

Consolidated Financial Results for the Three Months Ended May 31, 2015 [Japanese GAAP]



June 23, 2015

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)
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 Scheduled date of commencing dividend payments: –
 Scheduled date for filing of quarterly securities report: July 3, 2015
 Availability of supplementary briefing material on quarterly results: None
 Schedule of quarterly results briefing session: None

(Figures are rounded down to the nearest million yen)

1. Consolidated Financial Results for the Three Months Ended May 31, 2015 (March 1, 2015 to May 31, 2015)

(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, 2015	20,225	4.3	703	26.5	798	31.9	542	26.5
Three months ended May 31, 2014	19,384	(1.3)	555	48.9	605	33.7	429	58.1

(Note) Comprehensive income: Three months ended May 31, 2015: ¥1,217 million [508.0%]
 Three months ended May 31, 2014: ¥200 million [(86.5)%]

	Net income per share	Diluted net income per share
	yen	yen
Three months ended May 31, 2015	11.65	11.52
Three months ended May 31, 2014	9.20	9.12

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	million yen	million yen	%	yen
As of May 31, 2015	59,178	36,690	61.7	783.64
As of February 28, 2015	61,041	35,660	58.1	761.52

(Reference) Equity: As of May 31, 2015: ¥36,513 million
 As of February 28, 2015: ¥35,483 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, 2015	–	4.00	–	4.00	8.00
Fiscal year ending February 29, 2016	–				
Fiscal year ending February 29, 2016 (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 29, 2016 (March 1, 2015 to February 29, 2016)

(% 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	36,800	2.1	700	21.0	800	20.1	500	12.4	10.73
Full year	79,500	2.4	2,700	20.1	2,850	18.6	1,700	60.3	36.48

(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: Yes
 - 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 shares)

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

May 31, 2015	48,000,000 shares
February 28, 2015	48,000,000 shares

- 2) Total number of treasury shares at the end of the period:

May 31, 2015	1,405,128 shares
February 28, 2015	1,404,808 shares

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

Three months ended May 31, 2015	46,594,952 shares
Three months ended May 31, 2014	46,622,125 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, 2015, although the Japanese economy was on a moderate recovery trend due to favorable corporate performance, rising stock prices, and increased inbound demand, regarding personal consumption, the sentiment about protecting livelihood after the consumption tax increase has remained unchanged, and conditions continue to lack momentum overall.

Also, regarding clothing consumption, although a temporary boost in activity was seen at stores during the golden week extended holiday owing to favorable weather conditions and a greater number of holidays, in the volume zone (mid-price range), which is the Company's mainstay market, stagnant conditions persist. Additionally, the yen weakened in May and dropped to levels not seen for 12 and a half years, and upward pressure on costs has reached new levels in the clothing industry, which depends on overseas production for the majority of its products.

Amidst these circumstances, during the year under review, the Company is working to establish sales groups by sales channel to aim for expansion in sales shares, implement measures in cooperation with clients from the materials stage to improve the added value of products, establish a QC center in Dalian City, China, to raise the stability of quality, bolster overseas sales to combat a weaker yen, and develop new production settings within inland areas of China and ASEAN countries to reduce production costs. Furthermore, the Company is also working on the effective use of the real estate properties it owns and the reduction of logistics costs.

As a result of the above measures, consolidated performance in the three months ended May 31, 2015 registered 20,225 million yen net sales (4.3% increase from the previous corresponding period), 703 million yen operating income (26.5% increase from the previous corresponding period), 798 million yen ordinary income (31.9% increase from the previous corresponding period), and 542 million yen net income (26.5% increase from the previous corresponding period).

(2) Qualitative Information on Financial Position

1) Assets

Current assets decreased by 2,036 million yen compared with the end of the previous fiscal year, to 29,824 million yen, due primarily to a 787 million yen decrease in cash and deposits and a 1,072 million yen decrease in inventories.

Non-current assets increased by 173 million yen compared with the end of the previous fiscal year, to 29,354 million yen, due primarily to an increase of 131 million yen in investment securities.

As a result, total assets decreased by 1,863 million yen compared with the end of the previous fiscal year, to 59,178 million yen.

2) Liabilities

Liabilities decreased by 2,893 million yen compared with the end of the previous fiscal year, to 22,487 million yen, due primarily to a 5,797 million yen decrease in notes and accounts payable-trade, despite a 2,975

million yen increase in loans payable.

3) Net assets

Net assets increased by 1,030 million yen compared with the end of the previous fiscal year, to 36,690 million yen, due primarily to a 356 million yen increase in retained earnings and a 674 million yen increase in accumulated other comprehensive income.

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

The financial results forecast has not changed since its earlier announcement on March 30, 2015.

2. Items Regarding Summary Information (Items of Note)

(1) Changes in Accounting Policies, Changes in Accounting Estimates and Restatements

(Changes in Accounting Policies)

Application of Accounting Standard for Retirement Benefits, etc.

Effective from the three months ended May 31, 2015, the Company has applied the “Accounting Standard for Retirement Benefits” (Accounting Standards Board of Japan (ASBJ) Statement No. 26, May 17, 2012; hereinafter referred to as the “Retirement Benefits Accounting Standard”) and the “Guidance on Accounting Standard for Retirement Benefits” (ASBJ Guidance No. 25, March 26, 2015; hereinafter referred to as the “Guidance on Retirement Benefits”) pursuant to the provisions stated in the main clause of Paragraph 35 of the Retirement Benefits Accounting Standard and the main clause of Paragraph 67 of the Guidance on Retirement Benefits. Following this application, calculation methods for benefit obligations and service costs have been reevaluated, and the discount rate used in calculations has been changed from a discount rate that approximates the average remaining service years of employees to a discount rate that is a single weighted average which reflects the expected payment period for retirement benefits and amounts for each expected payment period.

Furthermore, this change will not have any effect on retained earnings or income and losses for the beginning of the period under review.

3. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

	As of February 28, 2015	As of May 31, 2015
Assets		
Current assets		
Cash and deposits	3,167	2,379
Notes and accounts receivable-trade	18,131	17,348
Inventories	5,001	3,928
Other	5,573	6,178
Allowance for doubtful accounts	(12)	(11)
Total current assets	31,861	29,824
Non-current assets		
Property, plant and equipment		
Land	18,751	18,751
Other, net	4,027	4,018
Total property, plant and equipment	22,779	22,770
Intangible assets	97	98
Investments and other assets		
Investment securities	5,008	5,139
Other	1,343	1,393
Allowance for doubtful accounts	(47)	(46)
Total investments and other assets	6,303	6,485
Total non-current assets	29,180	29,354
Total assets	61,041	59,178
Liabilities		
Current liabilities		
Notes and accounts payable-trade	11,356	5,558
Short-term loans payable	1,740	4,840
Current portion of long-term loans payable	2,025	1,975
Income taxes payable	708	329
Provision	150	257
Other	5,254	5,391
Total current liabilities	21,235	18,352
Non-current liabilities		
Long-term loans payable	1,800	1,725
Provision for directors' retirement benefits	176	176
Net defined benefit liability	450	466
Asset retirement obligations	130	134
Other	1,590	1,632
Total non-current liabilities	4,146	4,134
Total liabilities	25,381	22,487

	As of February 28, 2015	As of May 31, 2015
Net assets		
Shareholders' equity		
Capital stock	3,622	3,622
Capital surplus	4,148	4,148
Retained earnings	23,414	23,771
Treasury shares	(588)	(588)
Total shareholders' equity	30,597	30,953
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,449	1,876
Deferred gains or losses on hedges	3,210	3,438
Revaluation reserve for land	141	155
Foreign currency translation adjustment	99	100
Remeasurements of defined benefit plans	(14)	(11)
Total accumulated other comprehensive income	4,886	5,560
Subscription rights to shares	176	176
Total net assets	35,660	36,690
Total liabilities and net assets	61,041	59,178

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

(Millions of yen)

	For the three months ended May 31, 2014	For the three months ended May 31, 2015
Net sales	19,384	20,225
Cost of sales	15,318	15,952
Gross profit	4,066	4,273
Provision for sales returns	(2)	(2)
Gross profit-net	4,068	4,275
Selling, general and administrative expenses	3,512	3,572
Operating income	555	703
Non-operating income		
Interest income	3	17
Dividends income	18	17
Foreign exchange gains	-	64
Subsidy income	53	-
Other	34	32
Total non-operating income	110	132
Non-operating expenses		
Interest expenses	30	29
Foreign exchange losses	16	-
Other	13	7
Total non-operating expenses	60	36
Ordinary income	605	798
Extraordinary income		
Gain on sales of non-current assets	170	-
Total extraordinary income	170	-
Extraordinary losses		
Loss on retirement of non-current assets	8	-
Total extraordinary losses	8	-
Income before income taxes	768	798
Income taxes	338	256
Income before minority interests	429	542
Net income	429	542

Consolidated Statements of Comprehensive Income

(Millions of yen)

	For the three months ended May 31, 2014	For the three months ended May 31, 2015
Income before minority interests	429	542
Other comprehensive income		
Valuation difference on available-for-sale securities	45	427
Deferred gains or losses on hedges	(255)	228
Revaluation reserve for land	-	14
Foreign currency translation adjustment	(18)	1
Remeasurements of defined benefit plans, net of tax	-	3
Total other comprehensive income	(228)	674
Comprehensive income	200	1,217
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	200	1,217

(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.