Consolidated Financial Results for the First 3 Quarters of the Fiscal Year 2021 [Japanese GAAP]

February 10, 2022

Name: Tokyo Rope MFG Co., Ltd. Listing: Tokyo Stock Exchange
Stock code number: 5981 URL http://www.tokyorope.co.jp/
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Date of issue of financial report: February 14, 2022 Start of cash dividend payment: –
Supplementary financial materials prepared: None
Financial results information meeting held: None

(Amounts less than 1 million yen rounded down)

1. Fiscal 2021–First 3 Quarters (April 1–December 31, 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	
		%		%		%		%
Fiscal 2021–First 3 quarters	45,650	12.0	767	–	1,019	–	618	–
Fiscal 2020–First 3 quarters	40,773	-12.1	-306	–	-556	–	-560	–

Note: Comprehensive income Fiscal 2021–First 3 quarters ¥992 million (–%) Fiscal 2020–First 3 quarters ¥71 million (–%)

	Earnings per share	Earnings per share (fully diluted)
	Yen	Yen
Fiscal 2021–First 3 quarters	38.37	–
Fiscal 2020–First 3 quarters	-34.78	–

(2) Financial position

	Total assets	Net assets	Equity ratio
			%
Fiscal 2021–First 3 quarters	84,206	25,826	29.2
Fiscal 2020	84,135	24,796	27.7

Note: Equity capital at term end Fiscal 2021–First 3 quarters ¥24,599 million Fiscal 2020 ¥23,322 million

2. Cash Dividend

	Cash dividend per share				
	1st quarter	2nd quarter	3rd quarter	Year-end	Full year
	Yen	Yen	Yen	Yen	Yen
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: None

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
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: None

*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

1.	Fiscal 2021- 1st 3 quarters	16,268,242 shares	Fiscal 2020	16,268,242 shares
2.	Fiscal 2021- 1st 3 quarters	145,520 shares	Fiscal 2020	159,226 shares
3.	Fiscal 2021- 1st 3 quarters	16,113,466 shares	Fiscal 2021 – 1st 3 quarters	16,109,824 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 3Q: 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

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.

Contents

1. Performance and Financial Position

(1) Business Results

Net sales of the Tokyo Rope Group for the third quarter of the current consolidated cumulative period were ¥45,650 million (up 12.0% 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, and due to the product price revisions in response to the increased costs of wire and other materials.

In terms of profits, there was a significant improvement from the same period of the previous year, when demand decreased due to the impact of COVID-19, although the Group was not able to pass on the rising cost of wire and energy costs to the product prices during the third quarter under review. In addition, due to the positive impact of delay in domestic disaster prevention and road safety facility construction carried over from the previous year, the steady progress of projects in the current period, and the progress of overseas CFCC projects, operating income was ¥767 million (operating loss of ¥306 million in the same period of the previous year), ordinary income was ¥1,019 million (ordinary loss of ¥556 million in the same period of the previous year), and profit attributable to owners of parent was ¥618 million (loss attributable to owners of parent of ¥560 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 ¥18,312 million (down 4.4% year-on-year). Operating income for the third quarter under review was ¥595 million (down 29.0% year-on-year), despite efforts to pass on the increased cost of wire and other materials to product prices.

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, the unit selling price increased owing to the revision of product prices in line with the sharp rise in wire prices. As a result, net sales for this segment increased significantly to ¥6,425 million (up 18.5% year-on-year). On the other hand, in the third quarter under review, the shift of the sharp rise in the prices of wire materials to product prices lagged behind, in addition to higher energy costs, and operating loss was ¥700 million (operating loss of ¥938 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 progress on projects in the current period was also stable. In addition, there were other factors such as an increase in sales due to the progress of large-scale overseas CFCC projects. As a result, net sales for this segment were ¥12,999 million (up 26.0% year-on-year) and operating income was ¥79 million (operating loss of ¥657 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 ¥3,148 million (up 36.7% year-on-year), and operating income was ¥361 million (up 1,813.9% year-on-year).

Energy & Real Estate

Although net sales for this segment increased significantly to ¥4,764 million (up 33.0% year-on-year) owing to an increase in sales of petroleum products caused by higher crude oil prices, operating income was ¥431 million (up 0.1% year-on-year), remaining at the same level due to an increase in transportation costs.

(2) Financial Position

Assets, Liabilities and Net Assets

Total assets at the end of the third quarter of the current consolidated fiscal year increased by ¥70 million from the end of the previous consolidated fiscal year to ¥84,206 million in an effort to reduce cash and deposits, despite a large increase in inventories and an increase in current assets such as accounts receivable - trade.

Liabilities decreased by ¥958 million from the end of the previous consolidated fiscal year to ¥58,380 million owing to the repayment of borrowings by reducing cash and deposits.

Net assets increased by ¥1,029 million from the end of the previous consolidated fiscal year to ¥25,826 million owing to a large increase in foreign currency translation adjustment attributable to the weak yen as well as the recording of profit attributable to owners of parent.

(3) Performance Forecasts

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

2. Quarterly Consolidated Financial Statements

(1) Balance Sheet

(Millions of yen, rounded down)

	Fiscal 2020 (March 31, 2021)	Fiscal 2021–First 3 quarters (December 31, 2021)
ASSETS		
Current assets		
Cash and deposits	6,104	4,588
Notes and accounts receivable - trade	14,179	–
Notes and accounts receivable - trade, and contract assets	–	14,551
Merchandise and finished goods	6,498	6,562
Work in process	4,568	4,938
Raw materials and supplies	4,283	4,691
Other	1,193	1,883
Allowance for doubtful accounts	-17	-18
Total current assets	36,811	37,197
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	6,890	6,612
Machinery, equipment and vehicles, net	6,136	6,060
Land	18,451	18,438
Construction in progress	323	331
Other, net	1,804	1,594
Total property, plant and equipment	33,606	33,037
Intangible assets	563	473
Investments and other assets		
Investment securities	6,395	6,141
Retirement benefit asset	504	709
Deferred tax assets	2,721	2,726
Other	3,599	3,982
Allowance for doubtful accounts	-65	-60
Total investments and other assets	13,154	13,498
Total non-current assets	47,324	47,009
Total assets	84,135	84,206

(Millions of yen, rounded down)

	Fiscal 2020 (March 31, 2021)	Fiscal 2021–First 3 quarters (December 31, 2021)
LIABILITIES		
Current liabilities		
Notes and accounts payable - trade	12,003	12,267
Short-term borrowings	5,099	5,817
Accrued expenses	2,184	2,373
Provision for bonuses	857	470
Other	5,976	6,432
Total current liabilities	26,120	27,360
Non-current liabilities		
Long-term borrowings	22,067	20,313
Deferred tax liabilities for land revaluation	3,922	3,922
Retirement benefit liability	4,298	4,121
Other	2,929	2,661
Total non-current liabilities	33,218	31,019
Total liabilities	59,338	58,380
NET ASSETS		
Shareholders' equity		
Share capital	1,000	1,000
Capital surplus	1,070	1,070
Retained earnings	12,343	12,968
Treasury shares	-313	-283
Total shareholders' equity	14,100	14,755
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	953	725
Deferred gains or losses on hedges	22	6
Revaluation reserve for land	9,063	9,063
Foreign currency translation adjustment	-277	474
Remeasurements of defined benefit plans	-539	-426
Total accumulated other comprehensive income	9,222	9,844
Non-controlling interests	1,474	1,226
Total net assets	24,796	25,826
Total liabilities and net assets	84,135	84,206

(2) Statement of Income and Statement of Comprehensive Income

Statement of income

Fiscal 2021–First 3 quarters

(Millions of yen, rounded down)

	Fiscal 2020–First 3 quarters (April 1–December 31, 2020)	Fiscal 2021–First 3 quarters (April 1–December 31, 2021)
Net sales	40,773	45,650
Cost of sales	33,497	36,981
Gross profit	7,276	8,669
Selling, general and administrative expenses	7,583	7,901
Operating income (loss)	-306	767
Non-operating income		
Interest income	9	9
Dividend income	139	193
Gain on receipt of donated non-current assets	42	–
Share of profit of entities accounted for using equity method	43	98
Subsidies for employment adjustment	97	–
Other	181	320
Total non-operating income	514	621
Non-operating expenses		
Interest expenses	225	207
Foreign exchange losses	150	–
Commission expenses	211	–
Other	176	161
Total non-operating expenses	763	369
Ordinary income (loss)	-556	1,019
Extraordinary income		
Subsidies for employment adjustment	39	–
Total extraordinary income	39	–
Extraordinary losses		
Loss due to COVID-19	138	–
Impairment losses	15	242
Loss on valuation of investment securities	–	1
Loss on liquidation of subsidiaries and associates	138	–
Other	–	0
Total extraordinary losses	292	244
Income (loss) before income taxes	-808	775
Income taxes	75	413
Profit (loss)	-883	361
Profit (loss) attributable to non-controlling interests	-323	-256
Profit (loss) attributable to owners of parent	-560	618

Statement of Comprehensive Income

Fiscal 2021–First 3 quarters

(Millions of yen, rounded down)

	Fiscal 2020–First 3 quarters (April 1–December 31, 2020)	Fiscal 2021–First 3 quarters (April 1–December 31, 2021)
Profit (loss)	-883	361
Other comprehensive income		
Valuation difference on available-for-sale securities	584	-227
Deferred gains or losses on hedges	12	-15
Foreign currency translation adjustment	272	546
Remeasurements of defined benefit plans, net of tax	111	122
Share of other comprehensive income of entities accounted for using equity method	-26	205
Total other comprehensive income	954	630
Comprehensive income	71	992
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	386	1,240
Comprehensive income attributable to non-controlling interests	-315	-247

(3) 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 third 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 the 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 the revenue recognition accounting standard, etc. follows the transitional treatment stipulated in the proviso of paragraph 84 of the 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 third quarter of the current consolidated cumulative period decreased to ¥743 million and ¥789 million, respectively, and operating income, ordinary income and income before income taxes each increased by ¥46 million. The balance of retained earnings at the beginning of the current fiscal year increased by ¥6 million.

Owing to the application of the 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 the 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 on a breakdown of revenues from contracts with customers for the third 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 market value 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 3 quarters (April 1–December 31, 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	19,147	5,421	10,319	2,303	3,582	40,773	-	40,773
Intersegment sales or transfers	113	123	12	64	342	655	-655	-
Total	19,260	5,544	10,331	2,367	3,925	41,429	-655	40,773
Segment profit (loss)	838	-938	-657	18	430	-306	-	-306

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

II. Fiscal 2021–First 3 quarters (April 1–December 31, 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	18,312	6,425	12,999	3,148	4,764	45,650	-	45,650
Intersegment sales or transfers	134	240	6	69	502	953	-953	-
Total	18,446	6,666	13,005	3,218	5,267	46,604	-953	45,650
Segment profit (loss)	595	-700	79	361	431	767	-	767

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

(Significant impairment losses on non-current assets)
In the Wire Rope and Product Development business segments, for idle assets that are no longer expected to be used in the future and asset groups for which loss arising from operating activities is expected to be continued, the Company reduced their book value to the recoverable value, and impairment losses of ¥19 million in the Wire Rope business and ¥223 million in the Product Development business are recorded in extraordinary losses.

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 third quarter of the current consolidated cumulative period, net sales of the Wire Rope business decreased by ¥1,353 million, net sales of the Product Development business increased by ¥563 million and its segment income increased by ¥46 million, net sales of the Industrial Machinery business increased by ¥45 million, and net sales of the Energy & Real Estate business decreased by ¥1 million.