.23

* The Company conducted a share consolidation of common stock at a ratio of one share for five shares as of September 1, 2017. Accordingly, earnings per share and diluted earnings per share are calculated on the assumption that the consolidation of shares was conducted at the beginning of the previous fiscal year.

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	million yen	million yen	%	yen
As of May 31, 2018	47,431	35,818	75.0	3,813.24
As of February 28, 2018	51,669	35,353	67.9	3,763.34

(Reference) Equity: As of May 31, 2018: ¥35,567 million
 As of February 28, 2018: ¥35,101 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, 2018	–	4.00	–	20.00	–
Fiscal year ending February 28, 2019	–				
Fiscal year ending February 28, 2019 (Forecast)		20.00	–	20.00	40.00

(Notes)

- (1) Revision of dividends forecast from recently announced figures: None
- (2) The Company conducted a share consolidation of common stock at a ratio of one share for five shares as of September 1, 2017. Accordingly, the year-end dividend per share for the fiscal year ended February 28, 2018 show the amount after taking into consideration the consolidation of shares. The total amount of annual dividends is indicated with “–.”

3. Consolidated Financial Results Forecast for the Fiscal Year Ending February 28, 2019 (March 1, 2018 to February 28, 2019)

(% 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	74,000	1.7	800	–	800	–	500	(74.5)	53.61

(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, 2018	9,600,000 shares
February 28, 2018	9,600,000 shares

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

May 31, 2018	272,653 shares
February 28, 2018	272,653 shares

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

Three months ended May 31, 2018	9,327,347 shares
Three months ended May 31, 2017	9,327,627 shares

* The Company conducted a share consolidation of common stock at a ratio of one share for five shares as of September 1, 2017. Accordingly, average number of shares during the period (cumulative) for three months ended May 31, 2017 is calculated on the assumption that the consolidation of shares was conducted at the beginning of the previous fiscal year.

* Summary of consolidated quarterly financial results is outside the scope of the quarterly review of certified public accountant or audit firm

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

(Note on the forward-looking statements)

The earnings projections and other forward-looking statements herein are based on available information and certain assumptions deemed reasonable at the time of the release of this document, and do not constitute a promise by the Company to achieve those projections. In addition, actual results may differ significantly from the projections due to various factors.

1. Qualitative Information on Financial Results for the Period under Review	5
(1) Qualitative Information on Results of Operations	5
(2) Qualitative Information on Financial Position.....	5
(3) Explanation of Consolidated Forecast and Other Forward-looking Statements	6
2. Consolidated Financial Statements and Primary Notes	7
(1) Consolidated Balance Sheets	7
(2) Consolidated Statements of Income and Comprehensive Income	9
(3) Notes to Quarterly Consolidated Financial Statements	11
(Notes on Going Concern Assumption)	11
(Notes in Case of Significant Changes in Shareholders' Equity).....	11

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

(1) Qualitative Information on Results of Operations

During this fiscal year, in light of the severe price competition between suppliers responding to consumers' shift towards low-price products in apparel market, the Company has focused on regaining its strength using the company-wide theme of "Back Home (back to the source)".

With regard to the apparel market conditions during the three months ended May 31, 2018, although we made a good start mainly with early summer products as the temperatures in March and April were higher than those of average year, the sales of summer products turned out to be sluggish in May due to the rain and low temperature and rebound from the sales by April. Consumers have a strong tendency to purchase products based on actual demand and the Company's financial results have remained volatile accordingly.

As a result, with respect to the consolidated performance for the three months ended May 31, 2018, net sales was ¥17,886 million (4.1% decrease from the previous corresponding period) while the Company registered operating profit of ¥443 million (loss of ¥93 million in the previous corresponding period) and ordinary profit of ¥472 million (loss of ¥45 million in the previous corresponding period) due to the improvement of gross profit margin and reduction of selling expenses. Meanwhile, profit attributable to owners of parent amounted to ¥320 million (¥2,488 million decrease from the previous corresponding period) due to the effect of gain on sales of non-current assets recorded in the previous year was withdrawn.

Under the theme of "Back Home (back to the source)", the Company will work on trend-setting product planning, determine adequate profitability per product or client, and work together with outsourcing plants towards the production process stabilization and quality improvement, and do its utmost to recover profitability.

(2) Qualitative Information on Financial Position

1) Assets

Current assets decreased by ¥4,001 million compared with the end of the previous fiscal year, to ¥20,728 million, due primarily to a decrease of ¥3,718 million in cash and deposits.

Non-current assets decreased by ¥236 million compared with the end of the previous fiscal year, to ¥26,702 million due primarily to decreases of ¥40 million in property, plant and equipment and ¥173 million in investment securities.

As a result, total assets decreased by ¥4,237 million compared with the end of the previous fiscal year, to ¥47,431 million.

2) Liabilities

Liabilities decreased by ¥4,703 million compared with the end of the previous fiscal year, to ¥11,612 million, due primarily to decreases of ¥3,455 million in notes and accounts payable-trade and ¥723 million in derivatives liabilities.

3) Net assets

Net assets increased by ¥465 million compared with the end of the previous fiscal year, to ¥35,818 million, due primarily to an increase of ¥503 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 March 30, 2018.

2. Consolidated Financial Statements and Primary Notes

(1) Consolidated Balance Sheets

(Millions of yen)

	As of February 28, 2018	As of May 31, 2018
Assets		
Current assets		
Cash and deposits	6,157	2,439
Notes and accounts receivable-trade	13,410	14,184
Inventories	4,029	3,424
Other	1,138	692
Allowance for doubtful accounts	(4)	(12)
Total current assets	24,730	20,728
Non-current assets		
Property, plant and equipment		
Land	15,280	15,280
Other, net	3,806	3,765
Total property, plant and equipment	19,086	19,046
Intangible assets	1,260	1,236
Investments and other assets		
Investment securities	5,316	5,142
Other	1,310	1,312
Allowance for doubtful accounts	(35)	(36)
Total investments and other assets	6,591	6,419
Total non-current assets	26,938	26,702
Total assets	51,669	47,431

(Millions of yen)

	As of February 28, 2018	As of May 31, 2018
Liabilities		
Current liabilities		
Notes and accounts payable-trade	7,520	4,064
Short-term loans payable	210	200
Current portion of long-term loans payable	1,050	1,000
Income taxes payable	473	182
Provision	127	220
Other	3,138	2,301
Total current liabilities	12,520	7,969
Non-current liabilities		
Long-term loans payable	1,475	1,337
Net defined benefit liability	218	238
Provision for directors' retirement benefits	176	176
Asset retirement obligations	159	159
Other	1,766	1,731
Total non-current liabilities	3,795	3,642
Total liabilities	16,315	11,612
Net assets		
Shareholders' equity		
Capital stock	3,622	3,622
Capital surplus	4,148	4,148
Retained earnings	26,291	26,425
Treasury shares	(571)	(571)
Total shareholders' equity	33,490	33,625
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,860	1,721
Deferred gains or losses on hedges	(537)	(34)
Revaluation reserve for land	162	162
Foreign currency translation adjustment	20	(10)
Remeasurements of defined benefit plans	104	103
Total accumulated other comprehensive income	1,610	1,942
Subscription rights to shares	251	251
Total net assets	35,353	35,818
Total liabilities and net assets	51,669	47,431

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

	(Millions of yen)	
	For the three months ended May 31, 2017	For the three months ended May 31, 2018
Net sales	18,655	17,886
Cost of sales	15,346	14,190
Gross profit	3,308	3,695
Provision for sales returns	3	-
Gross profit-net	3,305	3,695
Selling, general and administrative expenses	3,399	3,252
Operating income (loss)	(93)	443
Non-operating income		
Interest income	5	4
Dividend income	16	17
Dividend income of insurance	13	14
Other	37	21
Total non-operating income	73	58
Non-operating expenses		
Interest expenses	17	18
Commission fee	6	7
Other	0	3
Total non-operating expenses	24	29
Ordinary income (loss)	(45)	472
Extraordinary income		
Gain on sales of investment securities	0	-
Gain on sales of non-current assets	4,104	0
Total extraordinary income	4,104	0
Extraordinary losses		
Loss on retirement of non-current assets	0	0
Total extraordinary losses	0	0
Profit before income taxes	4,059	472
Income taxes	1,249	152
Profit	2,809	320
Profit attributable to owners of parent	2,809	320

Consolidated Statements of Comprehensive Income

(Millions of yen)

	For the three months ended May 31, 2017	For the three months ended May 31, 2018
Profit	2,809	320
Other comprehensive income		
Valuation difference on available-for-sale securities	(21)	(139)
Deferred gains or losses on hedges	111	503
Revaluation reserve for land	-	(0)
Foreign currency translation adjustment	(27)	(31)
Remeasurements of defined benefit plans, net of tax	9	(0)
Total other comprehensive income	72	331
Comprehensive income	2,881	651
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,881	651

(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.