

Consolidated Financial Results
for the Nine Months Ended November 30, 2016
[Japanese GAAP]



December 26, 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)
 Representative: Kazuo Taki, Representative Director, CEO
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 Scheduled date of commencing dividend payments: –
 Scheduled date for filing of quarterly securities report: January 11, 2017
 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 Nine Months Ended November 30, 2016 (March 1, 2016 to November 30, 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 parent | |
|-------------------------------------|-------------|-------|------------------|--------|-----------------|--------|---|--------|
| | million yen | % | million yen | % | million yen | % | million yen | % |
| Nine months ended November 30, 2016 | 60,860 | (4.7) | 1,642 | (31.7) | 1,640 | (35.2) | 1,014 | (41.8) |
| Nine months ended November 30, 2015 | 63,839 | 9.8 | 2,404 | 25.6 | 2,529 | 22.0 | 1,743 | 80.6 |

(Note) Comprehensive income: Nine months ended November 30, 2016: ¥2,531 million [—%]
 Nine months ended November 30, 2015: ¥175 million [(96.3)%]

| | Net income per share | Diluted net income per share |
|-------------------------------------|----------------------|------------------------------|
| | yen | yen |
| Nine months ended November 30, 2016 | 21.75 | 21.48 |
| Nine months ended November 30, 2015 | 37.42 | 36.98 |

(2) Consolidated Financial Position

| | Total assets | Net assets | Equity ratio | Net assets per share |
|-------------------------|--------------|-------------|--------------|----------------------|
| | million yen | million yen | % | yen |
| As of November 30, 2016 | 56,948 | 33,531 | 58.5 | 714.23 |
| As of February 29, 2016 | 57,030 | 31,344 | 54.6 | 668.26 |

(Reference) Equity: As of November 30, 2016: ¥33,310 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 | – | 4.00 | – | | |
| Fiscal year ending February 28, 2017 (Forecast) | | | | 4.00 | 8.00 |

(Note) Revision of dividends forecast 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 parent | | Net income per share |
|-----------|-------------|-------|------------------|--------|-----------------|--------|---|--------|----------------------|
| | million yen | % | million yen | % | million yen | % | million yen | % | yen |
| Full year | 80,000 | (5.2) | 1,450 | (42.3) | 1,400 | (38.6) | 770 | (43.5) | 16.51 |

(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):

| | |
|-------------------|-------------------|
| November 30, 2016 | 48,000,000 shares |
| February 29, 2016 | 48,000,000 shares |

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

| | |
|-------------------|------------------|
| November 30, 2016 | 1,361,865 shares |
| February 29, 2016 | 1,406,760 shares |

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

| | |
|-------------------------------------|-------------------|
| Nine months ended November 30, 2016 | 46,634,343 shares |
| Nine months ended November 30, 2015 | 46,594,526 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 nine months ended November 30, 2016, the condition of the Japanese economy remained harsh overall, especially in the apparel market, as could be evidenced by the decline in real household expenditures for the eighth consecutive month concerning personal consumption which accounts for 60% of real GDP.

Under these circumstances, the Company firstly made efforts to expand the sales share mainly through the women's sales groups launched last year by cultivating new specialist retailers with a high growth potential and further deepening the relationship with existing clients. Secondly, the Company carried out an overhaul of the core system as part of a measure to improve the Company's infrastructure aimed at realizing creative and careful work, with the new system scheduled to start operating in January 2017. Thirdly, the Company strived to reduce costs by focusing on the improvement of productivity of the logistics center, while raising the production ratio of apparel products in ASEAN and the South Asian countries. Fourthly, in terms of the development of overseas market, the Company started test-marketing its character goods in the United States in fall 2016 and increased the transactions with major apparel companies in East Asia. Fifthly, for the purpose of the selection and concentration of business operations, the Company suspended the development of its brand "BERARDI" in August 2016.

Despite the above measures, fall and winter products, which make the greatest contributions to net sales and profit throughout the year, ended up struggling due to the persistent budget-minded tendency among consumers, the failure in product planning to respond in detail to consumers' growing awareness of the balance between price and quality, and other factors.

Net sales in the nine months ended November 30, 2016 stayed at ¥60,860 million (4.7% decrease from the previous corresponding period). Although the Company was able to reduce selling, general and administrative expenses, due to the lower gross profit margin, consolidated performance in the nine months ended November 30, 2016 registered ¥1,642 million operating income (31.7% decrease from the previous corresponding period), ¥1,640 million ordinary income (35.2% decrease from the previous corresponding period) and ¥1,014 million net income attributable to owners of parent (41.8% decrease from the previous corresponding period).

(2) Qualitative Information on Financial Position

1) Assets

Current assets decreased by ¥1,387 million compared with the end of the previous fiscal year, to ¥26,873 million, due primarily to a decrease of ¥1,557 million in inventories.

Non-current assets increased by ¥1,304 million compared with the end of the previous fiscal year, to ¥30,074 million, due primarily to an increase of ¥615 million in intangible assets and an increase of ¥742 million in investment securities.

As a result, total assets decreased by ¥82 million compared with the end of the previous fiscal year, to ¥56,948 million.

2) Liabilities

Liabilities decreased by ¥2,269 million compared with the end of the previous fiscal year, to ¥23,417 million, due primarily to decreases of ¥4,664 million in notes and accounts payable-trade and ¥1,786 million in derivatives liabilities, despite an increase of ¥3,695 million in loans payable.

3) Net assets

Net assets increased by ¥2,186 million compared with the end of the previous fiscal year, to ¥33,531 million, due primarily to increases of ¥638 million in retained earnings and ¥1,516 million 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 November 21, 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 nine months ended November 30, 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 nine months ended November 30, 2016 is immaterial.

3. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

| | As of February 29, 2016 | As of November 30, 2016 |
|--|-------------------------|-------------------------|
| Assets | | |
| Current assets | | |
| Cash and deposits | 3,350 | 4,310 |
| Notes and accounts receivable-trade | 18,102 | 17,781 |
| Inventories | 5,197 | 3,640 |
| Other | 1,624 | 1,163 |
| Allowance for doubtful accounts | (13) | (22) |
| Total current assets | 28,261 | 26,873 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Land | 18,890 | 18,890 |
| Other, net | 4,100 | 4,018 |
| Total property, plant and equipment | 22,990 | 22,908 |
| Intangible assets | 567 | 1,182 |
| Investments and other assets | | |
| Investment securities | 3,978 | 4,720 |
| Other | 1,308 | 1,327 |
| Allowance for doubtful accounts | (74) | (65) |
| Total investments and other assets | 5,211 | 5,982 |
| Total non-current assets | 28,769 | 30,074 |
| Total assets | 57,030 | 56,948 |
| Liabilities | | |
| Current liabilities | | |
| Notes and accounts payable-trade | 12,008 | 7,343 |
| Short-term loans payable | 1,980 | 5,200 |
| Current portion of long-term loans payable | 2,250 | 2,175 |
| Income taxes payable | 540 | 132 |
| Provision | 205 | 263 |
| Other | 4,951 | 4,474 |
| Total current liabilities | 21,934 | 19,588 |
| Non-current liabilities | | |
| Long-term loans payable | 1,075 | 1,625 |
| Net defined benefit liability | 526 | 579 |
| Provision for directors' retirement benefits | 176 | 176 |
| Asset retirement obligations | 140 | 140 |
| Other | 1,834 | 1,307 |
| Total non-current liabilities | 3,751 | 3,828 |
| Total liabilities | 25,686 | 23,417 |

| | As of February 29, 2016 | As of November 30, 2016 |
|---|-------------------------|-------------------------|
| Net assets | | |
| Shareholders' equity | | |
| Capital stock | 3,622 | 3,622 |
| Capital surplus | 4,148 | 4,148 |
| Retained earnings | 24,404 | 25,042 |
| Treasury stock | (589) | (570) |
| Total shareholders' equity | 31,585 | 32,243 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 1,093 | 1,432 |
| Deferred gains or losses on hedges | (1,691) | (398) |
| Revaluation reserve for land | 155 | 162 |
| Foreign currency translation adjustment | 68 | (69) |
| Remeasurements of defined benefit plans | (75) | (59) |
| Total accumulated other comprehensive income | (449) | 1,067 |
| Subscription rights to shares | 207 | 220 |
| Total net assets | 31,344 | 33,531 |
| Total liabilities and net assets | 57,030 | 56,948 |

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

(Millions of yen)

| | For the nine months ended November 30, 2015 | For the nine months ended November 30, 2016 |
|--|--|--|
| Net sales | 63,839 | 60,860 |
| Cost of sales | 50,873 | 49,160 |
| Gross profit | 12,965 | 11,700 |
| Provision for sales returns | 6 | (1) |
| Gross profit-net | 12,959 | 11,701 |
| Selling, general and administrative expenses | 10,554 | 10,058 |
| Operating income | 2,404 | 1,642 |
| Non-operating income | | |
| Interest income | 25 | 15 |
| Dividends income | 56 | 58 |
| Subsidy income | 53 | 53 |
| Other | 96 | 93 |
| Total non-operating income | 231 | 220 |
| Non-operating expenses | | |
| Interest expenses paid | 84 | 67 |
| Loss on valuation of derivatives | - | 117 |
| Other | 22 | 37 |
| Total non-operating expenses | 106 | 222 |
| Ordinary income | 2,529 | 1,640 |
| Extraordinary income | | |
| Gain on sales of investment securities | - | 0 |
| Gain on redemption of investment securities | 29 | - |
| Gain on sales of non-current assets | 83 | - |
| Total extraordinary income | 112 | 0 |
| Extraordinary loss | | |
| Settlement | - | 98 |
| Other | 9 | 4 |
| Total extraordinary loss | 9 | 103 |
| Income before income taxes | 2,632 | 1,538 |
| Income taxes | 889 | 523 |
| Net income | 1,743 | 1,014 |
| Net income attributable to owners of parent | 1,743 | 1,014 |

Consolidated Statements of Comprehensive Income

(Millions of yen)

| | For the nine months ended November 30, 2015 | For the nine months ended November 30, 2016 |
|---|--|--|
| Net income | 1,743 | 1,014 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities, net of tax | 344 | 339 |
| Deferred gains or losses on hedges, net of tax | (1,924) | 1,292 |
| Revaluation reserve for land, net of tax | 14 | 6 |
| Foreign currency translation adjustment, net of tax | (11) | (138) |
| Remeasurements of defined benefit plans, net of tax | 9 | 16 |
| Total other comprehensive income | (1,568) | 1,516 |
| Comprehensive income | 175 | 2,531 |
| Comprehensive income attributable to | | |
| Comprehensive income attributable to owners of parent | 175 | 2,531 |

(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.