

Consolidated Financial Results for the Six Months Ended August 31, 2018 [Japanese GAAP]



September 28, 2018

Company name: Takihyo Co., Ltd.
 Code number: 9982
 URL: <https://www.takihyo.co.jp>
 Stock exchange listing: Tokyo Stock Exchange (First Section), Nagoya Stock Exchange (First Section)
 Representative: Kazuo Taki, Representative Director, CEO
 Contact: Atsushi Muto, Director, Senior Managing Executive Officer
 Phone: +81-52-587-7111
 Scheduled date of commencing dividend payments: October 26, 2018
 Scheduled date for filing of quarterly securities report: October 11, 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 Six Months Ended August 31, 2018 (March 1, 2018 to August 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	%
Six Months Ended August 31, 2018	32,319	(7.1)	(121)	–	(40)	–	(64)	–
Six Months Ended August 31, 2017	34,779	(9.4)	(817)	–	(734)	–	2,308	460.5

(Note) Comprehensive income: Six months ended August 31, 2018: ¥546 million [(78.0)%]
 Six months ended August 31, 2017: ¥2,480 million [–%]

	Earnings per share	Diluted earnings per share
	yen	yen
Six Months Ended August 31, 2018	(6.93)	–
Six Months Ended August 31, 2017	247.50	244.07

* 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 August 31, 2018	49,186	35,722	72.1	3,801.90
As of February 28, 2018	51,669	35,353	67.9	3,763.34

(Reference) Equity: As of August 31, 2018: ¥35,461 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	–	20.00			
Fiscal year ending February 28, 2019 (Forecast)			–	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 shows 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):

August 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:

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

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

Six months ended August 31, 2018	9,327,347 shares
Six months ended August 31, 2017	9,327,568 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 six months ended August 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 among suppliers arising from the consumers' continued shift towards low-price products in the apparel market, the Company has refocused on regaining its strength using the theme of "Back Home (back to the source)".

With regard to the apparel market conditions during the six months ended August 31, 2018, although the sales of early summer products remained solid as the temperatures in March and April were higher than those of average years, the sales of practical clothing items continued to be sluggish due to the rain and low temperatures in May and June, heavy rains and typhoons, and additionally the intense heat in July and August.

As a result, with respect to the consolidated performance for the six months ended August 31, 2018, net sales was ¥32,319 million (7.1% decrease from the previous corresponding period) while the Company registered operating loss of ¥121 million (loss of ¥817 million in the previous corresponding period) and ordinary loss of ¥40 million (loss of ¥734 million in the previous corresponding period). While the losses decreased due to the Company's efforts to improve its gross profit margin and reduce selling expenses in order to strengthen its earning structure, the Company fell short of returning to profitability. Meanwhile, loss attributable to owners of parent amounted to ¥64 million (¥2,373 million decrease from the profit in the previous corresponding period) due to the absence of gain on sales of non-current assets, which was recorded in the previous year.

Under the theme of "Back Home (back to the source)", the Company will work to strengthen its product planning capabilities, secure the adequate profit margin per product or client, and work together with subcontract plants to stabilize product quality. In addition, the Company's medium- to long-term targets include developing products with special features using its original materials or through collaboration with external experts, and launching a new retail business, and thereby it will do its utmost to recover and improve profitability in short-term and medium- to long-term.

(2) Qualitative Information on Financial Position

1) Assets

Current assets decreased by ¥1,928 million compared with the end of the previous fiscal year, to ¥22,801 million, due primarily to decreases of ¥1,104 million in cash and deposits and ¥1,113 million in notes and accounts receivable - trade.

Non-current assets decreased by ¥553 million compared with the end of the previous fiscal year, to ¥26,384 million, due primarily to decreases of ¥86 million in property, plant and equipment and ¥410 million in investment securities.

As a result, total assets decreased by ¥2,482 million compared with the end of the previous fiscal year, to ¥49,186 million.

2) Liabilities

Liabilities decreased by ¥2,852 million compared with the end of the previous fiscal year, to ¥13,463

million, due primarily to decreases of ¥766 million in notes and accounts payable - trade, ¥535 million in loans payable, ¥556 million in accounts payable - other, and ¥757 million in short-term derivatives liabilities.

3) Net assets

Net assets increased by ¥369 million compared with the end of the previous fiscal year, to ¥35,722 million, due primarily to an increase of ¥610 million in accumulated other comprehensive income despite a decrease of ¥251 million in retained earnings.

(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 August 31, 2018
Assets		
Current assets		
Cash and deposits	6,157	5,053
Notes and accounts receivable - trade	13,410	12,296
Inventories	4,029	4,239
Other	1,138	1,216
Allowance for doubtful accounts	(4)	(4)
Total current assets	24,730	22,801
Non-current assets		
Property, plant and equipment		
Land	15,280	15,280
Other, net	3,806	3,719
Total property, plant and equipment	19,086	19,000
Intangible assets	1,260	1,207
Investments and other assets		
Investment securities	5,316	4,906
Other	1,310	1,305
Allowance for doubtful accounts	(35)	(35)
Total investments and other assets	6,591	6,177
Total non-current assets	26,938	26,384
Total assets	51,669	49,186

(Millions of yen)

	As of February 28, 2018	As of August 31, 2018
Liabilities		
Current liabilities		
Notes and accounts payable - trade	7,520	6,753
Short-term loans payable	210	200
Current portion of long-term loans payable	1,050	875
Income taxes payable	473	81
Provision	127	128
Other	3,138	2,008
Total current liabilities	12,520	10,047
Non-current liabilities		
Long-term loans payable	1,475	1,125
Net defined benefit liability	218	254
Provision for directors' retirement benefits	176	176
Asset retirement obligations	159	159
Other	1,766	1,701
Total non-current liabilities	3,795	3,416
Total liabilities	16,315	13,463
Net assets		
Shareholders' equity		
Capital stock	3,622	3,622
Capital surplus	4,148	4,148
Retained earnings	26,291	26,040
Treasury shares	(571)	(571)
Total shareholders' equity	33,490	33,239
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,860	1,642
Deferred gains or losses on hedges	(537)	320
Revaluation reserve for land	162	162
Foreign currency translation adjustment	20	(6)
Remeasurements of defined benefit plans	104	103
Total accumulated other comprehensive income	1,610	2,221
Subscription rights to shares	251	261
Total net assets	35,353	35,722
Total liabilities and net assets	51,669	49,186

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

(Millions of yen)

	For the six months ended August 31, 2017	For the six months ended August 31, 2018
Net sales	34,779	32,319
Cost of sales	28,815	26,144
Gross profit	5,963	6,174
Provision for sales returns	1	(3)
Gross profit - net	5,962	6,177
Selling, general and administrative expenses	6,779	6,299
Operating income (loss)	(817)	(121)
Non-operating income		
Interest income	12	13
Dividend income	45	49
Other	75	63
Total non-operating income	132	127
Non-operating expenses		
Interest expenses	29	32
Commission fee	12	11
Other	8	2
Total non-operating expenses	50	46
Ordinary profit (loss)	(734)	(40)
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 valuation of investment securities	-	20
Loss on retirement of non-current assets	0	0
Total extraordinary losses	0	20
Profit (loss) before income taxes	3,369	(61)
Income taxes	1,061	3
Profit (loss)	2,308	(64)
Profit (loss) attributable to owners of parent	2,308	(64)

Consolidated Statements of Comprehensive Income

(Millions of yen)

	For the six months ended August 31, 2017	For the six months ended August 31, 2018
Profit (loss)	2,308	(64)
Other comprehensive income		
Valuation difference on available-for-sale securities	38	(217)
Deferred gains or losses on hedges	137	857
Revaluation reserve for land	-	(0)
Foreign currency translation adjustment	(23)	(27)
Remeasurements of defined benefit plans, net of tax	18	(1)
Total other comprehensive income	172	610
Comprehensive income	2,480	546
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,480	546

(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.