



Consolidated Financial Results for the First 2 Quarters of the Fiscal Year 2021 [Japanese GAAP]

November 12, 2021

Name: Tokyo Rope Manufacturing Co., Ltd. Listing: Tokyo Stock Exchange
 Stock code number: 5981 URL <http://www.tokyorope.co.jp/>

Representative: Hideyuki Harada, President
 Contact: Koji Kitan, Director and Executive Officer, General Manager of General Affairs Department (TEL) 03-6366-7777

Date of issue of financial report: November 12, 2021 Start of cash dividend payment: –

Supplementary financial materials prepared: Yes

Financial results information meeting held: Yes (For institutional investors)

(Amounts less than 1 million yen rounded down)

1. Fiscal 2021–First 2 Quarters (April 1–September 30, 2021)

(1) Results of operations (cumulative total) (Millions of yen, except for per share data, percentage figures denote year-on-year change)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Yen	%	Yen	%	Yen	%	Yen	%
Fiscal 2021–First 2 quarters	29,299	14.5	442	–	642	–	538	–
Fiscal 2020–First 2 quarters	25,588	-17.4	-867	–	-851	–	-749	–

Note: Comprehensive income Fiscal 2021-First 2 quarters ¥1,594 million (–%) Fiscal 2020-First 2 quarters ¥-448 million (–%)

	Earnings per share	
	Yen	Yen
Fiscal 2021–First 2 quarters	33.40	–
Fiscal 2020–First 2 quarters	-46.50	–

(2) Financial position

	Total assets	Net assets	Equity ratio
Fiscal 2021–First 2 quarters	84,463	26,427	29.7%
Fiscal 2020	84,135	24,796	27.7%

Note: Equity capital at term end Fiscal 2021-First 2 quarters ¥25,110 million Fiscal 2020 ¥23,322 million

2. Cash Dividend

	Cash dividend per share				
	1st quarter	2nd quarter	3rd quarter	Year-end	Full year
Fiscal 2020	–	0.00	–	0.00	0.00
Fiscal 2021	–	0.00	–	–	–
Fiscal 2021 (est.)	–	–	–	20.00	20.00

Note: Revision of latest cash dividend forecast in review: No

3. Forecast for Consolidated Fiscal 2021 (April 1, 2021–March 31, 2022)

(Millions of yen, except for per share data, percentage figures denote year-on-year change)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Earnings per share
	Yen	%	Yen	%	Yen	%	Yen	%	Yen
Full year	60,000	1.4	1,500	114.2	1,500	616.2	1,100	169.6	68.28

Note: Revision of latest earnings forecast in review: No

*Notes

(1) Changes in important subsidiaries during the period (changes in specific subsidiaries due to change in scope of consolidation) : None

Newly consolidated – (Company name) Excluded – (Company name)

(2) Application of special accounting treatment : Yes

Note: This note refers to the adoption of special accounting treatment pertaining to the preparation of quarterly consolidated financial statements.

(3) Changes in accounting policies; changes in accounting estimates; restatements

1. Changes in accounting policies resulting from the revision of the accounting standards and other regulations : Yes
2. Other changes in accounting policies : None
3. Changes in accounting estimates : None
4. Restatements : None

(4) Shares outstanding (common stock) at term-end

1. Number of shares outstanding (including treasury shares)
2. Number of treasury shares outstanding
3. Average number of shares over period

Fiscal 2021-1st 2 quarters	16,268,242 shares	Fiscal 2020	16,268,242 shares
Fiscal 2021-1st 2 quarters	145,489 shares	Fiscal 2020	159,226 shares
Fiscal 2021-1st 2 quarters	16,108,833 shares	Fiscal 2020-1st 2 quarters	16,109,477 shares

Note: Treasury shares that are deducted when calculating the number of treasury shares outstanding at the end of Fiscal 2020 and the average number of shares over the year include shares of the Company owned by the Board Benefit Trust (Fiscal 2021 2Q: 130,200 shares).

* This financial report is exempt from audit procedures by a certified public accountant or an auditing firm.

* Appropriate use of business forecasts; other special items

1. In this document, performance forecasts and other forward-looking statements are based on information currently available and certain assumptions judged by the Company to be rational. Actual results may differ significantly from forecasts owing to various factors. Please refer to “(3) Performance Forecasts” on page 5 for information on preconditions underlying the above forecasts and other related information.

2. The Company plans to hold livestream information sessions for institutional investors on November 15, 2021. The video image and explanation (voice) will be posted on our website later along with the financial results briefing materials used on the day.

Contents

1. Performance and Financial Position.....	4
(1) Business Results	4
(2) Financial Position	4
(3) Performance Forecasts.....	5
2. Quarterly Consolidated Financial Statements	6
(1) Balance Sheet	6
(2) Statement of Income and Statement of Comprehensive Income.....	8
(3) Statements of Cash Flows.....	10
(4) Notes on Quarterly Consolidated Financial Statements.....	12
Notes on Going-concern Assumptions.....	12
Notes in the Event of Major Changes in Shareholders' Equity	12
Application of Special Accounting Treatment	12
Changes in Accounting Policy	13
Segment Information, etc.....	14

1. Performance and Financial Position

(1) Business Results

Net sales of the Tokyo Rope Group for the second quarter of the current consolidated cumulative period were ¥29,299 million (up 14.5% year-on-year) due to the Group's significant sales recovery from the same period of the previous year when the automobile industry and other industries were significantly affected by COVID-19.

In terms of profits, there was a major improvement from the same period of the previous year, when demand decreased due to the impact of COVID-19 and the temporary closures were implemented. In addition, due to the delay in domestic disaster prevention and road safety facility construction carried over from the previous year and steady progress of projects in the current period, operating income was ¥442 million (operating loss of ¥867 million in the same period of the previous year), ordinary income was ¥642 million (ordinary loss of ¥851 million in the same period of the previous year), and net income attributable to owners of parent was ¥538 million (net loss attributable to owners of parent of ¥749 million in the same period of the previous year).

Results by business segment of the Group were as follows.

Wire Rope

Although sales volume increased owing to firm sales of elevator ropes and shipbuilding-related products, net sales decreased due to the effect of the revenue recognition accounting standard applied from the consolidated cumulative period under review. As a result, net sales for this segment were ¥11,998 million (down 4.2% year-on-year). Operating income for the second quarter under review was ¥392 million (down 26.6% year-on-year), despite efforts to pass on the increased cost of wire and other materials to products costs.

Steel Cord

Sales volume of tire cords also recovered substantially, reflecting the recovery in the automobile industry, which was significantly affected by the outbreak of COVID-19 in the same period of the previous year. In addition, tire consumption is increasing in line with the increase in automobile use. As a result, net sales for this segment increased significantly to ¥4,182 million (up 25.2% year-on-year), and the operating loss was reduced to ¥445 million (operating loss of ¥868 million in the same period of the previous year).

Product Development

Delays in construction projects for domestic disaster prevention-related and road safety-related facilities carried over from the previous year caused by the impact of COVID-19 and snowfall, and ~~we saw stable~~ progress on projects in the current period was also stable. In addition, there were other factors such as an increase in overseas CFCC business sales. As a result, net sales for this segment were ¥8,231 million (up 36.5% year-on-year) and operating income was ¥47 million (operating loss of ¥763 million in the same period of the previous year).

Industrial Machinery

In the powder metallurgy-related business, sales increased owing to a recovery in the automobile-related industry, to which our major customers belong. Sales also remained strong in industrial machinery, and net sales for this segment were ¥2,089 million (up 43.5% year-on-year), and operating income was ¥191 million (operating loss of ¥41 million in the same period of the previous year).

Energy Real Estate

Although net sales for this segment increased significantly to ¥2,797 million (up 25.0% year-on-year) owing to an increase in sales of petroleum products caused by higher crude oil prices, operating income was ¥257 million (down 4.9% year-on-year) due to an increase in transportation costs of petroleum products.

(2) Financial Position

Assets, Liabilities and Net Assets

Total assets at the end of the second quarter of the current consolidated fiscal year increased by ¥327 million from the end of the previous consolidated fiscal year to ¥84,463 million, partly owing to an increase in the valuation of investment securities, while accounts receivable - trade accumulated at the end of the previous fiscal year decreased significantly owing to progress in collection.

Liabilities decreased by ¥1,303 million from the end of the previous consolidated fiscal year to ¥58,035 million owing to the repayment of borrowings using funds collected from accounts receivable - trade.

Net assets increased by ¥1,630 million from the end of the previous consolidated fiscal year to ¥26,427 million owing to a large increase in accumulated other comprehensive income, including valuation difference on available-for-sale securities and foreign currency translation adjustment as well as the recording of profit.

Cash Flows

Cash and cash equivalents at the end of the second quarter of the current consolidated fiscal year decreased by ¥522 million from the end of the previous consolidated fiscal year to ¥5,564 million.

Cash flows from operating activities produced an inflow of ¥981 million due to the recording of income before income taxes, the impact of depreciation, collection of trade receivables, increase in inventories, and other factors.

Cash flows from investing activities produced an outflow of ¥715 million due to the acquisition of property, plant and equipment.

Cash flows from financing activities produced an outflow of ¥902 million due to the repayment of borrowings.

(3) Performance Forecasts

There is no change from the forecast announced at the time of the announcement of financial results on May 14, 2021.

We have established a new mid-term management plan to serve as a guideline for carrying out our projects for the fiscal years ending from March 2022 to March 2024. For the details, please refer to the “Notice concerning the Formulation of the New Mid-Term Management Plan TRX135 (Fiscal Years Ending from March 2022 to March 2024)” announced on November 27, 2021.

2. Quarterly Consolidated Financial Statements

(1) Balance Sheet

(Millions of yen, rounded down)

	Fiscal 2020 (March 31, 2021)	Fiscal 2021–First 2 quarters (September 30, 2021)
ASSETS		
Current assets		
Cash and deposits	6,104	5,576
Notes and accounts receivable - trade	14,179	–
Notes and accounts receivable - trade, and contract assets	–	13,880
Merchandise and finished goods	6,498	6,552
Work in process	4,568	4,567
Raw materials and supplies	4,283	4,218
Other	1,193	1,712
Allowance for doubtful accounts	-17	-19
Total current assets	36,811	36,487
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	6,890	6,833
Machinery, equipment and vehicles, net	6,136	6,164
Land	18,451	18,456
Construction in progress	323	328
Other, net	1,804	1,656
Total property, plant and equipment	33,606	33,439
Intangible assets	563	509
Investments and other assets		
Investment securities	6,395	7,050
Retirement benefit asset	504	637
Deferred tax assets	2,721	2,579
Other	3,599	3,821
Allowance for doubtful accounts	-65	-62
Total investments and other assets	13,154	14,027
Total non-current assets	47,324	47,975
Total assets	84,135	84,463

(Millions of yen, rounded down)

	Fiscal 2020 (March 31, 2021)	Fiscal 2021–First 2 quarters (September 30, 2021)
LIABILITIES		
Current liabilities		
Notes and accounts payable - trade	12,003	11,099
Short-term borrowings	5,099	5,727
Accrued expenses	2,184	5,099
Provision for bonuses	857	891
Other	5,976	6,627
Total current liabilities	26,120	26,495
Non-current liabilities		
Long-term borrowings	22,067	20,739
Deferred tax liabilities for land revaluation	3,922	3,922
Retirement benefit liability	4,298	4,160
Other	2,929	2,717
Total non-current liabilities	33,218	31,539
Total liabilities	59,338	58,035
NET ASSETS		
Shareholders' equity		
Share capital	1,000	1,000
Capital surplus	1,070	1,070
Retained earnings	12,343	12,888
Treasury shares	-313	-283
Total shareholders' equity	14,100	14,674
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	953	1,471
Deferred gains or losses on hedges	22	3
Revaluation reserve for land	9,063	9,063
Foreign currency translation adjustment	-277	361
Remeasurements of defined benefit plans	-539	-464
Total accumulated other comprehensive income	9,222	10,435
Non-controlling interests	1,474	1,317
Total net assets	24,796	26,427
Total liabilities and net assets	84,135	84,463

(2) Statement of Income and Statement of Comprehensive Income

Statement of income

Fiscal 2021–First 2 quarters

(Millions of yen, rounded down)

	Fiscal 2020–First 2 quarters (April 1–September 30, 2020)	Fiscal 2021–First 2 quarters (April 1–September 30, 2021)
Net sales	25,588	29,299
Cost of sales	21,407	23,671
Gross profit	4,180	5,628
Selling, general and administrative expenses	5,048	5,185
Operating income (loss)	-867	442
Non-operating income		
Interest income	7	7
Dividend income	99	137
Gain on receipt of donated non-current assets	45	–
Foreign exchange gains	–	73
Share of profit of entities accounted for using equity method	–	72
Subsidies for employment adjustment	75	–
Other	106	148
Total non-operating income	334	438
Non-operating expenses		
Interest expenses	151	138
Foreign exchange losses	87	–
Other	79	100
Total non-operating expenses	318	239
Ordinary income (loss)	-851	642
Extraordinary income		
Subsidies for employment adjustment	39	–
Total extraordinary income	39	–
Extraordinary losses		
Loss due to COVID-19	138	–
Impairment losses	–	42
Loss on valuation of investment securities	–	1
Loss on liquidation of subsidiaries and associates	138	–
Other	–	0
Total extraordinary losses	276	44
Income (loss) before income taxes	-1,088	597
Income taxes	-25	222
Profit (loss)	-1,063	375
Profit (loss) attributable to non-controlling interests	-314	-162
Profit (loss) attributable to owners of parent	-749	538

Statement of Comprehensive Income

Fiscal 2021–First 2 quarters

(Millions of yen, rounded down)

	Fiscal 2020–First 2quarters (April 1–September 30, 2020)	Fiscal 2021–First 2 quarters (April 1–September 30, 2021)
Profit (loss)	-1,063	375
Other comprehensive income		
Valuation difference on available-for-sale securities	162	518
Deferred gains or losses on hedges	3	-19
Foreign currency translation adjustment	445	460
Remeasurements of defined benefit plans, net of tax	74	81
Share of other comprehensive income of entities accounted for using equity method	-69	177
Total other comprehensive income	615	1,219
Comprehensive income	-448	1,594
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	-139	1,751
Comprehensive income attributable to non-controlling interests	-309	-156

(3) Statements of Cash Flows

(Millions of yen, rounded down)

	Fiscal 2020—First 2 quarters (April 1–September 30, 2020)	Fiscal 2021—First 2 quarters (April 1–September 30, 2021)
Cash flows from operating activities		
Income (loss) before income taxes	-1,088	597
Depreciation	1,165	1,081
Impairment losses	–	42
Increase (decrease) in provision for bonuses	-44	33
Increase (decrease) in retirement benefit liability	-85	-19
Interest expenses	151	138
Interest and dividend income	-107	-144
Subsidies for employment adjustment	-114	–
Decrease (increase) in trade receivables	3,310	1,124
Decrease (increase) in inventories	-1,598	-948
Increase (decrease) in trade payables	-1,537	-248
Increase (decrease) in advances received	327	19
Increase (decrease) in accrued consumption taxes	-258	-194
Other	121	-303
Subtotal	241	1,178
Interest and dividends received	196	144
Interest paid	-153	-138
Proceeds from subsidies for employment adjustment	103	–
Income taxes paid	-174	-202
Net cash provided by (used in) operating activities	214	981
Cash flows from investing activities		
Purchase of investment securities	-7	-7
Loan advances	-1	-21
Proceeds from collection of loans receivable	11	18
Purchase of property, plant and equipment	-1,243	-682
Proceeds from sale of property, plant and equipment	1	37
Purchase of shares of subsidiaries and associates	-179	–
Proceeds from sale of shares of subsidiaries resulting in change in scope of consolidation	1,316	–
Other	-80	-60
Net cash provided by (used in) investing activities	-181	-715
Cash flows from financing activities		
Repayments of installment payables	-122	-123
Net increase (decrease) in short-term borrowings	-121	577
Proceeds from long-term borrowings	1,090	–
Repayments of long-term borrowings	-1,253	-1,278
Dividends paid	-0	-0
Proceeds from sale of treasury shares	4	0
Purchase of treasury shares	-0	-0
Proceeds from share issuance to non-controlling shareholders	450	–
Other	-33	-78
Net cash provided by (used in) financing activities	12	-902

(Millions of yen, rounded down)

	Fiscal 2020—First 2 quarters (April 1–September 30, 2020)	Fiscal 2021—First 2 quarters (April 1–September 30, 2021)
Effect of exchange rate change on cash and cash equivalents	0	113
Net increase (decrease) in cash and cash equivalents	46	-522
Cash and cash equivalents at beginning of period	6,259	6,086
Cash and cash equivalents at end of period	6,305	5,564

(4) Notes on Quarterly Consolidated Financial Statements

Notes on Going-concern Assumptions

None

Notes in the Event of Major Changes in Shareholders' Equity

None

Application of Special Accounting Treatment

We have adopted the method in which income taxes are calculated by multiplying quarterly profit before income taxes by the reasonably estimated effective tax rate subsequent to the application of tax effect accounting to the profit before income taxes for the consolidated fiscal year, including the second quarter under review.

Changes in Accounting Policy

Application of accounting standard for revenue recognition

“Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020, hereinafter referred to as “revenue recognition accounting standard”), etc. are applied from the beginning of the first quarter of the current fiscal year, and revenue is recognized at the amount expected to be received in exchange for the promised goods or services when the control of the promised goods or services is transferred to the customer.

The main changes resulting from the adoption of revenue recognition accounting standard are as follows.

(1) Revenue recognition for agency transactions

With respect to certain revenues from road-related products, primarily in the Product Development business, the Company previously recognized the total amount of consideration received from customers as revenues; however, for transactions in which the Company’s role in the provision of products to customers is an agent, the Company has changed to the method of recognizing revenues as the net amount of the amount received from customers less the amount payable to the supplier of the products.

(2) Revenue recognition for processing transactions

The Company has changed the method of recognizing revenue mainly in the Wire Rope business from recognizing the total amount of consideration received from customers as revenue to recognizing the amount equivalent to processing costs as net revenue.

(3) Revenue recognition for construction contracts

With respect to construction contracts, the Company previously used the percentage-of-completion method when the completion of the work was certain, but when control over the goods or services is transferred to the customer over a certain period of time, the Company has changed to the method of recognizing revenue over a certain period of time as the Company fulfills the obligation to transfer the goods or services to the customer. Progress in fulfilling obligations is measured based on the ratio of construction costs incurred by the end of each reporting period to the total estimated construction costs. If it is not possible to reasonably estimate the progress of fulfilling obligations, but it is expected that costs will be recovered at the initial stage of a contract, revenue is recognized on a cost recovery basis. For construction contracts with a very short period from the transaction start date to the time when the obligation is expected to be fully fulfilled, alternative treatment is applied, and revenue is not recognized for a certain period of time but is recognized when the obligation is fully fulfilled.

The application of revenue recognition accounting standard, etc. follows the transitional treatment stipulated in the proviso of paragraph 84 of revenue recognition accounting standard. The new accounting policy is applied from the balance at the beginning of the first quarter of the current consolidated fiscal year, by adding or subtracting the cumulative impact of retroactively applying a new accounting policy before the beginning of the first quarter of the current fiscal year to retained earnings at the beginning of the said first quarter.

As a result, net sales and the cost of sales for the second quarter of the current consolidated cumulative period decreased to ¥359 million and ¥387 million, respectively, and operating income, ordinary income and income before income taxes increased by ¥27 million, respectively. The balance of retained earnings at the beginning of the current fiscal year increased by ¥6 million.

Owing to the application of revenue recognition accounting standard, “Notes and accounts receivable – trade” presented in “Current assets” in the consolidated balance sheet of the previous consolidated fiscal year has been included in “Notes and accounts receivable - trade, and contract assets” from the first quarter of the current fiscal year. In accordance with the transitional treatment stipulated in Article 89-2 of revenue recognition accounting standard, the previous consolidated fiscal year has not been reclassified using the new presentation method. In addition, in accordance with the transitional treatment stipulated in “Accounting Standard for Quarterly Financial Reporting” (ASBJ Statement No. 12, March 31, 2020), paragraphs 28-15, we don’t present information of a breakdown of revenues from contracts with customers for the second quarter of the previous consolidated fiscal year.

Adoption of Accounting Standard for Calculation of Fair Value

“Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, July 4, 2019, hereinafter referred to as “fair value measurement accounting standard”), etc. will be applied from the beginning of the first quarter of the current fiscal year, and a new accounting policy determined by the fair value measurement accounting standard, etc. will be applied in the future in accordance with the transitional treatment prescribed in Section 19 of the fair value measurement accounting standard and “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, July 4, 2019) Section 44 -2. There was no impact on the quarterly consolidated financial statements.

Segment Information, etc.

Segment Information

I. Fiscal 2020–First 2 quarters (April 1–September 30, 2020)

Sales and Income (Loss) by Reporting Segment

(Millions of yen)

	Reporting Segment					Total	Adjustment	Consolidated statements of income
	Wire Rope	Steel Cord	Product Development	Industrial Machinery	Energy Real Estate			
Net sales								
Sales to outside customers	12,521	3,342	6,031	1,455	2,237	25,588	–	25,588
Intersegment sales or transfers	93	90	9	44	220	458	-458	–
Total	12,615	3,432	6,041	1,499	2,457	26,047	-458	25,588
Segment income (loss)	534	-868	-763	-41	270	-867	–	-867

Note: Segment income or segment (loss) is reconciled with the operating loss of the quarterly consolidated statement of income.

II. Fiscal 2021–First 2 quarters (April 1–September 30, 2021)

1. Sales and Income (Loss) by Reporting Segment

(Millions of yen)

	Reporting Segment					Total	Adjustment	Consolidated statements of income
	Wire Rope	Steel Cord	Product Development	Industrial Machinery	Energy Real Estate			
Net sales								
Sales to outside customers	11,998	4,182	8,231	2,089	2,797	29,299	–	29,299
Intersegment sales or transfers	89	155	2	44	303	594	-594	–
Total	12,088	4,338	8,233	2,133	3,100	29,894	-594	29,299
Segment income (loss)	392	-445	47	191	257	442	–	442

Note: Segment income or segment (loss) is reconciled with the operating income of the quarterly consolidated statement of income.

2. Information on Impairment Losses on Non-current Assets or Goodwill, etc. by Reporting Segment

Descriptions are omitted owing to their immateriality.

3. Changes in Reporting Segments

As stated in Changes in Accounting Policies, the Company adopted the revenue recognition accounting standard, etc. from the beginning of the first quarter of the current fiscal year, changed the accounting method for revenue recognition and the method of measuring profits or losses in business segments.

As a result of the change, compared with the previous method, in the second quarter of the current consolidated cumulative period, net sales of the Wire Rope business decreased by ¥830 million, net sales for the Product Development business increased by ¥270 million and its segment income increased by ¥28 million, net sales of the Industrial Machinery business increased by ¥202 million, and net sales of the Energy Real Estate business decreased by ¥1 million and its segment income decreased by ¥1 million.