

Consolidated Financial Results for the Six Months Ended August 31, 2010 [Japanese GAAP]



October 12, 2010

Company name: Takihyo Co., Ltd.

Code number: 9982

URL: <http://www.takihyo.co.jp>

Stock exchange listing: Tokyo Stock Exchange, Nagoya Stock Exchange

Representative: Shigeo Taki, President and Representative of Director

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Scheduled date of filing quarterly securities report: October 12, 2010

Scheduled date of commencing dividend payments: November 15, 2010

Availability of supplementary briefing material on quarterly financial results: Available

Schedule of quarterly financial results briefing session: None

(Figures are rounded down to the nearest million yen)

1. Consolidated Financial Results for the Six Months Ended August 31, 2010 (March 1, 2010 to August 31, 2010)

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

	Net sales		Operating income		Ordinary income		Net income	
	million yen	%	million yen	%	million yen	%	million yen	%
Six months ended August 31, 2010	30,423	(3.3)	(219)	—	232	123.2	146	133.8
Six months ended August 31, 2009	31,477	—	(196)	—	104	—	62	—

	Net income per share	Diluted net income per share
	yen	yen
Six months ended August 31, 2010	3.03	3.02
Six months ended August 31, 2009	1.26	1.26

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	million yen	million yen	%	yen
As of August 31, 2010	40,479	27,013	66.5	558.09
As of February 28, 2010	44,642	27,785	62.1	574.54

(Reference) Equity: As of August 31, 2010: ¥ 26,921 million

As of February 28, 2010: ¥ 27,706 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, 2010	–	4.00	–	4.00	8.00
Fiscal year ending February 28, 2011	–	4.00			
Fiscal year ending February 28, 2011 (Forecast)			–	4.00	8.00

(Note) Revision of dividend forecasts: No

3. Consolidated Financial Results Forecast for the Fiscal Year Ending February 28, 2011 (March 1, 2010 to February 28, 2011)

(% indicates changes from the previous corresponding period)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	million yen	%	million yen	%	million yen	%	million yen	%	yen
Full year	68,000	(1.3)	640	(8.5)	1,360	13.7	770	34.3	15.98

(Note) Revision of consolidated financial results forecast: No

4. Others (For details, please refer to “Others” on page 3 of the appendix)

(1) Significant changes of subsidiaries during the period under review: No

(Note) This refers to whether or not there were changes in specified subsidiaries resulting in changes in scope of consolidation during the period under review.

(2) Adoption of simplified accounting methods and special accounting treatment: Yes

(Note) This refers to whether or not simplified accounting methods and special accounting treatment for preparing quarterly consolidated financial statements are adopted.

(3) Changes in accounting principles, procedures or format

1) Changes due to the revision of accounting standards: No

2) Any changes other than 1) above: No

(Note) This refers to whether or not there were changes in accounting principles, procedures or format concerning preparation of quarterly consolidated financial statements that are to be stated in “Changes in important matters that form the basis for preparing quarterly consolidated financial statements.”

(4) Total number of issued shares (common stock)

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

August 31, 2010	49,500,000 shares
February 28, 2010	51,532,300 shares

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

August 31, 2010	1,261,698 shares
February 28, 2010	3,308,434 shares

3) Average number of shares during the period:

Six months ended August 31, 2010	48,227,188 shares
Six months ended August 31, 2009	49,557,132 shares

* Presentation regarding the implementation status of the quarterly review process

This summary of consolidated quarterly financial results is not subject to the quarterly review procedures provided for by the Japanese Financial Instruments and Exchange Act. Therefore, at the time of the disclosure of these financial results, the quarterly financial statement review procedures based on the Law have not been completed.

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

1. The projections above were prepared based on available information at the time of the release of this document. Actual results may be different from the projections due to various factors.
2. At the meeting of the Board of Directors held on October 12, 2010, it was resolved to purchase treasury stock pursuant to Article 165, Paragraph 2 of the Companies Act. Net income per share in “3. Consolidated Financial Results Forecast for the Fiscal Year Ending February 28, 2011 (March 1, 2010 to February 28, 2011)” reflects the effect of this purchase of treasury stock.

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

(1) Qualitative Information on Consolidated Results of Operations

Despite hints of recovery thanks to external demand and stimulus policy package, confidence in the Japanese economy during the six months ended August 31, 2010 remained stagnant, due primarily to concern for further prolonged deflation and effect of yen appreciation.

Operational environment surrounding the Company also remained harsh in a climate where low price goods have been established as normal offering and clearance sales are starting earlier, while sales of autumn merchandise are badly hit by the current hot wave, on top of the frugal consumers still holding the line on spending.

On the other hand, profitability is also being squeezed due primarily to the changing situations in China, where our products are mainly manufactured, including soaring wages and tight condition between supply and demand arisen from the shortage of labor, along with the cost increase associated with late deliveries.

In such circumstance, the Group has been engaged in the new market development such as an initiative in new product items and sales in the Korean apparel market.

As a result, consolidated performance in the six months ended August 31, 2010 registered 30,423 million yen net sales (3.3% decrease from the previous corresponding period), 219 million yen operating loss (196 million yen operating loss in the previous corresponding period), 232 million yen ordinary income (123.2% increase from the previous corresponding period) and 146 million yen net income (133.8% increase from the previous corresponding period).

Performance by business segment for the six months ended August 31, 2010 was as follows.

1) Fibers & Textiles

We have been striving to develop sales of Fibers & Textiles products, by providing project proposals that predict the trend of the future, and by developing new clients. Thus, sales of certain merchandise such as Disney goods for ladies, goods for kids and babies remained solid, which, however was overwhelmed by the adverse effect of sluggish apparel consumption and the heat wave. As a result, this segment registered 28,438 million yen net sales (4.2% decrease from the previous corresponding period), and 356 million yen operating loss (273 million yen operating loss in the previous corresponding period).

2) Others

Others segment registered 1,985 million yen net sales (10.9% increase from the previous corresponding period), and 129 million yen operating income (96.3% increase from the previous corresponding period), thanks to an increase in sales of materials including synthetic resins, along with the reduction of selling, general and administrative expenses in the logistics.

(2) Qualitative Information on Consolidated Financial Position

1) Assets

Current assets decreased 3,642 million yen compared with the end of the previous fiscal year, to 19,597 million yen, due primarily to 3,634 million yen decrease in notes and accounts receivable – trade.

Noncurrent assets decreased 521 million yen compared with the end of the previous fiscal year, to 20,881 million yen, due primarily to a decrease in investment securities.

As a result, total assets decreased 4,163 million yen compared with the end of the previous fiscal year, to 40,479 million yen.

2) Liabilities

Liabilities decreased 3,392 million yen compared with the end of the previous fiscal year, to 13,465 million yen, due primarily to 1,072 million yen increase in derivative liabilities surpassed by the combined effect of 2,205 million yen decrease in notes and accounts payable – trade, 1,350 million yen decrease in loans payable and 799 million yen decrease in accounts payable – other.

3) Net assets

Net assets decreased 771 million yen compared with the end of the previous fiscal year, to 27,013 million yen, due primarily to a decrease in valuation and translation adjustments.

4) Cash flows

Cash and cash equivalents as at the end of the second quarter of the current fiscal year (hereinafter referred to as “fund”) decreased 576 million yen (19.4%) compared with the end of the previous fiscal year, to 2,389 million yen.

(Net cash provided by operating activities)

Net cash provided by operating activities decreased 2,227 million yen (72.8%) compared with the previous corresponding period, to 832 million yen, as a result of income before income taxes and minority interests standing at 171 million yen, combined with changes including 3,633 million yen decrease in notes and accounts receivable – trade, 2,203 million yen decrease in notes and accounts payable – trade and 721 million yen decrease in accounts payable – other.

(Net cash provided by investing activities)

Net cash provided by investing activities amounted to 151 million yen, as a result of the combined effect of 109 million yen for purchase of property, plant and equipment, 204 million yen for proceeds from sales of investment securities and 68 million yen for proceeds from redemption of investment securities. (Net cash used in investing activities was 3,215 million yen in the previous corresponding period.)

(Net cash used in financing activities)

Net cash used in financing activities amounted to 1,547 million yen, as a result of the combined effect of 1,350 million yen repayment of loans payable and 196 million yen cash dividends paid. (Net cash provided by financing activities was 189 million yen in the previous corresponding period.)

(3) Qualitative Information on Consolidated Financial Results Forecast

Financial results forecast has not changed since its earlier announcement on September 17, 2010.

2. Others

(1) Significant Changes of Subsidiaries

Not applicable.

(2) Adoption of Simplified Accounting Methods and Special Accounting Treatment

1) Simplified Accounting Methods

(i) Valuation of inventories

The carrying amount of inventories is only reduced to estimated net selling value when there is an obvious decrease of profitability.

(ii) Method of calculating depreciation of noncurrent assets

For the assets subject to the declining-balance method, depreciation is calculated pro rata based on the annual depreciation during the fiscal year.

(iii) Method of calculating deferred and accrued account items

Some of the deferred and accrued account items are posted as estimate based on reasonable calculation methods.

(iv) Method of calculating income taxes, deferred tax assets, and deferred tax liabilities

In calculating income taxes, only important items are subject to adjustment by addition or subtraction or tax-deduction.

Collectability of deferred tax assets is determined by referring to the business forecast and tax planning as applied in the previous fiscal year, provided that there has been no significant change since the end of the previous fiscal year, either in the operational environment or in the accrual status of temporary difference.

Income taxes for the less important consolidated subsidiaries that have experienced no significant changes in their operational environments are calculated by multiplying incomes before income taxes with the rates of corporate tax burden after the application of deferred tax accounting on the basis of the previous fiscal year's statements of income.

2) Special Accounting Treatment for the Consolidated Financial Statements

Not applicable.

(3) Changes in Accounting Principles, Procedures or Format

Not applicable.

3. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

	As of August 31, 2010	As of February 28, 2010
Assets		
Current assets		
Cash and deposits	2,429	3,006
Notes and accounts receivable-trade	12,899	16,534
Merchandise and finished goods	3,136	3,119
Work in process	15	30
Raw materials and supplies	7	15
Other	1,130	557
Allowance for doubtful accounts	(23)	(23)
Current assets	19,597	23,239
Noncurrent assets		
Property, plant and equipment		
Land	12,105	12,105
Other	5,785	5,841
Accumulated depreciation	(2,785)	(2,760)
Other, net	2,999	3,081
Property, plant and equipment	15,105	15,186
Intangible assets	78	89
Investments and other assets		
Investment securities	4,361	4,858
Other	1,646	1,607
Allowance for doubtful accounts	(309)	(339)
Investments and other assets	5,697	6,126
Noncurrent assets	20,881	21,402
Assets	40,479	44,642
Liabilities		
Current liabilities		
Notes and accounts payable-trade	7,316	9,521
Short-term loans payable	380	1,530
Current portion of long-term loans payable	400	400
Income taxes payable	48	209
Provision	167	180
Other	2,778	2,486
Current liabilities	11,090	14,327
Noncurrent liabilities		
Long-term loans payable	1,300	1,500
Provision for retirement benefits	508	462
Other provision	236	236
Other	329	331
Noncurrent liabilities	2,374	2,529
Liabilities	13,465	16,857

(Millions of yen)

	As of August 31, 2010	As of February 28, 2010
Net assets		
Shareholders' equity		
Capital stock	3,622	3,622
Capital surplus	4,148	4,148
Retained earnings	21,123	22,098
Treasury stock	(576)	(1,512)
Shareholders' equity	28,317	28,357
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	(378)	(286)
Deferred gains or losses on hedges	(659)	(21)
Revaluation reserve for land	(262)	(260)
Foreign currency translation adjustment	(96)	(82)
Valuation and translation adjustments	(1,396)	(651)
Subscription rights to shares	92	79
Net assets	27,013	27,785
Liabilities and net assets	40,479	44,642

(2) Consolidated Statements of Income

(Millions of yen)

	For the six months ended August 31, 2009	For the six months ended August 31, 2010
Net sales	31,477	30,423
Cost of sales	24,903	24,262
Gross profit	6,573	6,160
Provision for sales returns	(24)	(12)
Gross profit-net	6,597	6,172
Selling, general and administrative expenses	6,794	6,391
Operating income	(196)	(219)
Non-operating income		
Interest income	3	2
Dividends income	52	44
Amortization of negative goodwill	2	-
Real estate rent	46	65
Foreign exchange gains	203	266
Other	59	141
Non-operating income	367	521
Non-operating expenses		
Interest expenses	36	30
Rent expenses on real estates	14	30
Other	16	8
Non-operating expenses	66	69
Ordinary income	104	232
Extraordinary income		
Gain on sales of investment securities	201	95
Gain on adjustment for changes of accounting standard for lease transactions	10	-
Other	4	36
Extraordinary income	216	132
Extraordinary loss		
Loss on valuation of investment securities	-	134
Loss on transfer of office	94	-
Provision for transfer of office	110	-
Other	25	59
Extraordinary loss	230	193
Income before income taxes and minority interests	90	171
Income taxes	89	25
Minority interests in income	(61)	-
Net income	62	146

(3) Consolidated Statements of Cash Flows

(Millions of yen)

	For the six months ended August 31, 2009	For the six months ended August 31, 2010
Net cash provided by (used in) operating activities		
Income before income taxes and minority interests	90	171
Depreciation and amortization	120	131
Amortization of negative goodwill	(2)	–
Increase (decrease) in allowance for doubtful accounts	0	(29)
Increase (decrease) in provision for bonuses	7	(0)
Increase (decrease) in provision for sales returns	(24)	(12)
Increase (decrease) in provision for loss on transfer of office	110	–
Increase (decrease) in provision for retirement benefits	58	46
Interest and dividends income	(55)	(47)
Interest expenses	36	30
Loss (gain) on sales of investment securities	(192)	(94)
Loss (gain) on sales of property, plant and equipment	(0)	–
Loss on retirement of property, plant and equipment	1	0
Loss (gain) on valuation of investment securities	0	134
Loss (gain) on redemption of investment securities	–	14
Loss (gain) on adjustment for changes of accounting standard for lease transactions	(10)	–
Loss on transfer of office	94	–
Decrease (increase) in notes and accounts receivable-trade	6,414	3,633
Decrease (increase) in inventories	130	4
Increase (decrease) in notes and accounts payable-trade	(2,483)	(2,203)
Increase (decrease) in accrued consumption taxes	(125)	14
Decrease (increase) in other assets	(157)	(95)
Increase (decrease) in other liabilities	(781)	(734)
Other, net	64	16
Subtotal	3,296	981
Interest and dividends income received	55	46
Interest expenses paid	(36)	(29)
Income taxes paid	(255)	(166)
Net cash provided by (used in) operating activities	3,059	832

(Millions of yen)

	For the six months ended August 31, 2009	For the six months ended August 31, 2010
Net cash provided by (used in) investing activities		
Payments into time deposits	(194)	(40)
Proceeds from withdrawal of time deposits	50	40
Purchase of property, plant and equipment	(4,056)	(109)
Proceeds from sales of property, plant and equipment	2	–
Purchase of investment securities	–	(20)
Proceeds from sales of investment securities	885	204
Proceeds from redemption of investment securities	137	68
Proceeds from equity of investment securities	2	1
Purchase of investments in subsidiaries	(21)	–
Payments of loans receivable	(58)	(12)
Collection of loans receivable	37	19
Collection of investments in capital	0	0
Other, net	–	(0)
Net cash provided by (used in) investing activities	(3,215)	151
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	1,120	(1,150)
Repayment of long-term loans payable	–	(200)
Cash dividends paid	(200)	(196)
Purchase of treasury stock	(730)	(1)
Other, net	0	–
Net cash provided by (used in) financing activities	189	(1,547)
Effect of exchange rate change on cash and cash equivalents	15	(12)
Net increase (decrease) in cash and cash equivalents	49	(576)
Cash and cash equivalents	3,686	2,966
Cash and cash equivalents	3,735	2,389

(4) Notes on Going Concern Assumption

Not applicable.

(5) Segment Information

[Business segment information]

Six months ended August 31, 2009 (March 1, 2009 to August 31, 2009)

(Millions of yen)

	Fibers & Textiles	Others	Total	Elimination or corporate	Consolidated
Net sales					
(1) Net sales to outside customers	29,687	1,789	31,477	–	31,477
(2) Inter-segment sales and transfers	–	726	726	(726)	–
Total	29,687	2,516	32,203	(726)	31,477
Operating income (loss)	(273)	65	(207)	10	(196)

Six months ended August 31, 2010 (March 1, 2010 to August 31, 2010)

(Millions of yen)

	Fibers & Textiles	Others	Total	Elimination or corporate	Consolidated
Net sales					
(1) Net sales to outside customers	28,438	1,985	30,423	–	30,423
(2) Inter-segment sales and transfers	–	761	761	(761)	–
Total	28,438	2,746	31,185	(761)	30,423
Operating income (loss)	(356)	129	(227)	7	(219)

(Notes) 1. The Business segments are classified into Fibers & Textiles segment and Others segment, in consideration of the similarities of the category/nature of products as well as their sales methods.

2. Main products in each segment

(1) Fibers & Textiles

Apparel Department Ladies' / Men's/ Children's/ Baby clothes, Homewear, Interior fabric

Textile Department Cloth

(2) Others

Synthetic resin Resins, Resin film

Industrial materials Industrial film (Automobile, Furniture)

Logistics Distribution of goods

Rental business Lease of office automation equipment, Real estate management

[Geographical segment information]

This information is omitted as the sales in Japan exceed 90% of the total sales of all geographical segments for the six months ended August 31, 2009 and 2010.

[Overseas sales]

This information is omitted as overseas sales is less than 10% of the consolidated net sales for the six months ended August 31, 2009 and 2010.

(6) Notes in Case of Significant Changes in Shareholder's Equity

Not applicable.