

**Consolidated Financial Results
for the Six Months Ended August 31, 2013
[Japanese GAAP]**



September 27, 2013

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: October 7, 2013
 Scheduled date of commencing dividend payments: October 29, 2013
 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 Six Months Ended August 31, 2013 (March 1, 2013 to August 31, 2013)

(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, 2013	37,301	6.0	488	(64.8)	558	(60.7)	350	(53.1)
Six months ended August 31, 2012	35,188	10.9	1,387	305.6	1,421	265.5	747	–

(Note) Comprehensive income: Six months ended August 31, 2013: ¥(94) million (–%)
 Six months ended August 31, 2012: ¥105 million (–%)

	Net income per share	Diluted net income per share
	yen	yen
Six months ended August 31, 2013	7.53	7.47
Six months ended August 31, 2012	15.92	15.80

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	million yen	million yen	%	yen
As of August 31, 2013	52,890	31,358	59.0	669.38
As of February 28, 2013	53,311	31,606	59.0	675.81

(Reference) Equity: As of August 31, 2013: ¥31,209 million
 As of February 28, 2013: ¥31,468 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, 2013	–	4.00	–	4.00	8.00
Fiscal year ending February 28, 2014	–	4.00			
Fiscal year ending February 28, 2014 (Forecast)			–	4.00	8.00

(Note) Revision of forecast results from recently announced figures: None

3. Consolidated Financial Results Forecast for the Fiscal Year Ending February 28, 2014 (March 1, 2013 to February 28, 2014)

(% 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	80,000	7.3	1,750	(36.2)	1,900	(33.9)	1,200	(16.9)	25.74

(Note) Revision of forecast results from recently announced figures: Yes

* 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: Yes

2) Any changes in accounting policies other than 1) above: No

3) Changes in accounting estimates: Yes

4) Restatements: No

(Note) This information is presented in compliance with Article 10-5 of “Ordinance on Terminology, Forms and Preparation Methods of Quarterly Consolidated Financial Statements.” For details, please refer to “2. Matters Related to Summary Information (Others), (1) Changes in accounting policies, changes in accounting estimates and restatements” on page 2 of the Appendix.

(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, 2013	48,000,000 shares
February 28, 2013	48,000,000 shares

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

August 31, 2013	1,375,895 shares
February 28, 2013	1,435,322 shares

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

Six months ended August 31, 2013	46,609,839 shares
Six months ended August 31, 2012	46,939,673 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 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 Act 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, and do not constitute a promise by the Company to achieve those projections. In addition, actual results may be different from the projections due to various factors.

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

(1) Qualitative Information on Consolidated Results of Operations

During the six months ended August 31, 2013, the Japanese economy headed toward a mild self-sustained recovery due to an increase in public investment as a result of the execution of projects related to the emergency economic measures, a recovery in corporate performance spurred by a weaker yen, and an improvement in consumer confidence against the backdrop of factors such as a recovery in stock prices.

Meanwhile, in the operational environment surrounding Takihyo Co., Ltd. (the “Company”), the clothing retail market is shrinking due to the declining birthrate and aging of the population as well as sluggish growth in personal income, and at the same time, consumers continue to show a low-price orientation owing to years of deflation and the rise of foreign-owned fast fashion retailers and specialist retailers.

Amid these circumstances, the Company made efforts to expand market share by stepping up initiatives with existing customers and cultivating new customers. Nevertheless, profit margins fell due to rising cost of sales associated with a sharp depreciation of the yen, in spite of an increase in net sales.

The Group has declared “Global Challenge” as its medium- to long-term vision, and is taking initiatives to put this vision into concrete shape. To this end, the Group established the Representative Office in Ho Chi Minh City in an effort to expand production bases in the countries of Southeast Asia.

As for the retail business, the new brand “BERARDI” was launched in 30 major department stores nationwide from this spring season.

In the rental business, the Company decided to lease property it owns in Sakae 3-chome to PARCO CO., LTD. A new type of shop-based commercial complex “ZERO GATE” is scheduled to open in the fall of 2014.

Also, in June, the Company opened its second Komeda Coffee Shop as a franchisee in Kinshicho, Tokyo.

As a result, consolidated performance in the six months ended August 31, 2013 registered 37,301 million yen net sales (6.0% increase from the previous corresponding period), 488 million yen operating income (64.8% decrease from the previous corresponding period), 558 million yen ordinary income (60.7% decrease from the previous corresponding period) and 350 million yen net income (53.1% decrease from the previous corresponding period).

(2) Qualitative Information on Consolidated Financial Position

1) Assets

Current assets decreased by 153 million yen compared with the end of the previous fiscal year, to 26,081 million yen, due primarily to 1,166 million yen decrease in derivatives, despite 701 million yen increase in cash and deposits and 430 million yen increase in inventories.

Noncurrent assets decreased by 267 million yen compared with the end of the previous fiscal year, to 26,808 million yen, due primarily to 193 million yen decrease in investment securities and 69 million yen decrease in long-term guarantee deposit.

As a result, total assets decreased by 420 million yen compared with the end of the previous fiscal year, to 52,890 million yen.

2) Liabilities

Liabilities decreased by 172 million yen compared with the end of the previous fiscal year, to 21,532 million yen, due primarily to 295 million yen decrease in notes and accounts payable-trade and 717 million yen decrease in income taxes payable, despite 340 million yen increase in loans payable and 594 million yen increase in accounts payable-other.

3) Net assets

Net assets decreased by 248 million yen compared with the end of the previous fiscal year, to 31,358 million yen, due primarily to 445 million yen decrease in accumulated other comprehensive income, despite 160 million yen increase in retained earnings.

(3) Qualitative Information on Consolidated Financial Results Forecast

In view of recent business trends, the consolidated financial results forecast for the fiscal year ending February 28, 2014 that was released on March 29, 2013 has been revised.

For more details, refer to “Notice Concerning Differences between Results and the Forecast for the Six Months Ended August 31, 2013 and Revision of the Full-Year Forecast” announced today.

2. Matters Related to Summary Information (Others)

(1) Changes in accounting policies, changes in accounting estimates and restatements

(Changes in accounting policies which are difficult to distinguish from changes in accounting estimates)

In compliance with the amendment of the Corporation Tax Act, the Company and its domestic consolidated subsidiaries, from the three months ended May 31, 2013, changed over to the depreciation method based on the amended Act, for the property, plant and equipment acquired on and after March 1, 2013.

The impact resulting from the above change on profit or loss for the six months ended August 31, 2013 was minimal.

3. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

	As of February 28, 2013	As of August 31, 2013
Assets		
Current assets		
Cash and deposits	3,136	3,837
Notes and accounts receivable-trade	15,631	15,088
Inventories	3,951	4,381
Other	3,536	2,785
Allowance for doubtful accounts	(20)	(10)
Total current assets	26,235	26,081
Noncurrent assets		
Property, plant and equipment		
Land	17,720	17,720
Other, net	3,105	3,147
Total property, plant and equipment	20,826	20,868
Intangible assets	488	460
Investments and other assets		
Investment securities	4,443	4,250
Other	1,456	1,353
Allowance for doubtful accounts	(137)	(123)
Total investments and other assets	5,761	5,480
Total noncurrent assets	27,076	26,808
Total assets	53,311	52,890
Liabilities		
Current liabilities		
Notes and accounts payable-trade	9,684	9,388
Short-term loans payable	280	1,120
Current portion of long-term loans payable	1,000	1,000
Income taxes payable	856	138
Provision	170	165
Other	3,316	3,596
Total current liabilities	15,307	15,408
Noncurrent liabilities		
Long-term loans payable	4,725	4,225
Provision for retirement benefits	458	503
Provision for directors' retirement benefits	190	176
Asset retirement obligations	121	121
Other	902	1,097
Total noncurrent liabilities	6,397	6,123
Total liabilities	21,704	21,532

(Millions of yen)

	As of February 28, 2013	As of August 31, 2013
Net assets		
Shareholders' equity		
Capital stock	3,622	3,622
Capital surplus	4,148	4,148
Retained earnings	21,911	22,072
Treasury stock	(601)	(576)
Total shareholders' equity	29,080	29,266
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	457	655
Deferred gains or losses on hedges	1,831	1,127
Revaluation reserve for land	181	181
Foreign currency translation adjustment	(83)	(21)
Total accumulated other comprehensive income	2,387	1,942
Subscription rights to shares	137	148
Total net assets	31,606	31,358
Total liabilities and net assets	53,311	52,890

(2) Consolidated Statements of Income and Comprehensive Income

Consolidated Statements of Income

(Millions of yen)

	For the six months ended August 31, 2012	For the six months ended August 31, 2013
Net sales	35,188	37,301
Cost of sales	26,838	29,671
Gross profit	8,350	7,630
Provision for sales returns	(5)	(2)
Gross profit-net	8,355	7,632
Selling, general and administrative expenses	6,967	7,144
Operating income	1,387	488
Non-operating income		
Interest income	8	25
Dividends income	40	44
Subsidy income	42	53
Other	44	38
Total non-operating income	135	163
Non-operating expenses		
Interest expenses	58	62
Foreign exchange losses	25	9
Other	18	22
Total non-operating expenses	102	93
Ordinary income	1,421	558
Extraordinary income		
Gain on sales of investment securities	1	101
Gain on sales of noncurrent assets	36	0
Total extraordinary income	38	101
Extraordinary loss		
Loss on valuation of investment securities	31	—
Loss on sales of investment securities	54	—
Loss on sales of noncurrent assets	41	—
Loss on retirement of noncurrent assets	3	17
Other	16	3
Total extraordinary loss	146	20
Income before income taxes and minority interests	1,312	639
Income taxes	564	288
Income before minority interests	747	350
Net income	747	350

Consolidated Statements of Comprehensive Income

(Millions of yen)

	For the six months ended August 31, 2012	For the six months ended August 31, 2013
Income before minority interests	747	350
Other comprehensive income		
Valuation difference on available-for-sale securities	(118)	197
Deferred gains or losses on hedges	(527)	(704)
Foreign currency translation adjustment	4	61
Total other comprehensive income	(641)	(445)
Comprehensive income	105	(94)
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	105	(94)

(3) Notes on Going Concern Assumption

Not applicable.

(4) Notes in Case of Significant Changes in Shareholders' Equity

Not applicable.