

**Consolidated Financial Results**  
**for the Six Months Ended August 31, 2014**  
**[Japanese GAAP]**



September 30, 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 commencing dividend payments: October 28, 2014  
 Scheduled date for filing of quarterly securities report: October 6, 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 Six Months Ended August 31, 2014 (March 1, 2014 to August 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	%
Six months ended August 31, 2014	36,034	(3.4)	578	18.4	666	19.2	444	26.8
Six months ended August 31, 2013	37,301	6.0	488	(64.8)	558	(60.7)	350	(53.1)

(Note) Comprehensive income: Six months ended August 31, 2014: ¥844 million [-%]  
 Six months ended August 31, 2013: ¥(94) million [-%]

	Net income per share	Diluted net income per share
	yen	yen
Six months ended August 31, 2014	9.54	9.45
Six months ended August 31, 2013	7.53	7.47

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	million yen	million yen	%	yen
As of August 31, 2014	51,910	32,429	62.1	691.81
As of February 28, 2014	53,193	31,744	59.4	677.68

(Reference) Equity: As of August 31, 2014: ¥32,252 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
	yen	yen	yen	yen	yen
Fiscal year ended February 28, 2014	–	4.00	–	4.00	8.00
Fiscal year ending February 28, 2015	–	4.00			
Fiscal year ending February 28, 2015 (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, 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
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: 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):
 

August 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:
 

August 31, 2014	1,378,708 shares
February 28, 2014	1,377,035 shares
  - 3) Average number of shares during the period (cumulative):
 

Six months ended August 31, 2014	46,621,768 shares
Six months ended August 31, 2013	46,609,839 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 .....	5
(1) Qualitative Information on Results of Operations.....	5
(2) Qualitative Information on Financial Position .....	5
(3) Explanation of Consolidated Forecast and Other Forward-looking Statements.....	5
2. Consolidated Financial Statements .....	6
(1) Consolidated Balance Sheets.....	6
(2) Consolidated Statements of Income and Comprehensive Income .....	8
(3) Notes to Quarterly Consolidated Financial Statements .....	10
(Notes on Going Concern Assumption) .....	10
(Notes in Case of Significant Changes in Shareholders' Equity).....	10
(Significant Subsequent Events) .....	10

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

### (1) Qualitative Information on Results of Operations

During the six months ended August 31, 2014, the Japanese economy experienced a sharp decline in its gross domestic product (“GDP”) growth rate for the April-June quarter, right after the consumption tax increase, at an annualized rate of 7.1% as well as 5.1% decrease in personal consumption which accounts for approximately 60% of the total GDP.

In the operational environment surrounding Takihyo Co., Ltd. (the “Company,” together with its subsidiaries, collectively the “Group”), although the market during March to May remained mostly unchanged from the previous year, the market during June to August lacked a leading trend, struggled with the retail business targeting young people, and faced harsh weather conditions such as typhoons and torrential rains resulting in a difficult business condition.

In addition to these market conditions, since the Group has been manufacturing most of its products in contracted factories in China, the Group was affected by around 20% yen depreciation from the previous corresponding period leading to a tough earning environment.

Under these circumstances, the Group has worked to raise unit prices of its commercial products by supplying high value added products such as French linens. Moreover, the Group has worked to review its production costs by developing production bases such as inland areas of China and ASEAN countries.

Additionally, as for expenses, the Group has improved efficiency of its distribution centers and moved to further reduce distribution costs that account for around 30% of selling, general and administrative expenses.

As a result, consolidated performance for the six months ended August 31, 2014 registered 36,034 million yen net sales (3.4% decrease from the previous corresponding period), 578 million yen operating income (18.4% increase from the previous corresponding period), 666 million yen ordinary income (19.2% increase from the previous corresponding period), and 444 million yen net income (26.8% increase from the previous corresponding period).

### (2) Qualitative Information on Financial Position

#### 1) Assets

Current assets decreased by 1,861 million yen compared with the end of the previous fiscal year, to 24,584 million yen, due primarily to 2,653 million yen decrease in notes and accounts receivable-trade and 184 million yen decrease in inventories, despite 1,083 million yen increase in cash and deposits.

Non-current assets increased by 577 million yen compared with the end of the previous fiscal year, to 27,326 million yen, due primarily to an increase of 456 million yen in investment securities.

As a result, total assets decreased by 1,283 million yen compared with the end of the previous fiscal year, to 51,910 million yen.

#### 2) Liabilities

Liabilities decreased by 1,968 million yen compared with the end of the previous fiscal year, to 19,480 million yen, due primarily to 1,479 million yen decrease in notes and accounts payable-trade.

#### 3) Net assets

Net assets increased by 685 million yen compared with the end of the previous fiscal year, to 32,429 million yen, due primarily to 258 million yen increase in retained earnings and 399 million yen increase 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, 2014	As of August 31, 2014
<b>Assets</b>		
Current assets		
Cash and deposits	2,917	4,000
Notes and accounts receivable-trade	17,334	14,681
Inventories	4,152	3,967
Other	2,054	1,953
Allowance for doubtful accounts	(13)	(18)
Total current assets	26,445	24,584
Non-current assets		
Property, plant and equipment		
Land	17,656	17,308
Other, net	3,132	3,521
Total property, plant and equipment	20,788	20,830
Intangible assets	441	428
Investments and other assets		
Investment securities	4,269	4,726
Other	1,354	1,472
Allowance for doubtful accounts	(106)	(130)
Total investments and other assets	5,518	6,067
Total non-current assets	26,748	27,326
Total assets	53,193	51,910
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable-trade	9,974	8,495
Short-term loans payable	1,780	650
Current portion of long-term loans payable	900	1,200
Income taxes payable	205	473
Provision	154	149
Other	2,702	3,391
Total current liabilities	15,717	14,359
Non-current liabilities		
Long-term loans payable	3,825	3,025
Provision for retirement benefits	433	488
Provision for directors' retirement benefits	176	176
Asset retirement obligations	114	125
Other	1,182	1,306
Total non-current liabilities	5,732	5,121
Total liabilities	21,449	19,480

	As of February 28, 2014	As of August 31, 2014
<b>Net assets</b>		
Shareholders' equity		
Capital stock	3,622	3,622
Capital surplus	4,148	4,148
Retained earnings	22,727	22,985
Treasury shares	(577)	(577)
Total shareholders' equity	29,921	30,178
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	751	1,055
Deferred gains or losses on hedges	763	885
Revaluation reserve for land	142	142
Foreign currency translation adjustment	16	(9)
Total accumulated other comprehensive income	1,674	2,074
Subscription rights to shares	148	176
Total net assets	31,744	32,429
Total liabilities and net assets	53,193	51,910

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

(Millions of yen)

	For the six months ended August 31, 2013	For the six months ended August 31, 2014
Net sales	37,301	36,034
Cost of sales	29,671	28,701
Gross profit	7,630	7,332
Provision for sales returns	(2)	(6)
Gross profit-net	7,632	7,338
Selling, general and administrative expenses	7,144	6,759
Operating income	488	578
Non-operating income		
Interest income	25	7
Dividend income	44	46
Subsidy income	53	53
Other	38	65
Total non-operating income	163	173
Non-operating expenses		
Interest expenses	62	52
Other	31	33
Total non-operating expenses	93	86
Ordinary income	558	666
Extraordinary income		
Gain on sales of investment securities	101	-
Gain on sales of non-current assets	0	183
Total extraordinary income	101	183
Extraordinary losses		
Loss on retirement of non-current assets	17	14
Other	3	0
Total extraordinary losses	20	15
Income before income taxes and minority interests	639	834
Income taxes	288	389
Income before minority interests	350	444
Net income	350	444

Consolidated Statements of Comprehensive Income

(Millions of yen)

	For the six months ended August 31, 2013	For the six months ended August 31, 2014
Income before minority interests	350	444
Other comprehensive income		
Valuation difference on available-for-sale securities	197	303
Deferred gains or losses on hedges	(704)	121
Foreign currency translation adjustment	61	(25)
Total other comprehensive income	(445)	399
Comprehensive income	(94)	844
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(94)	844

(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.

(Significant Subsequent Events)

At the board of directors meeting held on September 30, 2014, the Company has resolved to absorb Max & Growing Co., Ltd., which became a consolidated subsidiary of the Company as of February 29, 2012.

1. Purpose of the Merger

The Company has decided to conduct the merger in order to concentrate and efficiently utilize management resources and further strengthen the business structure.

2. Summary of the Merger

(1) Schedule of the merger

Board of directors meeting to approve the merger: September 30, 2014

Execution of the merger agreement: September 30, 2014

Scheduled merger date (effective date): December 1, 2014

(Note) The Company will not convene a shareholders' meeting since this merger is a short form merger prescribed in Article 796, Item 3 of the Companies Act.

(2) Method of the merger

The merger shall be by an absorption-type merger whereby the Company is the surviving company and Max & Growing Co., Ltd. is the extinct company.

(3) Details of allotment associated with the merger

Not applicable.

(4) Treatment of share options and bonds with share options of the extinct company

Not applicable.

### 3. Overview of the Companies Involved in the Merger

	Surviving company	Extinct company
(1) Company name	Takihyo Co., Ltd.	Max & Growing Co., Ltd.
(2) Location	6-1 Ushijima-cho, Nishi-ku, Nagoya, Aichi	1-7-1 Shinbashi, Minato-ku, Tokyo
(3) Title and name of representatives	Kazuo Taki, CEO	Sachio Taki, CEO
(4) Business description	Planning, manufacturing and sales of apparel and textile-related products	Planning and sales of golfing wears and accessories
(5) Capital	3,622 million yen	160 million yen
(6) Date of establishment	November 15, 1912	October 12, 1988
(7) Total number of issued shares	48,000,000 shares	1,412 shares
(8) Fiscal year end	End of February	End of February
(9) Major shareholders and shareholding ratio (As of August 31, 2014)	Kyokuyo Holdings K.K. 25.00% Kyokuyo Kosan K.K. 4.38% Takihyo Co., Ltd. 2.87%	Takihyo Co., Ltd. 100%

The surviving company (Takihyo Co., Ltd.) is a company to which consolidated dividend regulations are applied.

### 4. Situation following the Merger

There will be no changes to the company name, location, title and name of representatives, business description, capital and fiscal year end of the Company following the merger.

### 5. Outline of Accounting Treatment

The merger will be accounted for as a transaction under common control in accordance with “Accounting Standard for Business Combinations” (Accounting Standards Board of Japan (“ASBJ”) Statement No. 21, issued on December 26, 2008) and “Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures” (ASBJ Guidance No. 10, issued on December 26, 2008).