

# Consolidated Financial Results for the Fiscal Year Ended February 28, 2014 [Japanese GAAP]



March 31, 2014

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 Ordinary General Meeting of Shareholders: May 21, 2014  
 Scheduled date of commencing dividend payments: May 22, 2014  
 Scheduled date for filing of annual securities report: May 23, 2014  
 Availability of supplementary briefing material on financial results: Available  
 Schedule of financial results briefing session: Available (for institutional investors)

(Figures are rounded down to the nearest million yen)

## 1. Consolidated Financial Results for the Fiscal Year Ended February 28, 2014 (March 1, 2013 to February 28, 2014)

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

	Net sales		Operating income		Ordinary income		Net income	
	million yen	%	million yen	%	million yen	%	million yen	%
Fiscal year ended February 28, 2014	79,370	6.5	1,921	(30.0)	2,010	(30.1)	1,152	(20.2)
Fiscal year ended February 28, 2013	74,547	7.6	2,744	31.3	2,875	32.6	1,444	70.8

(Note) Comprehensive income: Fiscal year ended February 28, 2014: ¥478 million [(85.4)%]

Fiscal year ended February 28, 2013: ¥3,278 million [69.1%]

	Net income per share	Diluted net income per share	Return on equity	Ordinary income to total assets	Operating income to net sales
	yen	yen	%	%	%
Fiscal year ended February 28, 2014	24.73	24.52	3.7	3.8	2.4
Fiscal year ended February 28, 2013	30.81	30.57	4.8	5.5	3.7

(Reference) Equity in earnings (losses) of affiliates: Fiscal year ended February 28, 2014: ¥ – million

Fiscal year ended February 28, 2013: ¥ – million

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	million yen	million yen	%	yen
As of February 28, 2014	53,193	31,744	59.4	677.68
As of February 28, 2013	53,311	31,606	59.0	675.81

(Reference) Equity: As of February 28, 2014: ¥31,595 million

As of February 28, 2013: ¥31,468 million

(3) Consolidated Cash Flows

	Net cash provided by (used in) operating activities	Net cash provided by (used in) investment activities	Net cash provided by (used in) financing activities	Cash and cash equivalents at end of period
	million yen	million yen	million yen	million yen
Fiscal year ended February 28, 2014	(837)	446	123	2,800
Fiscal year ended February 28, 2013	3,554	579	(3,540)	3,018

2. Dividends

	Annual Dividends					Total dividends paid (annual)	Payout ratio (consolidated)	Dividends to net assets (consolidated)
	1st quarter end	2nd quarter end	3rd quarter end	Year end	Total			
	yen	yen	yen	yen	yen	million yen	%	%
Fiscal year ended February 28, 2013	–	4.00	–	4.00	8.00	374	26.0	1.2
Fiscal year ended February 28, 2014	–	4.00	–	4.00	8.00	372	32.3	1.2
Fiscal year ending February 28, 2015 (Forecast)	–	4.00	–	4.00	8.00		31.1	

3. Consolidated Financial Results Forecast for the Fiscal Year Ending February 28, 2015 (March 1, 2014 to February 28, 2015)

(% 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	38,700	3.7	600	22.8	640	14.6	360	2.6	7.72
Full year	82,000	3.3	2,100	9.3	2,100	4.5	1,200	4.1	25.74

\*Notes

- (1) Significant changes of subsidiaries during the year under review (affecting specified subsidiaries resulting in changes in scope of consolidation): No
- (2) 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) Changes are being made to the depreciation method from the fiscal year ended February 28, 2014, and falls under “cases where differentiation between changes in accounting policies and changes in accounting estimates is difficult.” Please refer to 4. Consolidated Financial Statement (5) Notes to the Consolidated Financial Statement on page 25 of the attachment.

## (3) Total number of issued shares (common stock)

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

February 28, 2014	48,000,000 shares
February 28, 2013	48,000,000 shares

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

February 28, 2014	1,377,035 shares
February 28, 2013	1,435,322 shares

## 3) Average number of shares during the period:

Fiscal year ended February 28, 2014	46,616,198 shares
Fiscal year ended February 28, 2013	46,871,417 shares

(Note) For information on the number of shares for the basis for calculating net income per share (consolidated), please refer to "Per Share Information" on page 32.

## (Reference) Summary of Non-consolidated Financial Results

**1. Non-consolidated Financial Results for the Fiscal Year Ended February 28, 2014 (March 1, 2013 to February 28, 2014)**

## (1) Non-consolidated Results of Operations (% indicates changes from the previous corresponding period)

	Net sales		Operating income		Ordinary income		Net income	
	million yen	%	million yen	%	million yen	%	million yen	%
Fiscal year ended February 28, 2014	72,726	6.3	1,722	(26.2)	1,774	(28.6)	1,036	(18.7)
Fiscal year ended February 28, 2013	68,390	6.1	2,333	31.3	2,483	25.9	1,275	67.4

	Net income per share	Diluted net income per share
	yen	yen
Fiscal year ended February 28, 2014	22.24	22.05
Fiscal year ended February 28, 2013	27.20	26.99

## (2) Non-consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	million yen	million yen	%	yen
As of February 28, 2014	49,831	28,894	57.7	616.57
As of February 28, 2013	49,367	29,025	58.5	620.37

(Reference) Equity: As of February 28, 2014: ¥ 28,746 million

As of February 28, 2013: ¥ 28,887 million

**2. Non-consolidated Financial Results Forecast for the Fiscal Year Ending February 28, 2015 (March 1, 2014 to February 28, 2015)**

(% 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	35,500	4.0	430	19.9	470	15.3	280	1.9	6.01
Full year	75,000	3.1	1,800	4.5	1,800	1.5	1,080	4.2	23.16

\* Presentation regarding the implementation status of the audit process

This summary of consolidated financial results is not subject to the audit process procedures provided by the Japanese Financial Instruments and Exchange Act. Therefore, at the time of the disclosure of these financial results, the financial statement audit

process 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.

Furthermore, for the items on the forecast of the financial results above, please refer to page 3.

## 1. Analyses of Results of Operations and Financial Position

### (1) Analysis of Results of Operations

(Results of Operations for the current fiscal year)

During the fiscal year ended February 28, 2014, the Japanese economy headed toward a self-sustained recovery led mainly by the improved business performance of exporting companies owing to depreciation of yen.

According to the Consumer Confidence Survey published by the Cabinet Office, the base for consumer confidence of individual consumers is improving, and in February this year, the Consumer Price Index (annualized rate) rose for the first time in five years, marking a clear step toward breaking away from deflation.

However, in the operational environment surrounding Takihyo Co., Ltd. (the “Company”), conditions from an earnings perspective have been harsh. With the majority of products manufacturing being outsourced abroad, the considerable pace of yen’s depreciation has brought about increase in purchase price, in addition to the increases in raw material cost and labor costs in China.

Amidst these circumstances, the Group has taken measures to strengthen the retail business by expanding net sales to compensate for reduced revenue, creating production bases in Southeast Asian countries where labor costs are relatively low, and launching the new brand “BERARDI”. As a result, net sales increased, but were unable to cover the decrease in profit margins, and operating income decreased.

Regarding measures taken during the fiscal year ended February 28, 2014, we have established the Representative Office in Ho Chi Minh City in July 2013 in order to expand production bases in the ASEAN countries such as Vietnam and Cambodia.

In the rental business, the company decided to lease property it owns at Sakae 3-Chome to PARCO CO., LTD. and in the fall of 2014, “Nagoya ZERO GATE (tentative name)” is scheduled to open. In June, the Company opened its second Komeda Coffee Shop as a franchisee in Kinshicho, Tokyo.

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

As a result, consolidated performance in the fiscal year ended February 28, 2014 registered 79,370 million yen consolidated net sales (6.5% increase from the previous fiscal year), 1,921 million yen consolidated operating income (30.0% decrease from the previous fiscal year), 2,010 million yen consolidated ordinary income (30.1% decrease from the previous fiscal year), and 1,152 million yen consolidated net income (20.2% decrease from the previous fiscal year).

Performance by segment for the fiscal year ended February 28, 2014 was as follows.

#### 1) Apparel & Textiles

In the Apparel & Textiles segment, sales have increased for the core ladies’ apparel mainly through leading specialist retailers and mail-order businesses and performance was particularly strong for bottoms.

Further, export of cloths to Europe and the United States increased and resulted in overall rise in profit for the segment. However, this was unable to cover the decrease in profit margins.

As a result, the segment registered 74,587 million yen net sales (6.4% increase from the previous fiscal year) and 1,688 million yen operating income (27.5% decrease from the previous fiscal year).

#### 2) Rental Business

This segment registered sales largely on par with the previous period. The segment registered 273 million yen net sales (3.5% decrease from the previous fiscal year) and 131 million yen operating income (14.8% decrease from the previous fiscal year).

### 3) Others

Other segments registered 4,509 million yen net sales (8.5% increase from the previous fiscal year) and 83 million yen (66.0% decrease from the previous fiscal year) due to increased import costs attributable to the continuing yen's depreciation and the start-up costs for the new businesses.

(Outlook for the next fiscal year and issues to be addressed)

Regarding the future outlook, taking into account the persistent state of the weakened yen and the impact of the change in consumption tax rate, the business conditions surrounding the Group is highly unpredictable, and this state is expected to persist for some time.

In such an environment, in order to improve profitability in the next fiscal year, we aim to expand net sales, while making use of the Representative Office in Ho Chi Minh City to expand production bases in Southeast Asia.

At the same time, the Group believes that it is essential to offer consumers value beyond price, and so continually strives to produce high-quality materials, design, and stitching to provide products that satisfy the customer.

## (2) Analysis of Financial Position

### 1) Assets, liabilities and net assets

(Assets)

Current assets increased by 210 million yen in compared with the end of the previous fiscal year to 26,445 million yen, due primarily to 1,703 million yen increase in notes and accounts receivable-trade and 192 million yen increase in merchandise and finished goods, despite a 1,734 million yen decrease in derivatives.

Noncurrent assets decreased by 327 million yen compared with the end of the previous fiscal year to 26,748 million yen. This was due primarily to decreases of 63 million yen in land, 43 million yen in goodwill, 173 million yen in investment securities and 42 million yen in long-term guarantee deposit, respectively.

As a result, total assets decreased by 117 million yen compared with the end of the previous fiscal year, to 53,193 million yen.

(Liabilities)

Liabilities decreased by 255 million yen compared with the end of the previous fiscal year, to 21,449 million yen, due primarily to 290 million yen increase in notes and accounts payable-trade and 500 million yen increase in loans payable coupled with 651 million yen decrease in income taxes payable and 353 million yen decrease in deferred tax liabilities.

(Net assets)

Net assets increased by 137 million yen compared with the end of the previous fiscal year, to 31,744 million yen, due primarily to 713 million yen decrease in accumulated comprehensive income and 815 million yen increase in retained earnings.

### 2) Cash Flows

Cash and cash equivalents as at the end of the current fiscal year (hereinafter referred to as “fund”) decreased 218 million yen (7.2%) compared with the end of the previous fiscal year, to 2,800 million yen.

(Net cash used in operating activities)

Net cash used in operating activities for the current fiscal year amounted to 837 million yen (an increase of 3,554 million yen for the previous fiscal year), mainly as a result of income before income taxes and minority interests standing at 2,007 million yen along with 286 million yen increase in notes and accounts payable-trade, whilst 1,682 million yen increase in notes and accounts receivables-trade, and 99 million yen in gain on investment securities and 1,352 million yen in income taxes paid were recorded.

(Net cash provided by investment activities)

Net cash provided by investment activities for the current fiscal year increased 133 million yen (23.0%) compared with the previous fiscal year, to 446 million yen, mainly as a result of proceeds from redemption of investment securities.

(Net cash provided by financing activities)

Net cash provided by financing activities for the current fiscal year amounted to 123 million yen (a decrease of 3,540 million yen for the previous fiscal year), mainly as a result of proceeds from loans payable, despite of purchase of treasury stock and cash dividends paid.



(Reference) Indicators relative to cash flows

	Fiscal year ended February 28, 2013	Fiscal year ended February 28, 2014
Equity ratio (%)	59.0	59.4
Equity ratio on a market value basis (%)	38.3	35.6
Interest-bearing debt/cash flow ratio (years)	3.4	-
Interest coverage ratio (multiple)	28.0	-

Equity ratio: Equity/Total assets

Equity ratio on a market value basis: Total market capitalization/Total assets

Interest-bearing debt/cash flow ratio: Interest-bearing debt/cash flows from operating activities

Interest coverage ratio: Cash flows from operating activities/Interest expenses paid

(Notes) 1. All indicators are calculated using consolidated financial results.

2. Total market capitalization is calculated by multiplying the final share price at the end of the fiscal year by the total number of issued shares at the end of the fiscal year (excluding treasury stock).

3. Cash flows from operating activities refer to net cash provided by (used in) operating activities on the Consolidated Statements of Cash Flows. Interest-bearing debt refers to all liabilities on the Consolidated Balance Sheets for which interest is paid. Interest expenses paid refer to interest expenses paid on the Consolidated Statements of Cash Flows.

4. Interest-bearing debt/cash flow ratio and interest coverage ratio for fiscal year ended February 28, 2014 are left blank because cash flows from operating activities are negative.

(3) Principles of Appropriation of Profits and Dividend Payment for the Current Fiscal Year and the Next Fiscal Year

The company recognizes that returning profit to shareholders is an important management issue. Our basic policy calls for continuing active and stable dividend payment by comprehensively taking into consideration trends in performance, payout ratio, dividend yield, and internal reserves required for investment in product development that meets market needs and implementation of businesses with an eye to the future.

Under this basic policy, we are planning to pay a dividend of 4 yen per share at the end of the current fiscal year. Therefore, when combined with an interim dividend of 4 yen per share, the annual dividend becomes 8 yen per share for the current fiscal year. In the next fiscal year, we plan to pay an interim dividend of 4 yen per share and a year-end dividend of 4 yen per share, making the annual dividend 8 yen per share.

(4) Risks Related to Business

The following is information regarding risks associated with the Group's business activities.

Forward-looking statements contained herein are based on the Group's best judgment as of the end of the current fiscal year.

1) Risks associated with changes in consumers' taste

Clothing provided by the Group are prone to be influenced by external factors including changes in fashion trends, impact on consumer confidence from economic conditions and pressure on sales prices due to competition. Under these circumstances, the Group is striving to develop well-marketable products by enhancing the effectiveness of the planning process through more relevant analysis and accurate information, while reducing the manufacturing cycle. However, the Group's performance could still be affected by tougher competition or by the Group's failure to implement adequate merchandise policies to meet unexpected changes in market trends.

2) Risks associated with foreign exchange

Products manufactured overseas represent a high proportion of the Group's purchase amount, which is settled largely in USD. For the purpose of hedging exchange risk, we use forward exchange contracts on the scale not beyond actual demand based on quarterly estimations of purchase amounts. However, the Group's performance could be affected by unexpected fluctuations in the exchange rate.

3) Risks associated with places of production

The Group is highly dependent on production facilities in Asia, including China and South Korea. Thus, the Group's performance could be affected in the event of disruption in the procurement of merchandise due to developments in those countries including unexpected change in laws and regulations, unforeseen

turnaround in political regime or economic policy, national or regional disturbance due to acts of terrorism, war, natural disasters and other developments, and epidemic breakout with significant impact.

4) Risks associated with customers

i) Sales dependency

The group's five largest customers account for roughly 42% of the Group's sales. Our major sales policy is to attract new distribution customers while taking care at all times to reinforce close relationships with the main existing customers. However, the Group's performance could be affected by interruptions or disturbances to the continuing business transactions with existing customers due to unforeseen developments including changes in their management policies.

ii) Creditworthiness

The Group is selling its products to a range of customers including retailers such as volume retailers, specialist retailers, mail-order businesses, department stores and wholesale distributors of clothing products. Although the Group is making the best efforts to ensure protection of its receivables accounts by exercising thoroughgoing credit control over these customers according to relevant internal rules, its performance could be affected by bad debt losses or decline in sales due to unforeseen business failures of customers.

5) Risks associated with weather

The Group's main products, such as ladies' clothes, are composed predominantly of seasonal products. Thus the Group's performance could be affected by disappointing sales of them due to undesirable weather such as a cold summer and mild winter.

6) Risks associated with personal data

The Group has arranged an internal security control system for the protection of personal data involving use and control thereof. However, the Group's performance could be affected by external leakage of such protected data due to unexpected circumstances, resulting in deterioration of the Group's social credibility or give rise to liability in damages.

7) Risks associated with new businesses

To enhance its corporate value, the Group engages in business investment such as development of new business models and brands, flexibly adapting to customers' situations and changes in the market, on the basis of adequate research and development activities beforehand. However, the Group's performance could be affected if business activities in line with such investments would not make progress as originally scheduled due to changes in the market environment.

8) Risks associated with quality control

The Group is enforcing quality control over its products according to rigorous quality standards established under its control system. However, the Group's performance could be affected, in the event of an accident involving its products due to unexpected circumstances originating from the Group or its suppliers, consequently degrading the Group's corporate/brand image, or giving rise to liability in damages.

The Group's performance could also be affected, in the event of an interruption to business transactions with its main customers due to quality issues of the products supplied.

9) Risks associated with licensing agreements

As the Group benefits from licensing from various companies, its performance could be affected in the event of termination or cancellation of the licensing agreements or major changes in the terms and conditions thereof.

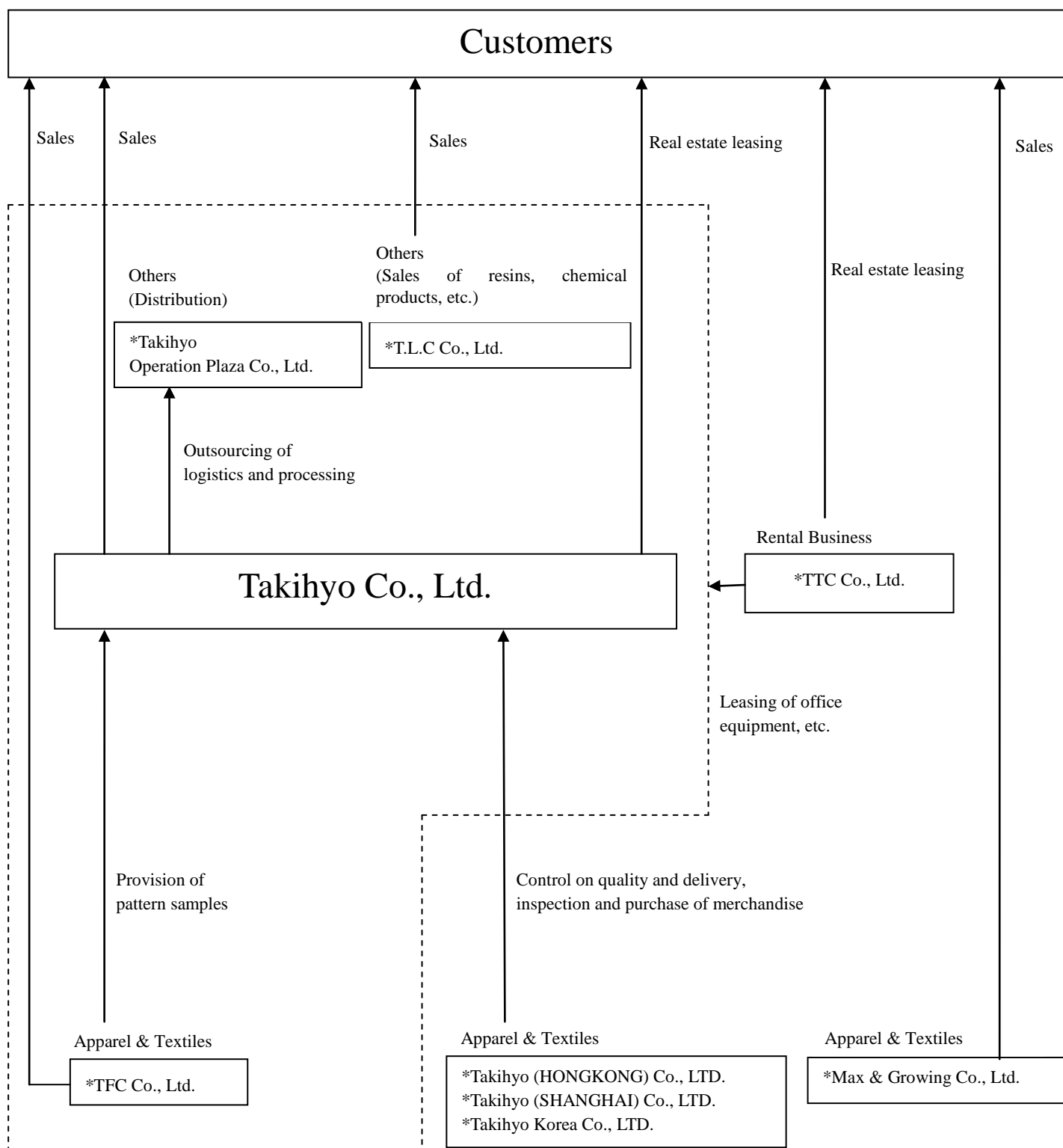
## 2. Consolidated Group

The Group comprises the Company and eight consolidated subsidiaries mainly engaged in manufacturing and sales of various apparel & textiles products, along with business activities including the real estate rental business, and sales of resins and chemical products.

The operational positioning of the Group in connection with each segment is as follows.

- |                    |  |
|--------------------|--|
| Apparel & Textiles | <p>The Company' main line of business is designing, manufacturing and merchandising of clothing primarily for ladies, kids and babies along with textile products (cloths) primarily made of wool.</p> <p>Each of the three overseas consolidated subsidiaries, Takihyo (SHANGHAI) Co., Ltd., Takihyo (HONG KONG) Co., Ltd. and Takihyo Korea Co., Ltd., primarily engages in local management of manufacturing process, delivery and quality control of the products to be shipped to the Company, as well as assistance in export to the Head Office.</p> <p>Of the domestic consolidated subsidiaries, TFC Apparel Co., Ltd. engages in production of pattern samples, knit shirts (cut-and-sew) and other sewing products, as well as designing and selling of uniforms, while Max &amp; Growing Co., Ltd. engages in design and sales of clothing and sporting goods under the golf-wear brand "ZOY."</p> |
| Rental Business    | <p>The Company engages in leasing and management of real estate and related activities. TTC Co., Ltd. primarily provides leasing of equipment along with leasing and management of real estate to the Group companies.</p>   |
| Others             | <p>Takihyo Operation Plaza Co., Ltd. engages in delivery-related businesses including sorting, packing and shipping of products primarily manufactured overseas for delivery to each retail premises of customers.</p> <p>T.L.C Co., Ltd. engages in sales of products including resins and chemical products, and in the operation of "Komeda Coffee Shop" as a franchisee.</p>   |

The following diagram illustrates how business within the Group is interrelated.



(Notes) 1. \* indicates consolidated subsidiaries.

2. As of March 1, 2013, the trade name of Takihyo Kemica Co., Ltd. has changed to T.L.C Co., Ltd.

### 3. Management Policy

#### (1) Basic Management Policy of the Company

The Company's basic policy is to keep providing apparel products that keenly respond to the needs and

lifestyles of our customers, based on the three constant management philosophies: “Pay more attention to customers’ interest than your own,” “Modesty generates profits,” and “Good name always comes first.”

(2) Targeted Management Benchmark

The Company is striving to enhance its corporate value, by maximizing operating income and cash flows as the two critical management benchmarks that demonstrate the strength of its core businesses.

(3) Medium- to long-term Management Strategy

A new company-wide policy called “Global Challenge ~Change and Advance~” was developed and presented on the occasion of the Company’s 260th anniversary.

As part of an implementation of this strategy, the Company transformed the corporate organization into a sales division system segmented horizontally by business activity with a view to appropriately adapt to changes of the times and market. Additionally, we are going to explore opportunities to provide universally marketable merchandise to the global markets i.e. Asia, Europe, and the United States, while reflecting on our current status which excessively depends on the domestic market.

(4) Issues to be Addressed of the Company

As stated in 1. Analyses of Results of Operations and Financial Position (1) Analysis of Results of Operations (Outlook for the next fiscal year and issues to be addressed) by the Company on page 7.

4. Consolidated Financial Statements  
(1) Consolidated Balance Sheets

(Millions of yen)

	As of February 28, 2013	As of February 28, 2014
<b>Assets</b>		
Current assets		
Cash and deposits	3,136	2,917
Notes and accounts receivable-trade	15,631	17,334
Merchandise and finished goods	3,906	4,099
Work in process	30	37
Raw materials and supplies	14	14
Deferred tax assets	21	22
Derivatives	2,957	1,222
Other	557	810
Allowance for doubtful accounts	(20)	(13)
Total current assets	26,235	26,445
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	3,832	3,669
Accumulated depreciation	(2,125)	(1,953)
Buildings and structures, net	1,706	1,715
Machinery, equipment and vehicles	164	176
Accumulated depreciation	(100)	(108)
Machinery, equipment and vehicles, net	63	67
Equipment and fixtures	1,633	1,692
Accumulated depreciation	(349)	(377)
Equipment and fixtures, net	1,283	1,315
Land	17,720	17,656
Lease assets	86	86
Accumulated depreciation	(36)	(53)
Lease assets, net	49	32
Construction in progress	2	1
Total property, plant and equipment	20,826	20,788
Intangible assets	488	441
Investments and other assets		
Investment securities	4,443	4,269
Investments in capital	23	22
Long-term loans receivable	81	52
Long-term guarantee deposit	840	798
Deferred tax assets	93	85
Insurance funds	92	122
Other	325	273
Allowance for doubtful accounts	(137)	(106)
Total investments and other assets	5,761	5,518
Total noncurrent assets	27,076	26,748
Total assets	53,311	53,193

(Millions of yen)

	As of February 28, 2013	As of February 28, 2014
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable-trade	9,684	9,974
Short-term loans payable	280	1,780
Current portion of long-term loans payable	1,000	900
Lease obligations	27	29
Accounts payable-other	2,013	1,982
Income taxes payable	856	205
Deferred tax liabilities	948	371
Provision for bonuses	126	117
Provision for sales returns	44	37
Other	327	318
Total current liabilities	15,307	15,717
Noncurrent liabilities		
Long-term loans payable	4,725	3,825
Long-term accounts payable-other	11	7
Lease obligations	58	38
Deferred tax liabilities	535	758
Long-term guarantee deposited	122	224
Provision for retirement benefits	458	433
Provision for directors' retirement benefits	190	176
Asset retirement obligations	121	114
Deferred tax liabilities for land revaluation	174	153
Total noncurrent liabilities	6,397	5,732
Total liabilities	21,704	21,449
<b>Net assets</b>		
Shareholders' equity		
Capital stock	3,622	3,622
Capital surplus	4,148	4,148
Retained earnings	21,911	22,727
Treasury stock	(601)	(577)
Total shareholders' equity	29,080	29,921
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	457	751
Deferred gains or losses on hedges	1,831	763
Revaluation reserve for land	181	142
Foreign currency translation adjustment	(83)	16
Total accumulated other comprehensive income	2,387	1,674
Subscription rights to shares	137	148
Total net assets	31,606	31,744
<b>Total liabilities and net assets</b>	<b>53,311</b>	<b>53,193</b>

(2) Consolidated Statements of Income and Comprehensive Income  
Consolidated Statements of Income

(Millions of yen)

	For the previous fiscal year ended February 28, 2013	For the current fiscal year ended February 28, 2014
Net sales	74,547	79,370
Cost of sales	57,758	63,362
Gross profit	16,788	16,008
Provision for sales returns	(11)	(7)
Gross profit-net	16,799	16,015
Selling, general and administrative expenses		
Freightage related expenses	3,813	3,693
Advertising and promotion expenses	468	478
Salaries and allowances	4,573	4,660
Bonuses	552	580
Share-based compensation expenses	32	33
Welfare expenses	995	1,036
Provision for bonuses	119	110
Retirement benefit expenses	447	432
Traveling and transportation expenses	638	650
Communication expenses	318	352
Rent expenses	737	757
Depreciation	172	187
Other	1,185	1,119
Total selling, general and administrative expenses	14,055	14,093
Operating income	2,744	1,921
Non-operating income		
Interest income	31	38
Dividends income	70	75
Boarding fee income	28	29
Foreign exchange gains	40	–
Subsidy income	42	53
Other	96	72
Total non-operating income	310	270
Non-operating expenses		
Interest expenses paid	126	137
Commission fee	17	21
Equity loss of investment securities	5	–
Other	29	23
Total non-operating expenses	178	182
Ordinary income	2,875	2,010
Extraordinary income		
Gain on sales of investment securities	8	101
Gain on redemption of investment securities	30	–
Gain on sales of noncurrent assets	46	0
Total extraordinary income	84	102



(Millions of yen)

	For the previous fiscal year ended February 28, 2013	For the current fiscal year ended February 28, 2014
Extraordinary loss		
Loss on valuation of investment securities	17	26
Loss on sales of investment securities	61	2
Loss on redemption of investment securities	34	–
Loss on sales of noncurrent assets	64	37
Loss on retirement of noncurrent assets	4	23
Loss on retirement of long-term prepaid expenses	10	–
Loss on valuation of goods	71	–
Provision of allowance for doubtful accounts	39	–
Other	14	14
Total extraordinary loss	319	104
Income before income taxes	2,641	2,007
Income taxes-current	1,060	704
Income taxes-deferred	136	150
Total income taxes	1,197	854
Income before minority interests	1,444	1,152
Net income	1,444	1,152

Consolidated Statements of Comprehensive Income

(Millions of yen)

	For the previous fiscal year ended February 28, 2013	For the current fiscal year ended February 28, 2014
Income before minority interests	1,444	1,152
Other comprehensive income		
Valuation difference on available-for-sale securities	365	293
Deferred gains or losses on hedges	1,373	(1,067)
Revaluation reserve for land	53	–
Foreign currency translation adjustment	41	99
Total other comprehensive income	1,833	(674)
Comprehensive income	3,278	478
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	3,278	478

## (3) Consolidated Statements of Changes in Net Assets

For the previous fiscal year ended February 28, 2013

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of the current period	3,622	4,148	21,186	(440)	28,516
Changes of items during the period					
Dividends from surplus			(469)		(469)
Net income			1,444		1,444
Purchase of treasury stock				(168)	(168)
Disposal of treasury stock			(0)	7	7
Reversal of revaluation reserve for land			(248)		(248)
Net changes of items other than shareholders' equity					
Total changes of items during the period	—	—	725	(161)	564
Balance at the end of the current period	3,622	4,148	21,911	(601)	29,080

(Millions of yen)

	Accumulated other comprehensive income					Subscription rights to shares	Total net assets
	Valuation difference on available-for-sale securities	Differed gains or losses on hedges	Revaluation reserve for land	Foreign currency transaction adjustment	Total accumulated other comprehensive income		
Balance at the beginning of the current period	92	458	(120)	(124)	305	112	28,933
Changes of items during the period							
Dividends from surplus							(469)
Net income							1,444
Purchase of treasury stock							(168)
Disposal of treasury stock							7
Reversal of revaluation reserve for land			248		248		—
Net changes of items other than shareholders' equity	365	1,373	53	41	1,833	25	1,859
Total changes of items during the period	365	1,373	302	41	2,082	25	2,672
Balance at the end of the current period	457	1,831	181	(83)	2,387	137	31,606

For the current fiscal year ended February 28, 2014

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of the current period	3,622	4,148	21,911	(601)	29,080
Changes of items during the period					
Dividends from surplus			(372)		(372)
Net income			1,152		1,152
Purchase of treasury stock				(2)	(2)
Disposal of treasury stock			(3)	26	23
Reversal of revaluation reserve for land			39		39
Net changes of items other than shareholders' equity					
Total changes of items during the period	—	—	815	24	840
Balance at the end of the current period	3,622	4,148	22,727	(577)	29,921

(Millions of yen)

	Accumulated other comprehensive income					Subscription rights to shares	Total net assets
	Valuation difference on available-for-sale securities	Differed gains or losses on hedges	Revaluation reserve for land	Foreign currency transaction adjustment	Total accumulated other comprehensive income		
Balance at the beginning of the current period	457	1,831	181	(83)	2,387	137	31,606
Changes of items during the period							
Dividends from surplus							(372)
Net income							1,152
Purchase of treasury stock							(2)
Disposal of treasury stock							23
Reversal of revaluation reserve for land			(39)		(39)		—
Net changes of items other than shareholders' equity	293	(1,067)	—	99	(674)	10	(663)
Total changes of items during the period	293	(1,067)	(39)	99	(713)	10	137
Balance at the end of the current period	751	763	142	16	1,674	148	31,744

## (4) Consolidated Statements of Cash Flows

(Millions of yen)

	For the previous fiscal year ended February 28, 2013	For the current fiscal year ended February 28, 2014
Net cash provided by (used in) operating activities		
Income before income taxes	2,641	2,007
Depreciation and amortization	292	296
Amortization of goodwill	43	43
Increase (decrease) in allowance for doubtful accounts	(29)	(38)
Increase (decrease) in provision for bonuses	16	(9)
Increase (decrease) in provision for sales returns	(11)	(7)
Increase (decrease) in provision for retirement benefits	(4)	(25)
Increase (decrease) in provision for directors' retirement benefits	–	(14)
Interest and dividends income	(101)	(114)
Interest expenses paid	126	137
Loss (gain) on sales of investment securities	53	(99)
Loss (gain) on valuation of investment securities	17	26
Loss (gain) on redemption of investment securities	4	–
Loss (gain) on sales of property, plant and equipment	18	37
Loss on retirement of property, plant and equipment	4	23
Decrease (increase) in notes and accounts receivable-trade	250	(1,682)
Decrease (increase) in inventories	(276)	(200)
Increase (decrease) in notes and accounts payable-trade	762	286
Increase (decrease) in accrued consumption taxes	(180)	(8)
Decrease (increase) in other assets	132	(287)
Increase (decrease) in other liabilities	251	125
Other, net	56	33
Subtotal	4,068	528
Interest and dividends income received	98	123
Interest expenses paid	(127)	(136)
Income taxes paid	(484)	(1,352)
Net cash provided by (used in) operating activities	3,554	(837)

(Millions of yen)

	For the previous fiscal year ended February 28, 2013	For the current fiscal year ended February 28, 2014
<b>Net cash provided by (used in) investment activities</b>		
Payments into time deposits	(137)	(136)
Proceeds from withdrawal of time deposits	52	156
Purchase of property, plant and equipment	(330)	(407)
Proceeds from sales of property, plant and equipment	653	69
Purchase of investment securities	(288)	(114)
Proceeds from sales of investment securities	321	271
Proceeds from redemption of investment securities	288	512
Proceeds from equity of investment securities	10	–
Payments of loans receivable	(29)	(12)
Collection of loans receivable	29	34
Collection of investments in capital	0	0
Proceeds from collection of guarantee deposits	–	76
Other, net	9	(4)
<b>Net cash provided by (used in) investment activities</b>	<b>579</b>	<b>446</b>
<b>Net cash provided by (used in) financing activities</b>		
Net increase (decrease) in short-term loans payable	(1,582)	1,500
Repayment of long-term loans payable	(1,319)	(1,000)
Cash dividends paid	(469)	(373)
Purchase of treasury stock	(168)	(2)
Other, net	0	0
<b>Net cash provided by (used in) financing activities</b>	<b>(3,540)</b>	<b>123</b>
Effect of exchange rate change on cash and cash equivalents	29	48
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>623</b>	<b>(218)</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>2,395</b>	<b>3,018</b>
<b>Cash and cash equivalents at end of period</b>	<b>3,018</b>	<b>2,800</b>

(5) Notes to Consolidated Financial Statements

(Notes on Going Concern Assumption)

Not applicable.

(Important Matters that Form the Basis for Preparing Consolidated Financial Statements)

1. Scope of consolidation

(1) Number of consolidated subsidiaries:

8 companies

Names of the principal consolidated subsidiaries:

TTC Co., Ltd., T.L.C. Co., Ltd., Max & Growing Co., Ltd., Takihyo (HONGKONG) Co., LTD., TFC Co., Ltd., Takihyo (SHANGHAI) Co., LTD., Takihyo Operation Plaza Co., Ltd., Takihyo Korea Co., LTD.

(2) There are no non-consolidated subsidiaries.

2. Scope of application of the equity method

There is no application of equity method due to the absence of non-consolidated subsidiaries and affiliates.

3. Fiscal year, etc. of consolidated subsidiaries

Of all the consolidated subsidiaries, Takihyo (HONGKONG) Co., LTD. and Takihyo (SHANGHAI) Co., LTD. close accounts on December 31 of each year. Since the difference of closing dates does not exceed three months, financial statements of these two subsidiaries are consolidated as at their own closing date, while necessary adjustment is made for the purpose of consolidation in the event of significant transactions taking place between such closing date and the consolidation date. All other consolidated subsidiaries share the same closing date as the consolidation date.

4. Accounting standards

(1) Valuation standards and methods regarding significant assets

1) Securities

Other securities:

Securities with market quotations:

Market value method based on the quoted market price at the fiscal year-end (with any unrealized gains or losses being reported directly as a component of shareholders' equity and the cost of securities sold is calculated using the moving-average method).

Securities without market quotations:

Cost method using the moving-average method.

2) Inventories

a. Merchandise:

Stated at cost primarily using the moving-average method (Amounts shown on the balance sheets take into account declines in book values based on reduced profitability.)

b. Finished goods, work in process, and raw materials:

Stated at cost primarily using the specific cost method (Amounts shown on the balance sheets take into account declines in book values based on reduced profitability.)

c. Supplies:

Stated at cost using the last-purchase-price method (Amounts shown on the balance sheets take into account declines in book values based on reduced profitability)

3) Derivatives

Stated at market

(2) Depreciation method for significant depreciable assets

1) Property, plant and equipment (excluding lease assets)

Stated at declining-balance method. Service life is determined using the same standard as set out in the Corporation Tax Law, provided however that buildings (excluding auxiliary equipment) acquired on and after April 1, 1998, are subject to the straight-line method.

(Petty sum depreciable assets)

Assets acquired at the cost of 100,000 yen or more but less than 200,000 yen are subject to equal depreciation over three years.

2) Intangible assets (excluding lease assets)

Stated at straight-line method. Service life is determined using the same standard as set out in the Corporation Tax Law, provided however that software (for internal use) is subject to the straight-line method over the internally available period of five years.

3) Lease assets

Lease assets concerning non-transfer ownership finance leases:

Straight-line method is applied, with useful lives being lease terms and assuming that residual values would be zero.

4) Long-term prepaid expenses

Stated at straight-line method. Service life is determined using the same standard as set out in the Corporation Tax Law.

(3) Accounting standards for significant allowances and provisions

1) Allowance for doubtful accounts

The Group provides for possible credit losses stemming from notes and accounts receivable-trade and loans receivable. Estimated amounts of irrecoverable debt are calculated based on historical write-off ratio for ordinary receivables, and on a consideration of feasibly recoverable amounts in individual cases of specific debts such as doubtful accounts.

2) Provision for bonuses

The Group provides for payments of employee bonuses based on the portion of the estimated amount of bonus payment as attributable to the current fiscal year.

3) Provision for sales returns

To provide for losses due to return of goods, Takihyo Co., Ltd. records estimated amounts of losses in consideration of the past return ratios actually experienced.

4) Provision for retirement benefits

To provide for the payment of employees' retirement benefits, the Group sets aside the amount recognized to have accrued as at the end of the current fiscal year, based on the projected benefit obligations and plan assets as at the end of the fiscal year.

Actuarial differences are amortized using the straight-line method over the determined number of years (10 years) not exceeding average remaining service years of the employees at the time of their accrual. Past service liabilities are charged to expenses, using the straight-line method, over the determined number of years (10 years) not exceeding average remaining service years of the employees at the time of their accrual.

5) Provision for directors' retirement benefits

Takihyo Co., Ltd. provides for the payment of retirement benefits to officers based on the aggregate amount of liabilities corresponding to each officer's period in office up to May 23, 2007 (the 96th Ordinary General Meeting of Shareholders) in accordance with the relevant internal rules.

(4) Translation of significant assets and liabilities denominated in foreign currencies into yen

Monetary claims and liabilities denominated in foreign currencies have been translated into yen at the rates of exchange in effect at the fiscal year end. Translation adjustments are treated as gains or losses. Assets and liabilities as well as revenues and expenses of overseas subsidiaries, etc. have been translated into yen using the spot exchange rates in effect as of the closing dates, and the resultant translation differences are included in foreign currency translation adjustment in net assets.

(5) Significant hedge accounting

1) Hedge accounting

Deferred hedge accounting is adopted. Designation transactions are applied to foreign exchange forward contracts which conform to the requirements for designation transactions.

2) Means of hedging and hedging items

<u>Means of hedging</u>	<u>Hedging items</u>
Foreign exchange forward contracts	Foreign currency-denominated monetary claims and liabilities

3) Hedging policy

The Group is primarily hedging exchange risk according to the internal control rules.

4) Methods for evaluating the effectiveness of hedges

Since all foreign exchange forward contracts are carried out on the basis of the actual demand for future transactions, with a very high likelihood of being exercised, process to evaluate the hedging effectiveness is spared.



(6) Amortization method and amortization period of goodwill

Goodwill is subject to equal amortization over ten years.

(7) Scope of cash and cash equivalents in the consolidated statements of cash flows

Cash and cash equivalents as stated in the consolidated statements of cash flows consist of cash in hand, readily available deposits, and any short-term liquid investments with a maturity not exceeding three months at the time of purchase whose value is not subject to significant fluctuation risk.

(8) Other significant matters for preparing consolidated financial statements

Accounting method for consumption taxes

The tax exclusion method.

(Changes in Accounting Policies)

(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 nine months ended November 30, 2013 was minimal.

(Changes in Presentation)

(Consolidated Statements of Income)

“Commission fee” which was included in “Other” under “Non-operating expenses” in the previous fiscal year, has been presented independently from the current fiscal year as it has become a significant amount. This change in presentation necessitated a reclassification of the Consolidated Financial Statements for the previous fiscal year.

As a result, 46 million yen presented as “Other” under “Non-operating expenses” in the Consolidated Statements of Income for the previous fiscal year was reclassified into 17 million yen in “Commission fee” and 29 million yen in “Other.”

(Segment Information)

1. Outline of reportable segments

The Company’s reportable segments are those constituent units within the Group for which discrete financial information is available and are regularly reviewed by the Board of Directors for the purpose of determining the allocation of management resources and evaluating performance.

The Group’s main line of business, centered on the Company, is the manufacture and sale of various fiber and textile products. In addition, the Company and one subsidiary engage in real estate rental business. The Group draws up a comprehensive strategy for each business unit to carry out its business activities.

Therefore, the Company comprises segments classified according to products and services, with “Apparel & Textiles” and “Rental Business” as two reportable segments.

The “Apparel & Textiles” segment is engaged in manufacturing and selling of ladies’ clothes, children’s and baby clothes, men’s clothes, homeware, interior fabric and cloths, and designing and selling of golf wear.

The “Rental Business” segment is engaged in leasing and management of real estate, and leasing of office automation equipment, etc.

2. Calculation methods for net sales, income or loss, assets, and other items by reportable segment

The accounting methods for the business segments reported are mostly the same as those described in the “Important Matters that Form the Basis for Preparing Consolidated Financial Statements.”

Income by reportable segment is based on operating income, while inter-segment revenues and transfers are based on market price.

As stated in (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 segment income for the current fiscal year was minimal.

3. Information on net sales, income or loss, assets, and other items by reportable segment  
For the previous fiscal year (From March 1, 2012 to February 28, 2013)

(Millions of yen)

	Reportable segment			Others	Total	Adjustment	Amounts on consolidated financial statements
	Apparel & Textiles	Rental Business	Subtotal				
Net sales							
Net sales to outside customers	70,106	283	70,389	4,157	74,547	–	74,547
Inter-segment sales and transfers	0	110	110	1,521	1,631	(1,631)	–
Total	70,106	393	70,500	5,678	76,178	(1,631)	74,547
Segment income	2,328	154	2,483	246	2,730	13	2,744
Segment assets	35,409	15,464	50,873	1,975	52,849	461	53,311
Other items							
Depreciation	163	114	278	14	292	(0)	292
Amortized goodwill	43	–	43	–	43	–	43
Increase in property, plant and equipment and intangible assets	285	138	424	49	473	–	473

- (Notes) 1. “Others” refers to business segments not included in the reportable segments, including sales of synthetic resins and chemical products, and logistics.
2. Depreciation includes the amortization of long-term prepaid expenses. Increase in property, plant and equipment and intangible assets includes an increase in long-term prepaid expenses.
3. The 461 million yen adjustment to segment assets includes elimination of inter-segment of -957 million yen and corporate assets of 1,441 million yen not allocated among reportable segments. Corporate assets consist primarily of surplus funds (investment securities) not belonging to any reportable segment.
4. The 13 million yen adjustment to segment income represents elimination of inter-segment transactions of 13 million yen, etc.
5. Segment income is adjusted with operating income in the consolidated statements of income.

For the current fiscal year (From March 1, 2013 to February 28, 2014)

(Millions of yen)

	Reportable segment			Others	Total	Adjustment	Amounts on consolidated financial statements
	Apparel & Textiles	Rental Business	Subtotal				
Net sales							
Net sales to outside customers	74,587	273	74,860	4,509	79,370	–	79,370
Inter-segment sales and transfers	11	111	122	1,356	1,479	(1,479)	–
Total	74,598	385	74,983	5,866	80,849	(1,479)	79,370
Segment income	1,688	131	1,820	83	1,904	16	1,921
Segment assets	35,510	16,117	51,628	2,124	53,752	(558)	53,193
Other items							
Depreciation	172	100	272	22	295	1	296
Amortized goodwill	43	–	43	–	43	–	43
Increase in property, plant and equipment and intangible assets	208	102	311	69	380	–	380

- (Notes) 1. “Others” refers to business segments not included in the reportable segments, including sales of synthetic resins and chemical products, and logistics.
2. Depreciation includes the amortization of long-term prepaid expenses. Increase in property, plant and equipment and intangible assets includes an increase in long-term prepaid expenses.
3. The -558 million yen adjustment to segment assets includes elimination of inter-segment of -1,650 million yen and corporate assets of 1,091 million yen not allocated among reportable segments. Corporate assets consist primarily of surplus funds (investment securities) not belonging to any reportable segment.
4. The 16 million yen adjustment to segment income represents elimination of inter-segment transactions of 16 million yen, etc.
5. Segment income is adjusted with operating income in the consolidated statements of income.

(Related Information)

For the previous fiscal year (From March 1, 2012 to February 28, 2013)

1. Information by product or service

This information is omitted as the same information is disclosed in the segment information.

2. Information by region

(1) Net sales

This information is omitted as net sales to outside customers in Japan exceeded 90% of net sales in the consolidated statements of income.

(2) Property, plant and equipment

This information is omitted as the amount of property, plant and equipment in Japan exceeded 90% of the amount of property, plant and equipment in the consolidated balance sheets.

3. Information by major customer

(Millions of yen)

Name of customer	Net sales	Related segment
SHIMAMURA Co., Ltd.	18,303	Apparel & Textiles and others

For the current fiscal year (From March 1, 2013 to February 28, 2014)

1. Information by product or service

This information is omitted as the same information is disclosed in the segment information.

2. Information by region

(1) Net sales

This information is omitted as net sales to outside customers in Japan exceeded 90% of net sales in the consolidated statements of income.

(2) Property, plant and equipment

This information is omitted as the amount of property, plant and equipment in Japan exceeded 90% of the amount of property, plant and equipment in the consolidated balance sheets.

3. Information by major customer

(Millions of yen)

Name of customer	Net sales	Related segment
SHIMAMURA Co., Ltd.	21,319	Apparel & Textiles and others

(Information regarding impairment loss on noncurrent assets by reportable segment)

Not applicable.

(Information regarding amortized goodwill and the balance of unamortized goodwill by reportable segment)

For the previous fiscal year (From March 1, 2012 to February 28, 2013)

(Millions of yen)

	Reportable segment			Others	Corporate / elimination	Total
	Apparel & Textiles	Rental Business	Subtotal			
Balance at the end of the current fiscal year	387	–	387	–	–	387

(Note) Amortized goodwill is omitted as same information is disclosed in the segment information.

For the current fiscal year (From March 1, 2013 to February 28, 2014)

(Millions of yen)

	Reportable segment			Others	Corporate / elimination	Total
	Apparel & Textiles	Rental Business	Subtotal			
Balance at the end of the current fiscal year	344	–	344	–	–	344

(Note) Amortized goodwill is omitted as same information is disclosed in the segment information.

## (Per Share Information)

For the previous fiscal year (From March 1, 2012 to February 28, 2013)		For the current fiscal year (From March 1, 2013 to February 28, 2014)	
Net assets per share	675.81 yen	Net assets per share	677.68 yen
Net income per share	30.81 yen	Net income per share	24.73 yen
Diluted net income per share	30.57 yen	Diluted net income per share	24.52 yen

(Notes) 1. The basis for calculation of net assets per share is as follows:

(Millions of yen)

	For the previous fiscal year (As of February 28, 2013)	For the current fiscal year (As of February 28, 2014)
Total net assets	31,606	31,744
Amount deducted from the total net assets	137	148
(Subscription rights to shares included in the above)	(137)	(148)
Amount of net assets related to common stock as of the end of the fiscal year	31,468	31,595
Number of shares of common stock used in the calculation of net assets per share as of the end of the fiscal year (Thousands shares)	46,564	46,622

2. The basis for calculation of net income per share and diluted net income per share is as follows:

(Millions of yen)	For the previous fiscal year (From March 1, 2012 to February 28, 2013)	For the current fiscal year (From March 1, 2013 to February 28, 2014)
Net income per share		
Net income	1,444	1,152
Net income not attributable to common shareholders	–	–
Net income related to common stock	1,444	1,152
Average number of shares of common stock outstanding during the fiscal year (Thousands shares)	46,871	46,616
Diluted net income per share		
Increase in number of shares of common stock (Thousands shares)	373	402
(Subscription rights to shares included in the above) (Thousands shares)	(373)	(402)
Summary of diluted securities that were not included in the computation of net income per share since there was no effect of dilution	–	–

## (Significant Subsequent Events)

Not applicable.

## (Omission of Disclosure)

Disclosure of notes relating to the following items is omitted, as considered to be no great necessity for disclosing such items for Consolidated Financial Results: Notes to consolidated balance sheets, consolidated

statements of income, consolidated statements of comprehensive income, consolidated statements of changes in net assets and consolidated statements of cash flows, and notes to lease transactions, transactions with relevant parties, tax effect accountings, financial instruments, investment securities, derivatives transactions, retirement benefits, asset retirement obligations, real estate properties, stock options and business combinations.

5. Non-consolidated Financial Statements  
(1) Non-consolidated Balance Sheets

(Millions of yen)

	As of February 28, 2013	As of February 28, 2014
<b>Assets</b>		
Current assets		
Cash and deposits	2,015	2,132
Notes receivable-trade	1,193	1,174
Accounts receivable-trade	13,159	14,731
Merchandise	3,588	3,799
Advance payments-trade	91	102
Prepaid expenses	114	119
Derivatives	2,949	1,219
Other	314	614
Allowance for doubtful accounts	(19)	(12)
Total current assets	23,406	23,881
Noncurrent assets		
Property, plant and equipment		
Buildings	2,433	2,209
Accumulated depreciation	(1,375)	(1,155)
Buildings, net	1,058	1,054
Structures	83	79
Accumulated depreciation	(65)	(65)
Structures, net	17	13
Machinery and equipment	37	48
Accumulated depreciation	(20)	(23)
Machinery and equipment, net	16	25
Vehicles	7	7
Accumulated depreciation	(2)	(4)
Vehicles, net	5	2
Equipment and fixtures	1,181	1,237
Accumulated depreciation	(116)	(140)
Equipment and fixtures, net	1,065	1,097
Land	17,056	16,992
Lease assets	176	176
Accumulated depreciation	(43)	(75)
Lease assets, net	132	101
Construction in progress	1	1
Total property, plant and equipment	19,354	19,288
Intangible assets		
Leasehold right	10	10
Right of trademark	54	38
Software	25	20
Lease assets	32	23
Other	15	15
Total intangible assets	139	109

(Millions of yen)

	As of February 28, 2013	As of February 28, 2014
<b>Investments and other assets</b>		
Investment securities	3,492	3,764
Stocks of subsidiaries and affiliates	1,758	1,758
Investments in capital	22	22
Long-term loans receivable	24	–
Long-term loans receivable from employees	57	52
Long-term loans receivable from subsidiaries and affiliates	150	–
Long-term retaining claims	50	19
Long-term prepaid expenses	23	15
Long-term guarantee deposit	698	682
Insurance funds	92	122
Other	142	129
Allowance for doubtful accounts	(45)	(14)
Total investments and other assets	6,466	6,552
Total noncurrent assets	25,960	25,949
Total assets	49,367	49,831
<b>Liabilities</b>		
Current liabilities		
Foreign notes payable-trade	6,000	6,958
Accounts payable-trade	2,868	2,379
Short-term loans payable	–	1,300
Short-term loans payable to subsidiaries and affiliates	–	833
Current portion of long-term loans payable	1,000	900
Lease obligations	32	34
Accounts payable-other	2,059	1,984
Accrued expenses	19	17
Income taxes payable	712	179
Deferred tax liabilities	948	373
Advances received	3	2
Deposits received	159	125
Unearned revenue	17	24
Provision for bonuses	99	89
Provision for sales returns	44	37
Asset retirement obligations	3	10
Derivatives liabilities	30	–
Other	29	69
Total current liabilities	14,030	15,319
Noncurrent liabilities		
Long-term loans payable	4,725	3,825
Long-term loans payable to subsidiaries and affiliates	150	150
Long-term accounts payable-other	10	7
Lease obligations	96	62
Deferred tax liabilities	512	725
Long-term guarantee deposited	106	208
Provision for retirement benefits	277	252
Provision for directors' retirement benefits	190	176
Asset retirement obligations	68	55
Deferred tax liabilities for land revaluation	174	153
Total noncurrent liabilities	6,312	5,617
Total liabilities	20,342	20,936



(Millions of yen)

	As of February 28, 2013	As of February 28, 2014
Net assets		
Shareholders' equity		
Capital stock	3,622	3,622
Capital surplus		
Legal capital surplus	4,148	4,148
Total capital surplus	4,148	4,148
Retained earnings		
Legal retained earnings	806	806
Other retained earnings		
Reserve for advanced depreciation of noncurrent assets	1,003	999
General reserve	15,500	15,500
Retained earnings brought forward	1,838	2,542
Other retained earnings	18,342	19,041
Total retained earnings	19,148	19,847
Treasury stock	(601)	(577)
Total shareholders' equity	26,317	27,041
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	561	800
Deferred gains or losses on hedges	1,826	762
Revaluation reserve for land	181	142
Total valuation and translation adjustments	2,569	1,704
Subscription rights to shares	137	148
Total net assets	29,025	28,894
Total liabilities and net assets	49,367	49,831

## (2) Non-consolidated Statements of Income

(Millions of yen)

	For the previous fiscal year ended February 28, 2013	For the current fiscal year ended February 28, 2014
<b>Net sales</b>		
Net sales of goods	68,179	72,516
Rent income	211	209
<b>Total net sales</b>	<b>68,390</b>	<b>72,726</b>
<b>Cost of sales</b>		
Beginning goods	3,390	3,588
Cost of purchased goods	52,872	57,981
<b>Total</b>	<b>56,263</b>	<b>61,570</b>
Ending goods	3,659	3,799
Cost of goods sold	52,603	52,770
Rent cost	95	111
<b>Total cost of sales</b>	<b>52,699</b>	<b>57,882</b>
<b>Gross profit</b>	<b>15,691</b>	<b>14,844</b>
Provision for sales returns	(11)	(7)
<b>Gross profit-net</b>	<b>15,702</b>	<b>14,851</b>
<b>Selling, general and administrative expenses</b>		
Freightage related expenses	4,864	4,587
Advertising and promotion expenses	415	422
Provision of allowance for doubtful accounts	(21)	(19)
Salaries and allowances	3,338	3,345
Bonuses	489	516
Share-based compensation expenses	32	33
Welfare expenses	799	819
Provision for bonuses	99	89
Retirement benefit expenses	388	373
Traveling and transportation expenses	609	608
Communication expenses	294	322
Rent expenses	628	618
Depreciation	147	174
Other	1,284	1,236
<b>Total selling, general and administrative expenses</b>	<b>13,369</b>	<b>13,128</b>
<b>Operating income</b>	<b>2,333</b>	<b>1,722</b>
<b>Non-operating income</b>		
Interest income	17	12
Dividends income	103	73
Foreign exchange gains	44	8
Subsidy income	42	53
Other	109	76
<b>Total non-operating income</b>	<b>317</b>	<b>224</b>

(Millions of yen)

	For the previous fiscal year ended February 28, 2013	For the current fiscal year ended February 28, 2014
<b>Non-operating expenses</b>		
Interest expenses paid	128	142
Commission paid	18	21
Equity loss of Investment securities	5	–
Other	15	9
Total non-operating expenses	167	173
Ordinary income	2,483	1,774
<b>Extraordinary income</b>		
Gain on sales of investment securities	8	101
Gain on redemption of investment securities	30	–
Gain on sales of noncurrent assets	46	–
Total extraordinary income	84	101
<b>Extraordinary loss</b>		
Loss on valuation of investment securities	12	26
Loss on sales of investment securities	61	2
Loss on redemption of investment securities	34	–
Loss on sales of noncurrent assets	69	37
Loss on retirement of noncurrent assets	2	23
Loss on retirement of long-term prepaid expenses	10	–
Loss on valuation of goods	71	–
Other	13	14
Total extraordinary loss	276	104
Income before income taxes	2,291	1,771
Income taxes-current	881	603
Income taxes-deferred	135	131
Total income taxes	1,016	734
Net income	1,275	1,036

(3) Non-consolidated Statements of Changes in Net Assets  
For the previous fiscal year ended February 28, 2013

(Millions of yen)

	Shareholders' equity			
	Capital stock	Capital surplus		Retained earnings
		Legal capital surplus	Total capital surplus	Legal retained earnings
Balance at the beginning of the current period	3,622	4,148	4,148	806
Changes of items during the period				
Dividends from surplus				
Net income				
Purchase of treasury stock				
Disposal of treasury stock				
Reversal of reserve for advanced depreciation of noncurrent assets				
Reversal of revaluation reserve for land				
Net changes of items other than shareholders' equity				
Total changes of items during the period	—	—	—	—
Balance at the end of the current period	3,622	4,148	4,148	806

(Millions of yen)

	Shareholders' equity					
	Retained earnings				Treasury stock	Total shareholders' equity
	Other retained earnings			Total retained earnings		
	Reserve for advanced depreciation of noncurrent assets	General reserve	Retained earnings brought forward			
Balance at the beginning of the current period	1,118	15,500	1,167	18,591	(440)	25,922
Changes of items during the period						
Dividends from surplus			(469)	(469)		(469)
Net income			1,275	1,275		1,275
Purchase of treasury stock					(168)	(168)
Disposal of treasury stock			(0)	(0)	7	7
Reversal of reserve for advanced depreciation of noncurrent assets	(114)		114	—		—

Reversal of revaluation reserve for land			(248)	(248)		(248)
Net changes of items other than shareholders' equity						
Total changes of items during the period	(114)	—	670	556	(161)	395
Balance at the end of the current period	1,003	15,500	1,838	19,148	(601)	26,317

(Millions of yen)

	Valuation and translation adjustments				Subscription rights to shares	Net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Total valuation and translation adjustments		
Balance at the beginning of the current period	270	453	(120)	603	112	26,638
Changes of items during the period						
Dividends from surplus						(469)
Net income						1,275
Purchase of treasury stock						(168)
Disposal of treasury stock						7
Reversal of reserve for advanced depreciation of noncurrent assets						—
Reversal of revaluation reserve for land			248	248		—
Net changes of items other than shareholders' equity	291	1,372	53	1,717	25	1,743
Total changes of items during the period	291	1,372	302	1,966	25	2,387
Balance at the end of the current period	561	1,826	181	2,569	137	29,025

For the current fiscal year ended February 28, 2014

(Millions of yen)

	Shareholders' equity			
	Capital stock	Capital surplus		Retained earnings
		Legal capital surplus	Total capital surplus	Legal retained earnings
Balance at the beginning of the current period	3,622	4,148	4,148	806
Changes of items during the period				
Dividends from surplus				
Net income				
Purchase of treasury stock				
Disposal of treasury stock				
Reversal of reserve for advanced depreciation of noncurrent assets				
Reversal of revaluation reserve for land				
Net changes of items other than shareholders' equity				
Total changes of items during the period	—	—	—	—
Balance at the end of the current period	3,622	4,148	4,148	806

(Millions of yen)

	Shareholders' equity					
	Retained earnings				Treasury stock	Total shareholders' equity
	Other retained earnings			Total retained earnings		
	Reserve for advanced depreciation of noncurrent assets	General reserve	Retained earnings brought forward			
Balance at the beginning of the current period	1,003	15,500	1,838	19,148	(601)	26,317
Changes of items during the period						
Dividends from surplus			(372)	(372)		(372)
Net income			1,036	1,036		1,036
Purchase of treasury stock					(2)	(2)
Disposal of treasury stock			(3)	(3)	26	23
Reversal of reserve for advanced depreciation of noncurrent assets	(4)		4	—		—
Reversal of revaluation reserve for land			39	39		39

Net changes of items other than shareholders' equity						
Total changes of items during the period	(4)	—	704	699	24	723
Balance at the end of the current period	999	15,500	2,542	19,847	(577)	27,041

(Millions of yen)

	Valuation and translation adjustments				Subscription rights to shares	Net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Total valuation and translation adjustments		
Balance at the beginning of the current period	561	1,826	181	2,569	137	29,025
Changes of items during the period						
Dividends from surplus						(372)
Net income						1,036
Purchase of treasury stock						(2)
Disposal of treasury stock						23
Reversal of reserve for advanced depreciation of noncurrent assets						—
Reversal of revaluation reserve for land			(39)	(39)		—
Net changes of items other than shareholders' equity	238	(1,064)		(825)	10	(814)
Total changes of items during the period	238	(1,064)	(39)	(865)	10	(130)
Balance at the end of the current period	800	762	142	1,704	148	28,894

(4) Notes to Non-consolidated Financial Statement  
 (Notes on Going Concern Assumption)  
 Not applicable.

6. Others

(1) Change of Officers

1) Change of representatives  
 Not applicable.

2) Change of other officers  
 Not applicable.

(2) Others

Net sales by product

(Millions of yen, all fractions are rounded down to the nearest 1 million yen)

Item	The 102nd fiscal year (From March 1, 2012 to February 28, 2013)		The 103rd fiscal year (From March 1, 2013 to February 28, 2014)		Increase (decrease) from the previous fiscal year
	Net sales	Composition ratio	Net sales	Composition ratio	
		%		%	%
Ladies' apparel	40,058	58.7	41,465	57.1	3.4
Baby/ Kids' apparel	11,169	16.4	11,684	16.1	4.4
Homeware	4,956	7.3	5,483	7.6	9.6
Textile/ OEM	10,340	15.2	10,942	15.1	5.5
Others	1,656	2.4	2,942	4.2	43.7
Total	68,179	100.0	72,516	100.0	6.3

\* Sales of rental business are not included.