

**Consolidated Financial Results
for the Three Months Ended May 31, 2011
[Japanese GAAP]**



June 24, 2011

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)
 Representative: Kazuo Taki, CEO
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 Scheduled date for filing of quarterly securities report: July 14, 2011
 Scheduled date of commencing dividend payments: –
 Availability of supplementary briefing material on quarterly results: Available
 Schedule of quarterly results briefing session: Available (for institutional investors)

(Figures are rounded down to the nearest million yen)

1. Consolidated Financial Results for the Three Months Ended May 31, 2011 (March 1, 2011 to May 31, 2011)

(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	%
Three months ended May 31, 2011	16,284	1.6	343	35.2	366	(19.1)	29	(87.1)
Three months ended May 31, 2010	16,020	(4.4)	254	10.2	453	50.6	227	69.8

	Net income per share	Diluted net income per share
Three months ended May 31, 2011	yen 0.62	yen 0.62
Three months ended May 31, 2010	4.72	4.69

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
As of May 31, 2011	million yen 46,035	million yen 27,393	% 59.3	yen 577.57
As of February 28, 2011	45,833	27,561	59.9	578.98

(Reference) Equity: As of May 31, 2011: ¥ 27,315 million
 As of February 28, 2011: ¥ 27,469 million

2. Dividends

	Dividends per share				
	1st quarter end	2nd quarter end	3rd quarter end	Year end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended February 28, 2011	–	4.00	–	4.00	8.00
Fiscal year ending February 29, 2012	–				
Fiscal year ending February 29, 2012 (Forecast)		4.00	–	4.00	8.00

(Note) Revision of dividend forecasts: No

3. Consolidated Financial Results Forecast for the Fiscal Year Ending February 29, 2012 (March 1, 2011 to February 29, 2012)

(% 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
First six months	30,900	1.6	200	–	560	140.7	170	16.3	3.61
Full year	68,000	1.2	950	140.2	1,550	34.7	710	19.9	15.15

(Note) Revision of consolidated financial results forecast: No

4. Others (For details, please refer to “Others” on page 5)

(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: Yes

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):

May 31, 2011 48,000,000 shares

February 28, 2011 48,000,000 shares

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

May 31, 2011 706,602 shares

February 28, 2011 555,854 shares

3) Average number of shares during the period:

Three months ended May 31, 2011 47,370,799 shares

Three months ended May 31, 2010 48,223,031 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

- 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.

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

(1) Qualitative Information on Consolidated Results of Operations

Although the Japanese economy during the three months ended May 31, 2011 followed a moderate recovery trend mainly in export-related businesses driven by external demand, the Great East Japan Earthquake, which occurred on March 11, has become an unprecedented disaster accompanied by the nuclear power plant accident, and economic activity took an abrupt turn for the worse. Although the supply chain is making a gradual comeback thanks to recovery efforts, the future still remains unpredictable, with deflation and yen appreciation added to the problem of electricity shortages and a downturn in consumer confidence.

Consumption of clothing showed signs of gradual recovery from a sharp decline immediately after the disaster, but the operational environment surrounding the Company was grim, as profitability was squeezed by production costs that remained high due to the soaring cost of raw materials and rising labor costs.

In light of these circumstances, the Group has been reinforcing cooperation with our customers in order to deal with the effects of the earthquake, enhancing sales channels such as mail order, strengthening its ability to propose total coordination styles, and expanding ODM (Original Design Manufacturing). In addition, sales of certain products such as shirts and bottoms for ladies, functional material products, and goods targeted toward babies and kids remained solid.

As a result, consolidated performance in the three months ended May 31, 2011 registered 16,284 million yen net sales (1.6% increase from the previous corresponding period), which was the first increase in four periods, 343 million yen operating income (35.2% increase from the previous corresponding period), and 366 million yen ordinary income (19.1% decrease from the previous corresponding period). Net income for the period under review was 29 million yen (87.1 % decrease from the previous corresponding period), due to posting of 340 million yen in extraordinary loss (145.0% increase from the previous corresponding period), including 59 million yen loss on adjustment for changes of accounting standard for asset retirement obligations, and 246 million yen loss on valuation of investment securities.

(2) Qualitative Information on Consolidated Financial Position

1) Assets

Current assets increased 449 million yen compared with the end of the previous fiscal year, to 23,303 million yen, due primarily to 1,478 million yen increase in cash and deposits despite 927 million yen decrease in notes and accounts receivable - trade.

Noncurrent assets decreased 247 million yen compared with the end of the previous fiscal year, to 22,732 million yen, due primarily to 444 million yen decrease in investment securities despite 119 million yen increase in deferred tax assets (noncurrent).

As a result, total assets increased 202 million yen compared with the end of the previous fiscal year, to 46,035 million yen.

2) Liabilities

Liabilities increased 370 million yen compared with the end of the previous fiscal year, to 18,641 million yen, due primarily to 2,052 million yen decrease in notes and accounts payable - trade surpassed by the combined effect of 2,340 million yen increase in loans payable and 106 million yen increase in accounts payable - other.

3) Net assets

Net assets decreased 167 million yen compared with the end of the previous fiscal year, to 27,393 million yen, due primarily to a decrease in retained earnings.

(3) Qualitative Information on Consolidated Financial Results Forecast

Financial results forecast has not changed since its earlier announcement on April 11, 2011.

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 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 estimates 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, 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

Adoption of "Accounting Standard for Asset Retirement Obligations"

The Company adopted "Accounting Standard for Asset Retirement Obligations" (ASBJ Statement No. 18, March 31, 2008) and "Guidance on Accounting Standard for Asset Retirement Obligations" (ASBJ Guidance No. 21, March 31, 2008) from the first quarter of the current fiscal year.

As a result, operating income decreased 1 million yen, ordinary income decreased 1 million yen, and income before income taxes and minority interests decreased 60 million yen. In addition, there was a change in asset retirement obligations of 107 million yen due to the introduction of this accounting standard.

3. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

	As of May 31, 2011	As of February 28, 2011
Assets		
Current assets		
Cash and deposits	3,259	1,781
Notes and accounts receivable-trade	15,407	16,335
Merchandise and finished goods	3,939	3,953
Work in process	4	40
Raw materials and supplies	9	11
Other	702	764
Allowance for doubtful accounts	(20)	(33)
Total current assets	23,303	22,853
Noncurrent assets		
Property, plant and equipment		
Land	14,076	14,076
Other	5,991	5,898
Accumulated depreciation	(2,931)	(2,881)
Other, net	3,060	3,017
Total property, plant and equipment	17,136	17,093
Intangible assets	80	71
Investments and other assets		
Investment securities	4,208	4,652
Other	1,626	1,482
Allowance for doubtful accounts	(318)	(319)
Total investments and other assets	5,515	5,815
Total noncurrent assets	22,732	22,979
Total assets	46,035	45,833
Liabilities		
Current liabilities		
Notes and accounts payable-trade	6,158	8,210
Short-term loans payable	4,250	2,760
Current portion of long-term loans payable	700	600
Income taxes payable	130	189
Provision	270	149
Other	2,369	2,360
Total current liabilities	13,878	14,270
Noncurrent liabilities		
Long-term loans payable	3,575	2,825
Provision for retirement benefits	495	467
Provision for directors' retirement benefits	190	236
Asset retirement obligations	107	-
Other	395	473
Total noncurrent liabilities	4,763	4,001
Total liabilities	18,641	18,271

(Millions of yen)

	As of May 31, 2011	As of February 28, 2011
Net assets		
Shareholders' equity		
Capital stock	3,622	3,622
Capital surplus	4,148	4,148
Retained earnings	20,556	20,721
Treasury stock	(290)	(235)
Total shareholders' equity	28,037	28,256
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	(260)	(146)
Deferred gains or losses on hedges	(90)	(261)
Revaluation reserve for land	(262)	(262)
Foreign currency translation adjustment	(108)	(116)
Valuation and translation adjustments	(721)	(787)
Subscription rights to shares	78	92
Total net assets	27,393	27,561
Total liabilities and net assets	46,035	45,833

(2) Consolidated Statements of Income

(Millions of yen)

	For the three months ended May 31, 2010	For the three months ended May 31, 2011
Net sales	16,020	16,284
Cost of sales	12,485	12,720
Gross profit	3,535	3,564
Provision for sales returns	(6)	(3)
Gross profit-net	3,541	3,567
Selling, general and administrative expenses	3,286	3,223
Operating income	254	343
Non-operating income		
Interest income	1	4
Dividends income	23	21
Real estate rent	32	-
Foreign exchange gains	142	17
Other	29	22
Total non-operating income	230	66
Non-operating expenses		
Interest expenses	16	23
Rent expenses on real estates	11	-
Charity	-	10
Other	3	9
Total non-operating expenses	31	44
Ordinary income	453	366
Extraordinary income		
Reversal of allowance for doubtful accounts	7	13
Gain on allocation shares	14	-
Other	1	-
Total extraordinary income	23	13
Extraordinary loss		
Loss on valuation of investment securities	127	246
Other	11	93
Total extraordinary loss	138	340
Income before income taxes and minority interests	338	40
Income taxes	110	10
Income before minority interests	-	29
Net income	227	29

(3) Notes on Going Concern Assumption

Not applicable.

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

Not applicable.