

**Consolidated Financial Results
for the Six Months Ended August 31, 2011
[Japanese GAAP]**



September 26, 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

Contact: Atsushi Muto, Managing Director

Phone: +81-52-587-7111

Scheduled date of filing quarterly securities report: October 7, 2011

Scheduled date of commencing dividend payments: October 28, 2011

Availability of supplementary briefing material on quarterly financial results: Available

Schedule of quarterly financial results briefing session: Available (for institutional investors)

(Figures are rounded down to the nearest million yen)

1. Consolidated Financial Results for the Six Months Ended August 31, 2011 (March 1, 2011 to August 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 | % |
| Six months ended August 31, 2011 | 31,717 | 4.3 | 342 | – | 388 | 67.1 | (332) | – |
| Six months ended August 31, 2010 | 30,423 | (3.3) | (219) | – | 232 | 123.2 | 146 | 133.8 |

| | Net income per share | Diluted net income per share |
|----------------------------------|----------------------|------------------------------|
| | yen | yen |
| Six months ended August 31, 2011 | (7.03) | – |
| Six months ended August 31, 2010 | 3.03 | 3.02 |

(2) Consolidated Financial Position

| | Total assets | Net assets | Equity ratio | Net assets per share |
|-------------------------|--------------|-------------|--------------|----------------------|
| | million yen | million yen | % | yen |
| As of August 31, 2011 | 44,855 | 26,604 | 59.1 | 564.40 |
| As of February 28, 2011 | 45,833 | 27,561 | 59.9 | 578.98 |

(Reference) Equity: As of August 31, 2011: ¥ 26,492 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 | – | 4.00 | | | |
| Fiscal year ending February 29, 2012 (Forecast) | | | – | 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 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 | 1.2 | 950 | 140.2 | 1,550 | 34.7 | 710 | 19.9 | 15.14 |

(Note) Revision of consolidated financial results forecast: No

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

(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):

August 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:

August 31, 2011 1,060,402 shares

February 28, 2011 555,854 shares

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

Six months ended August 31, 2011 47,221,876 shares

Six months ended August 31, 2010 48,227,188 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

Notwithstanding the trend toward a recovery from the chaos resulting from the Great East Japan Earthquake, uncertainties about the future of the Japanese economy remained during the six months ended August 31, 2011, given such factors as the prolonged power shortage, slowdown of the U.S. and European economies, and the yen appreciation.

Operational environment surrounding the Company showed signs of a gradual recovery in spite of concerns about a drop in consumer confidence due to the effects of the earthquake while functional material products with power-saving features and “Cool Biz” products posted strong sales. In addition, while low price goods have been established as normal offering and clearance sales are starting earlier, original products which feature in the forefront added values, such as designs and materials, also performed well. Moreover, there was a tendency of focusing not only on the “price,” but also on the “value.”

However, profitability continues to be squeezed due to soaring production costs in China and the continued shortage of labor at sewing factories in the coastal regions.

In such an environment, the Group endeavored to draw up product plans with added value while developing new customers through specialty stores and mail order for clothing. With regard to product items, one-piece dresses, bottoms, swimsuits, rain goods, etc. posted strong sales, and autumn wear, such as blouses and knitwear, also showed steady sales compared with last year which had a record-breaking late summer heat.

As a result, consolidated performance in the six months ended August 31, 2011 registered 31,717 million yen net sales (4.3% increase from the previous corresponding period), which was the first increase in four periods, 342 million yen operating income (219 million yen operating loss in the previous corresponding period), and 388 million yen ordinary income (67.1% increase from the previous corresponding period). Net loss was 332 million yen (146 million yen net income in the previous corresponding period), due to posting of 820 million yen in extraordinary loss, including 545 million yen loss on valuation of investment securities.

(2) Qualitative Information on Consolidated Financial Position

1) Assets

Current assets decreased 1,378 million yen compared with the end of the previous fiscal year, to 21,474 million yen, due primarily to 2,405 million yen decrease in notes and accounts receivable – trade, despite 730 million yen increase in cash and deposits and 241 million yen increase in deferred tax assets (current).

Noncurrent assets increased 401 million yen compared with the end of the previous fiscal year, to 23,381 million yen, due primarily to 936 million yen increase in land and 130 million yen increase in deferred tax assets (noncurrent), despite 674 million yen decrease in investment securities.

As a result, total assets decreased 977 million yen compared with the end of the previous fiscal year, to 44,855 million yen.

2) Liabilities

Liabilities decreased 20 million yen compared with the end of the previous fiscal year, to 18,251 million yen, due primarily to 604 million yen increase in derivative liabilities surpassed by the combined effect of 530 million yen decrease in loans payable and 93 million yen decrease in deferred tax liabilities (noncurrent).

3) Net assets

Net assets decreased 956 million yen compared with the end of the previous fiscal year, to 26,604 million yen, due primarily to a decrease in retained earnings and deferred gains or loss on hedges.

(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 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

Adoption of "Accounting Standard for Asset Retirement Obligations," etc.

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 2 million yen, ordinary income decreased 2 million yen, and loss before income taxes and minority interests increased 61 million yen during the six months ended August 31, 2011. In addition, there was a change in asset retirement obligations of 107 million yen due to the implementation of this accounting standard, etc.

3. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

| | As of August 31, 2011 | As of February 28, 2011 |
|--|-----------------------|-------------------------|
| Assets | | |
| Current assets | | |
| Cash and deposits | 2,511 | 1,781 |
| Notes and accounts receivable-trade | 13,930 | 16,335 |
| Merchandise and finished goods | 3,828 | 3,953 |
| Work in process | 21 | 40 |
| Raw materials and supplies | 13 | 11 |
| Other | 1,192 | 764 |
| Allowance for doubtful accounts | (22) | (33) |
| Total current assets | 21,474 | 22,853 |
| Noncurrent assets | | |
| Property, plant and equipment | | |
| Land | 15,013 | 14,076 |
| Other | 5,995 | 5,898 |
| Accumulated depreciation | (2,984) | (2,881) |
| Other, net | 3,011 | 3,017 |
| Total property, plant and equipment | 18,024 | 17,093 |
| Intangible assets | 74 | 71 |
| Investments and other assets | | |
| Investment securities | 3,978 | 4,652 |
| Other | 1,642 | 1,482 |
| Allowance for doubtful accounts | (339) | (319) |
| Total investments and other assets | 5,281 | 5,815 |
| Total noncurrent assets | 23,381 | 22,979 |
| Total assets | 44,855 | 45,833 |
| Liabilities | | |
| Current liabilities | | |
| Notes and accounts payable-trade | 8,286 | 8,210 |
| Short-term loans payable | 1,580 | 2,760 |
| Current portion of long-term loans payable | 700 | 600 |
| Income taxes payable | 28 | 189 |
| Provision | 157 | 149 |
| Other | 2,924 | 2,360 |
| Total current liabilities | 13,677 | 14,270 |
| Noncurrent liabilities | | |
| Long-term loans payable | 3,375 | 2,825 |
| Provision for retirement benefits | 520 | 467 |
| Provision for directors' retirement benefits | 190 | 236 |
| Asset retirement obligations | 107 | - |
| Other | 380 | 473 |
| Total noncurrent liabilities | 4,573 | 4,001 |
| Total liabilities | 18,251 | 18,271 |

(Millions of yen)

| | As of August 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 | 20,194 | 20,721 |
| Treasury stock | (438) | (235) |
| Total shareholders' equity | 27,527 | 28,256 |
| Valuation and translation adjustments | | |
| Valuation difference on available-for-sale securities | (36) | (146) |
| Deferred gains or losses on hedges | (617) | (261) |
| Revaluation reserve for land | (262) | (262) |
| Foreign currency translation adjustment | (117) | (116) |
| Total valuation and translation adjustments | (1,034) | (787) |
| Subscription rights to shares | 112 | 92 |
| Total net assets | 26,604 | 27,561 |
| Total liabilities and net assets | 44,855 | 45,833 |

(2) Consolidated Statements of Income

(Millions of yen)

| | For the six months ended August 31, 2010 | For the six months ended August 31, 2011 |
|--|---|---|
| Net sales | 30,423 | 31,717 |
| Cost of sales | 24,262 | 25,041 |
| Gross profit | 6,160 | 6,676 |
| Provision for sales returns | (12) | (7) |
| Gross profit-net | 6,172 | 6,683 |
| Selling, general and administrative expenses | 6,391 | 6,341 |
| Operating income (loss) | (219) | 342 |
| Non-operating income | | |
| Interest income | 2 | 6 |
| Dividends income | 44 | 39 |
| Real estate rent | 65 | – |
| Foreign exchange gains | 266 | – |
| Subsidy income | – | 42 |
| Other | 141 | 47 |
| Total non-operating income | 521 | 136 |
| Non-operating expenses | | |
| Interest expenses | 30 | 44 |
| Rent expenses on real estates | 30 | – |
| Foreign exchange losses | – | 19 |
| Other | 8 | 24 |
| Total non-operating expenses | 69 | 89 |
| Ordinary income | 232 | 388 |
| Extraordinary income | | |
| Gain on sales of investment securities | 95 | – |
| Reversal of allowance for doubtful accounts | – | 14 |
| Other | 36 | 0 |
| Total extraordinary income | 132 | 14 |
| Extraordinary loss | | |
| Loss on valuation of investment securities | 134 | 545 |
| Other | 59 | 275 |
| Total extraordinary loss | 193 | 820 |
| Income (loss) before income taxes and minority interests | 171 | (417) |
| Income taxes | 25 | (85) |
| Loss before minority interests | – | (332) |
| Net income (loss) | 146 | (332) |

(3) Notes on Going Concern Assumption

Not applicable.

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

Not applicable.