

**Consolidated Financial Results
for the Nine Months Ended November 30, 2010
[Japanese GAAP]**



January 13, 2011

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: January 14, 2011

Scheduled date of commencing dividend payments: –

Availability of supplementary briefing material on quarterly financial results: Available

Schedule of quarterly financial results briefing session: Available

(Figures are rounded down to the nearest million yen)

1. Consolidated Financial Results for the Nine Months Ended November 30, 2010 (March 1, 2010 to November 30, 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	%
Nine months ended November 30, 2010	50,254	(3.1)	512	(36.8)	1,156	3.0	684	24.9
Nine months ended November 30, 2009	51,841	–	811	–	1,123	–	547	–

	Net income per share	Diluted net income per share
	yen	yen
Nine months ended November 30, 2010	14.21	14.14
Nine months ended November 30, 2009	11.14	11.10

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	million yen	million yen	%	yen
As of November 30, 2010	45,911	27,583	59.9	575.80
As of February 28, 2010	44,642	27,785	62.1	574.54

(Reference) Equity: As of November 30, 2010: ¥ 27,490 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):

November 30, 2010	48,500,000 shares
February 28, 2010	51,532,300 shares

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

November 30, 2010	756,854 shares
February 28, 2010	3,308,434 shares

3) Average number of shares during the period:

Nine months ended November 30, 2010	48,154,019 shares
Nine months ended November 30, 2009	49,172,985 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 January 13, 2011, 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 including improvement in corporate earnings in some sectors benefiting from the solid external demand, the Japanese economy during the nine months ended November 30, 2010 remained unpredictable due primarily to the persistent yen appreciation and still stagnant domestic demand.

Operational environment surrounding the Company remained harsh in a climate where sales of autumn and early winter merchandise are badly hit by the current broken weather and clearance sales are starting earlier, on the back of the low-end consumers still holding the line on spending for clothing.

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 the cost increase associated with late deliveries becoming significant, along with the increasing cost of raw materials such as wool and cotton.

In such circumstance, the Group has been tackling management issues including the new market development such as sales in the Korean apparel market, establishment of new manufacturing operations in inland China, collaboration with manufacturing operations in ASEAN countries, along with cost reduction by streamlining distribution.

As a result, consolidated performance in the nine months ended November 30, 2010 registered 50,254 million yen net sales (3.1% decrease from the previous corresponding period), 512 million yen operating income (36.8% decrease from the previous corresponding period), 1,156 million yen ordinary income (3.0% increase from the previous corresponding period) and 684 million yen net income (24.9% increase from the previous corresponding period).

Performance by business segment for the nine months ended November 30, 2010 was as follows.

1) Fibers & Textiles

Although we have been striving to develop sales of Fibers & Textiles products, by developing new clients as well as an initiative in new product items, this segment was badly hit by the adverse effect of sluggish apparel consumption and increasing manufacturing cost in China. As a result, this segment registered 47,250 million yen net sales (3.6% decrease from the previous corresponding period), and 323 million yen operating income (53.0% decrease from the previous corresponding period).

2) Others

Others segment registered 3,003 million yen net sales (6.2% increase from the previous corresponding period), and 177 million yen operating income (66.9% increase from the previous corresponding period), thanks to steady sales of materials including synthetic resins.

(2) Qualitative Information on Consolidated Financial Position

1) Assets

Current assets increased 1,944 million yen compared with the end of the previous fiscal year, to 25,184 million yen, due primarily to 2,003 million yen increase in notes and accounts receivable – trade.

Noncurrent assets decreased 675 million yen compared with the end of the previous fiscal year, to 20,727 million yen, due primarily to a decrease in investment securities.

As a result, total assets increased 1,268 million yen compared with the end of the previous fiscal year, to 45,911 million yen.

2) Liabilities

Liabilities increased 1,470 million yen compared with the end of the previous fiscal year, to 18,328 million yen, due primarily to 745 million yen decrease in notes and accounts payable – trade surpassed by the combined effect of 1,725 million yen increase in loans payable and 426 million yen increase in derivative liabilities.

3) Net assets

Net assets decreased 202 million yen compared with the end of the previous fiscal year, to 27,583 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 third quarter of the current fiscal year (hereinafter referred to as “fund”) decreased 794 million yen (26.8%) compared with the end of the previous fiscal year, to 2,172 million yen.

(Net cash used in operating activities)

Net cash used in operating activities increased 1,808 million yen (692.0%) compared with the previous corresponding period, to 2,069 million yen, as a result of income before income taxes and minority interests standing at 1,053 million yen, combined with changes including 2,005 million yen increase in notes and accounts receivable – trade, 511 million yen increase in inventories and 741 million yen decrease in notes and accounts payable – trade.

(Net cash provided by investing activities)

Net cash provided by investing activities amounted to 155 million yen, as a result of the combined effect of 157 million yen for purchase of property, plant and equipment and 344 million yen for proceeds from sales of investment securities. (Net cash used in investing activities was 3,303 million yen in the previous corresponding period.)

(Net cash provided by financing activities)

Net cash provided by financing activities decreased 1,626 million yen (58.7%) compared with the previous corresponding period, to 1,145 million yen, as a result of the combined effect of 385 million yen cash dividends paid, 193 million yen purchase of treasury stock and 1,725 million yen proceeds from loans payable.

(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 November 30, 2010	As of February 28, 2010
Assets		
Current assets		
Cash and deposits	2,232	3,006
Notes and accounts receivable-trade	18,538	16,534
Merchandise and finished goods	3,656	3,119
Work in process	6	30
Raw materials and supplies	13	15
Other	775	557
Allowance for doubtful accounts	(38)	(23)
Total current assets	25,184	23,239
Noncurrent assets		
Property, plant and equipment		
Land	12,105	12,105
Other	5,811	5,841
Accumulated depreciation	(2,828)	(2,760)
Other, net	2,983	3,081
Total property, plant and equipment	15,089	15,186
Intangible assets	74	89
Investments and other assets		
Investment securities	4,425	4,858
Other	1,427	1,607
Allowance for doubtful accounts	(289)	(339)
Total investments and other assets	5,563	6,126
Total noncurrent assets	20,727	21,402
Total assets	45,911	44,642
Liabilities		
Current liabilities		
Notes and accounts payable-trade	8,776	9,521
Short-term loans payable	2,580	1,530
Current portion of long-term loans payable	500	400
Income taxes payable	83	209
Provision	305	180
Other	2,827	2,486
Total current liabilities	15,072	14,327
Noncurrent liabilities		
Long-term loans payable	2,075	1,500
Provision for retirement benefits	522	462
Other provision	236	236
Other	422	331
Total noncurrent liabilities	3,256	2,529
Total liabilities	18,328	16,857

(Millions of yen)

	As of November 30, 2010	As of February 28, 2010
Net assets		
Shareholders' equity		
Capital stock	3,622	3,622
Capital surplus	4,148	4,148
Retained earnings	21,024	22,098
Treasury stock	(325)	(1,512)
Total shareholders' equity	28,470	28,357
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	(331)	(286)
Deferred gains or losses on hedges	(275)	(21)
Revaluation reserve for land	(262)	(260)
Foreign currency translation adjustment	(109)	(82)
Total valuation and translation adjustments	(979)	(651)
Subscription rights to shares	92	79
Total net assets	27,583	27,785
Total liabilities and net assets	45,911	44,642

(2) Consolidated Statements of Income

(Millions of yen)

	For the nine months ended November 30, 2009	For the nine months ended November 30, 2010
Net sales	51,841	50,254
Cost of sales	40,776	40,067
Gross profit	11,065	10,186
Provision for sales returns	(1)	7
Gross profit-net	11,066	10,179
Selling, general and administrative expenses	10,255	9,666
Operating income	811	512
Non-operating income		
Interest income	8	4
Dividends income	61	55
Amortization of negative goodwill	2	-
Real estate rent	69	98
Foreign exchange gains	216	439
Other	76	156
Total non-operating income	434	755
Non-operating expenses		
Interest expenses	57	51
Rent expenses on real estates	26	45
Other	37	14
Total non-operating expenses	122	111
Ordinary income	1,123	1,156
Extraordinary income		
Gain on sales of investment securities	201	95
Gain on adjustment for changes of accounting standard for lease transactions	10	-
Other	4	31
Total extraordinary income	216	127
Extraordinary loss		
Loss on valuation of investment securities	-	161
Loss on transfer of office	93	-
Provision for transfer of office	110	-
Refund of Subcontract Proceeds	79	-
Other	71	69
Total extraordinary losses	355	231
Income before income taxes and minority interests	984	1,053
Income taxes	497	368
Minority interests in loss	(61)	-
Net income	547	684

(3) Consolidated Statements of Cash Flows

(Millions of yen)

	For the nine months ended November 30, 2009	For the nine months ended November 30, 2010
Net cash provided by (used in) operating activities		
Income before income taxes and minority interests	984	1,053
Depreciation and amortization	187	195
Amortization of negative goodwill	(2)	–
Increase (decrease) in allowance for doubtful accounts	(11)	(34)
Increase (decrease) in provision for bonuses	136	118
Increase (decrease) in provision for sales returns	(1)	7
Increase (decrease) in provision for loss on transfer of office	110	–
Increase (decrease) in provision for retirement benefits	95	60
Interest and dividends income	(70)	(60)
Interest expenses	57	51
Loss (gain) on sales of investment securities	(192)	(89)
Loss (gain) on redemption of investment securities	–	17
Loss (gain) on sales of property, plant and equipment	(0)	(0)
Loss on retirement of property, plant and equipment	1	0
Loss (gain) on valuation of investment securities	8	161
Loss (gain) on adjustment for changes of accounting standard for lease transactions	(10)	–
Loss on transfer of office	40	–
Decrease (increase) in notes and accounts receivable-trade	195	(2,005)
Decrease (increase) in inventories	(486)	(511)
Increase (decrease) in notes and accounts payable-trade	(1,094)	(741)
Increase (decrease) in accrued consumption taxes	(120)	44
Decrease (increase) in other assets	180	(6)
Increase (decrease) in other liabilities	0	(37)
Other, net	78	19
Subtotal	86	(1,757)
Interest and dividends income received	65	57
Interest expenses paid	(58)	(51)
Income taxes paid	(355)	(318)
Net cash provided by (used in) operating activities	(261)	(2,069)

(Millions of yen)

	For the nine months ended November 30, 2009	For the nine months ended November 30, 2010
Net cash provided by (used in) investing activities		
Payments into time deposits	(216)	(60)
Proceeds from withdrawal of time deposits	216	40
Purchase of property, plant and equipment	(4,342)	(157)
Proceeds from sales of property, plant and equipment	2	0
Purchase of investment securities	(109)	(104)
Proceeds from sales of investment securities	886	344
Proceeds from redemption of investment securities	296	78
Proceeds from equity of investment securities	2	1
Purchase of investments in subsidiaries	(21)	–
Payments of loans receivable	(58)	(15)
Collection of loans receivable	39	21
Collection of investments in capital	0	0
Other, net	–	6
Net cash provided by (used in) investing activities	(3,303)	155
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	2,080	1,050
Proceeds from long-term loans payable	2,000	1,000
Repayment of long-term loans payable	–	(325)
Cash dividends paid	(394)	(385)
Purchase of treasury stock	(913)	(193)
Other, net	0	0
Net cash provided by (used in) financing activities	2,772	1,145
Effect of exchange rate change on cash and cash equivalents	2	(25)
Net increase (decrease) in cash and cash equivalents	(790)	(794)
Cash and cash equivalents at beginning of period	3,686	2,966
Cash and cash equivalents at end of period	2,896	2,172

(4) Notes on Going Concern Assumption

Not applicable.

(5) Segment Information

[Business segment information]

Nine months ended November 30, 2009 (March 1, 2009 to November 30, 2009)

(Millions of yen)

	Fibers & Textiles	Others	Total	Elimination or corporate	Consolidated
Net sales					
(1) Net sales to outside customers	49,013	2,828	51,841	–	51,841
(2) Inter-segment sales and transfers	–	1,094	1,094	(1,094)	–
Total	49,013	3,923	52,936	(1,094)	51,841
Operating income	689	106	796	15	811

Nine months ended November 30, 2010 (March 1, 2010 to November 30, 2010)

(Millions of yen)

	Fibers & Textiles	Others	Total	Elimination or corporate	Consolidated
Net sales					
(1) Net sales to outside customers	47,250	3,003	50,254	–	50,254
(2) Inter-segment sales and transfers	1	1,134	1,136	(1,136)	–
Total	47,251	4,138	51,390	(1,136)	50,254
Operating income	323	177	501	11	512

(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 nine months ended November 30, 2009 and 2010.

[Overseas sales]

This information is omitted as overseas sales is less than 10% of the consolidated net sales for the nine months ended November 30, 2009 and 2010.

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

Not applicable.