

Consolidated Financial Results for the Three Months Ended May 31, 2016 [Japanese GAAP]



June 27, 2016

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 4, 2016
 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, 2016 (March 1, 2016 to May 31, 2016)

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

	Net sales		Operating income		Ordinary income		Net income attributable to owners of the parent	
	million yen	%	million yen	%	million yen	%	million yen	%
Three months ended May 31, 2016	21,126	4.5	908	29.2	840	5.2	574	5.8
Three months ended May 31, 2015	20,225	4.3	703	26.5	798	31.9	542	26.5

(Note) Comprehensive income: Three months ended May 31, 2016: ¥445 million [(63.4)%]
 Three months ended May 31, 2015: ¥1,217 million [508.0%]

	Net income per share	Diluted net income per share
	yen	yen
Three months ended May 31, 2016	12.32	12.18
Three months ended May 31, 2015	11.65	11.52

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	million yen	million yen	%	yen
As of May 31, 2016	53,968	31,603	58.2	673.51
As of February 29, 2016	57,030	31,344	54.6	668.26

(Reference) Equity: As of May 31, 2016: ¥31,412 million
 As of February 29, 2016: ¥31,136 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 29, 2016	–	4.00	–	4.00	8.00
Fiscal year ending February 28, 2017	–				
Fiscal year ending February 28, 2017 (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, 2017 (March 1, 2016 to February 28, 2017)

(% indicates changes from the previous corresponding period)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of the parent		Net income per share
	million yen	%	million yen	%	million yen	%	million yen	%	yen
First six months	39,300	0.9	1,070	3.7	1,210	4.1	820	1.1	17.58
Full year	86,000	2.0	2,600	3.5	2,700	18.4	1,700	24.8	36.45

(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 stock)

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

May 31, 2016	48,000,000 shares
February 29, 2016	48,000,000 shares

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

May 31, 2016	1,360,760 shares
February 29, 2016	1,406,760 shares

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

Three months ended May 31, 2016	46,627,740 shares
Three months ended May 31, 2015	46,594,952 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, 2016, although the Japanese economy was on a moderate recovery trend, a strong sense of uncertainty about the economic outlook persisted due to factors such as a slowdown in the global economy and the rapid advance in the appreciation of the yen. In the apparel market, there were no signs of recovery overall, affected by prolonged stagnation of personal consumption due to a budget-minded tendency among consumers and lower price products.

Under these circumstances, the Company made efforts to expand net sales through the collaboration between women's sales groups launched last year and Planning Office by cultivating new specialist retailers and further conducting transactions with them, developing coordination proposals, and selling sundry goods such as bags and rain goods.

As a result, consolidated performance in the three months ended May 31, 2016 registered ¥21,126 million net sales (4.5% increase from the previous corresponding period), ¥908 million operating income (29.2% increase from the previous corresponding period), ¥840 million ordinary income (5.2% increase from the previous corresponding period), and ¥574 million net income attributable to owners of the parent (5.8% increase from the previous corresponding period).

(2) Qualitative Information on Financial Position

1) Assets

Current assets decreased by ¥3,510 million compared with the end of the previous fiscal year, to ¥24,750 million, due primarily to a ¥793 million decrease in cash and deposits, a ¥1,324 million decrease in notes and accounts receivable-trade and a ¥1,607 million decrease in inventories.

Non-current assets increased by ¥449 million compared with the end of the previous fiscal year, to ¥29,218 million, due primarily to an increase of ¥461 million in investment securities.

As a result, total assets decreased by ¥3,061 million compared with the end of the previous fiscal year, to ¥53,968 million.

2) Liabilities

Liabilities decreased by ¥3,321 million compared with the end of the previous fiscal year, to ¥22,365 million, due primarily to a ¥6,800 million decrease in notes and accounts payable-trade, despite a ¥3,170 million increase in loans payable.

3) Net assets

Net assets increased by ¥259 million compared with the end of the previous fiscal year, to ¥31,603 million, due primarily to a ¥385 million increase in retained earnings, despite a ¥128 million decrease 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 31, 2016.

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 Business Combinations, etc.

Effective from the three months ended May 31, 2016, the Company has applied the “Revised Accounting Standard for Business Combinations” (Accounting Standards Board of Japan (ASBJ) Statement No. 21, September 13, 2013), the “Revised Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No. 22, September 13, 2013) and the “Revised Accounting Standard for Business Divestitures” (ASBJ Statement No. 7, September 13, 2013), etc. Accordingly, the Company has changed the presentation of net income and other related items. To reflect these changes in presentation, reclassifications of accounts have been made to the consolidated financial statements for the three months ended May 31, 2015.

Change in Depreciation Method

In accordance with revisions of the Corporation Tax Law, in the three months ended May 31, 2016, the Company has applied the “Practical Solution on a change in depreciation method due to Tax Reform 2016” (Practical Issues Task Force No. 32, June 17, 2016), and changed the depreciation method of auxiliary equipment of buildings and structures acquired on and after April 1, 2016 from the declining-balance method to the straight-line method.

The effect of this change on loss and income for the three months ended May 31, 2016 is immaterial.

3. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

	As of February 29, 2016	As of May 31, 2016
Assets		
Current assets		
Cash and deposits	3,350	2,556
Notes and accounts receivable-trade	18,102	16,777
Inventories	5,197	3,590
Other	1,624	1,838
Allowance for doubtful accounts	(13)	(12)
Total current assets	28,261	24,750
Non-current assets		
Property, plant and equipment		
Land	18,890	18,890
Other, net	4,100	4,066
Total property, plant and equipment	22,990	22,956
Intangible assets	567	590
Investments and other assets		
Investment securities	3,978	4,439
Other	1,308	1,306
Allowance for doubtful accounts	(74)	(74)
Total investments and other assets	5,211	5,671
Total non-current assets	28,769	29,218
Total assets	57,030	53,968
Liabilities		
Current liabilities		
Notes and accounts payable-trade	12,008	5,207
Short-term loans payable	1,980	5,300
Current portion of long-term loans payable	2,250	2,175
Income taxes payable	540	347
Provision	205	253
Other	4,951	6,088
Total current liabilities	21,934	19,371
Non-current liabilities		
Long-term loans payable	1,075	1,000
Net defined benefit liability	526	543
Provision for directors' retirement benefits	176	176
Asset retirement obligations	140	136
Other	1,834	1,137
Total non-current liabilities	3,751	2,993
Total liabilities	25,686	22,365

	As of February 29, 2016	As of May 31, 2016
Net assets		
Shareholders' equity		
Capital stock	3,622	3,622
Capital surplus	4,148	4,148
Retained earnings	24,404	24,789
Treasury stock	(589)	(570)
Total shareholders' equity	31,585	31,990
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,093	1,247
Deferred gains or losses on hedges	(1,691)	(1,935)
Revaluation reserve for land	155	162
Foreign currency translation adjustment	68	21
Remeasurements of defined benefit plans	(75)	(74)
Total accumulated other comprehensive income	(449)	(578)
Subscription rights to shares	207	191
Total net assets	31,344	31,603
Total liabilities and net assets	57,030	53,968

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

(Millions of yen)

	For the three months ended May 31, 2015	For the three months ended May 31, 2016
Net sales	20,225	21,126
Cost of sales	15,952	16,708
Gross profit	4,273	4,417
Provision for sales returns	(2)	(3)
Gross profit-net	4,275	4,420
Selling, general and administrative expenses	3,572	3,511
Operating income	703	908
Non-operating income		
Interest income	17	3
Dividends income	17	16
Subsidy income	-	53
Other	96	23
Total non-operating income	132	95
Non-operating expenses		
Interest expenses paid	29	25
Loss on valuation of derivatives	-	117
Other	7	20
Total non-operating expenses	36	164
Ordinary income	798	840
Extraordinary loss		
Loss on retirement of non-current assets	-	0
Total extraordinary loss	-	0
Income before income taxes	798	840
Income taxes	256	265
Net income	542	574
Net income attributable to owners of the parent	542	574

Consolidated Statements of Comprehensive Income

(Millions of yen)

	For the three months ended May 31, 2015	For the three months ended May 31, 2016
Net Income	542	574
Other comprehensive income		
Valuation difference on available-for-sale securities, net of tax	427	154
Deferred gains or losses on hedges, net of tax	228	(244)
Revaluation reserve for land, net of tax	14	6
Foreign currency translation adjustment, net of tax	1	(47)
Remeasurements of defined benefit plans, net of tax	3	1
Total other comprehensive income	674	(128)
Comprehensive income	1,217	445
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	1,217	445

(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.