

Consolidated Financial Results
for the Three Months Ended May 31, 2014
[Japanese GAAP]



June 26, 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
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 Scheduled date of commencing dividend payments: –
 Scheduled date for filing of quarterly securities report: July 4, 2014
 Availability of supplementary briefing material on quarterly results: Available
 Schedule of quarterly results briefing session: Available (for institutional investors)

(Figures are rounded down to the nearest million yen)

1. Consolidated Financial Results for the Three Months Ended May 31, 2014 (March 1, 2014 to May 31, 2014)

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

	Net sales		Operating income		Ordinary income		Net income	
	million yen	%	million yen	%	million yen	%	million yen	%
Three months ended May 31, 2014	19,384	(1.3)	555	48.9	605	33.7	429	58.1
Three months ended May 31, 2013	19,635	4.5	373	(64.3)	453	(57.7)	271	(54.0)

(Note) Comprehensive income: Three months ended May 31, 2014: ¥200 million [(86.5)%]
 Three months ended May 31, 2013: ¥1,480 million [–%]

	Net income per share	Diluted net income per share
	yen	yen
Three months ended May 31, 2014	9.20	9.12
Three months ended May 31, 2013	5.82	5.78

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	million yen	million yen	%	yen
As of May 31, 2014	52,366	31,757	60.4	677.98
As of February 28, 2014	53,193	31,744	59.4	677.68

(Reference) Equity: As of May 31, 2014: ¥31,608 million
 As of February 28, 2014: ¥31,595 million

2. Dividends

	Annual dividends				
	1st quarter end	2nd quarter end	3rd quarter end	Year end	Total
Fiscal year ended February 28, 2014	yen –	yen 4.00	yen –	yen 4.00	yen 8.00
Fiscal year ending February 28, 2015	–				
Fiscal year ending February 28, 2015 (Forecast)		4.00	–	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, 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

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

*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: No
 - 2) Any changes in accounting policies other than 1) above: No
 - 3) Changes in accounting estimates: No
 - 4) Restatements: No
- (4) Total number of issued shares (common stock)
 - 1) Total number of issued shares at the end of the period (including treasury stock):

May 31, 2014	48,000,000 shares
February 28, 2014	48,000,000 shares
 - 2) Total number of treasury stock at the end of the period:

May 31, 2014	1,378,458 shares
February 28, 2014	1,377,035 shares
 - 3) Average number of shares during the period (cumulative):

Three months ended May 31, 2014	46,622,125 shares
Three months ended May 31, 2013	46,602,139 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.

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

(1) Qualitative Information on Results of Operations

During the three months ended May 31, 2014, the Cabinet Office's Economy Watchers Survey reported that "the economy is continuing to recover at a moderate pace, while some weak movements are currently seen due to a reaction to a last-minute rise in demand before the consumption tax increase" while indicating that "concerning future economic conditions, the economy is expected to recover at a moderate pace."

In the operational environment surrounding Takihyo Co., Ltd. (the "Company"), although conditions have been severe since April for high-priced items, among others, whose sales grew substantially in the rush ahead of the tax hike, results at leading specialist retailers and commercial facilities exceeded those of last year. Meanwhile, some specialist retailers introduced higher-ranked products with better quality and began to revise their overall price range.

Amidst these circumstances, the Group expanded its production bases in Southeast Asian countries in the face of considerable depreciation of the Japanese yen in addition to increases in raw materials and labor costs in China, among others, and worked to broaden its market share by enhancing the added value of products such as quality, materials, design and function. Meanwhile, we worked to control and reduce selling, general and administrative expenses from various perspectives through such initiatives as improving the productivity of our distribution centers.

As a result, consolidated performance in the three months ended May 31, 2014 registered 19,384 million yen net sales (1.3% decrease from the previous corresponding period), 555 million yen operating income (48.9% increase from the previous corresponding period), 605 million yen ordinary income (33.7% increase from the previous corresponding period), and 429 million yen net income (58.1% increase from the previous corresponding period).

(2) Qualitative Information on Financial Position

1) Assets

Current assets decreased by 511 million yen compared with the end of the previous fiscal year, to 25,933 million yen, due primarily to 740 million yen decrease in notes and accounts receivable-trade, 446 million yen decrease in inventories and 422 million yen decrease in derivatives, despite 1,316 million yen increase in cash and deposits.

Noncurrent assets decreased by 315 million yen compared with the end of the previous fiscal year, to 26,443 million yen, due primarily to a decrease of 431 million yen in land.

As a result, total assets decreased by 826 million yen compared with the end of the previous fiscal year, to 52,366 million yen.

2) Liabilities

Liabilities decreased by 840 million yen compared with the end of the previous fiscal year, to 20,609 million yen, due primarily to 4,542 million yen decrease in notes and accounts payable-trade, despite 2,660 million yen increase in loans payable and 698 million yen increase in accounts payable-other.

3) Net assets

Net assets increased by 13 million yen compared with the end of the previous fiscal year, to 31,757 million yen, due primarily to 242 million yen increase in retained earnings, despite 228 million yen decrease in accumulated other comprehensive income.

(3) Explanation of Consolidated Forecast and Other Forward-looking Statements

Financial results forecast has not changed since its earlier announcement on March 31, 2014.

2. Consolidated Financial Statements
(1) Consolidated Balance Sheets

(Millions of yen)

	As of February 28, 2013	As of May 31, 2014
Assets		
Current assets		
Cash and deposits	2,917	4,233
Notes and accounts receivable-trade	17,334	16,594
Inventories	4,152	3,705
Other	2,054	1,407
Allowance for doubtful accounts	(13)	(7)
Total current assets	26,445	25,933
Noncurrent assets		
Property, plant and equipment		
Land	17,656	17,225
Other, net	3,132	3,183
Total property, plant and equipment	20,788	20,408
Intangible assets	441	439
Investments and other assets		
Investment securities	4,269	4,336
Other	1,354	1,353
Allowance for doubtful accounts	(106)	(104)
Total investments and other assets	5,518	5,585
Total noncurrent assets	26,748	26,433
Total assets	53,193	52,366
Liabilities		
Current liabilities		
Notes and accounts payable-trade	9,974	5,432
Short-term loans payable	1,780	4,665
Current portion of long-term loans payable	900	800
Income taxes payable	205	437
Provision	154	259
Other	2,702	3,386
Total current liabilities	15,717	14,981
Noncurrent liabilities		
Long-term loans payable	3,825	3,700
Provision for retirement benefits	433	458
Provision for directors' retirement benefits	176	176
Asset retirement obligations	114	123
Other	1,182	1,168
Total noncurrent liabilities	5,732	5,627
Total liabilities	21,449	20,609
Net assets		
Shareholders' equity		
Capital stock	3,622	3,622
Capital surplus	4,148	4,148
Retained earnings	22,727	22,969
Treasury stock	(577)	(577)
Total shareholders' equity	29,921	30,163

	As of February 28, 2013	As of May 31, 2014
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	751	797
Deferred gains or losses on hedges	763	507
Revaluation reserve for land	142	142
Foreign currency translation adjustment	16	(1)
Total accumulated other comprehensive income	1,674	1,445
Subscription rights to shares	148	148
Total net assets	31,744	31,757
Total liabilities and net assets	53,193	52,366

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

(Millions of yen)

	For the three months ended May 31, 2013	For the three months ended May 31, 2014
Net sales	19,635	19,384
Cost of sales	15,524	15,318
Gross profit	4,111	4,066
Provision for sales returns	1	(2)
Gross profit-net	4,110	4,068
Selling, general and administrative expenses	3,736	3,512
Operating income	373	555
Non-operating income		
Interest income	25	3
Dividends income	19	18
Foreign exchange gains	9	-
Subsidy income	53	53
Other	19	34
Total non-operating income	127	110
Non-operating expenses		
Interest expenses	32	30
Foreign exchange losses	-	16
Other	15	13
Total non-operating expenses	48	60
Ordinary income	453	605
Extraordinary income		
Gain on sales of noncurrent assets	0	170
Gain on sales of investment securities	4	-
Total extraordinary income	4	170
Extraordinary losses		
Loss on retirement of noncurrent assets	0	8
Loss on sales of golf club memberships	1	-
Total extraordinary losses	1	8
Income before income taxes and minority interests	455	768
Income taxes	184	338
Income before minority interests	271	429
Net income	271	429

Consolidated Statements of Comprehensive Income

(Millions of yen)

	For the three months ended May 31, 2013	For the three months ended May 31, 2014
Income before minority interests	271	429
Other comprehensive income		
Valuation difference on available-for-sale securities	380	45
Deferred gains or losses on hedges	787	(255)
Foreign currency translation adjustment	39	(18)
Total other comprehensive income	1,208	(228)
Comprehensive income	1,480	200
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	1,480	200

(3) Notes to Quarterly Consolidated Financial Statements

(Notes on Going Concern Assumption)

Not applicable.

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

Not applicable.