



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

August 11, 2021

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 Stock code number: 5981 URL <http://www.tokyorope.co.jp/>
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Supplementary financial materials prepared : None

Financial results information meeting held : None

(Amounts less than 1 million yen rounded down)

1. Fiscal 2021-First quarter (April 1–June 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 quarter	14,055	12.7	67	—	168	—	154	—
Fiscal 2020-First quarter	12,476	-15.0	-555	—	-649	—	-525	—

Note: Comprehensive income Fiscal 2021-First quarter ¥1,062 million (-%) Fiscal 2020-First quarter ¥-641 million (-%)

	Earnings per share	
	Yen	Yen
Fiscal 2021-First quarter:	9.60	—
Fiscal 2020-First quarter:	-32.63	—

(2) Financial position

	Total assets	Net assets	Equity ratio
Fiscal 2021-First quarter	84,028	25,865	29.1%
Fiscal 2020	84,135	24,796	27.7%

Note: Equity capital at term end Fiscal 2021-First quarter ¥24,471 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	—	—	—	—	—
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 quarter	16,268,242 shares	Fiscal 2020	16,268,242 shares
Fiscal 2021-1st quarter	159,430 shares	Fiscal 2020	159,226 shares
Fiscal 2021-1st quarter	16,108,916 shares	Fiscal 2020-1st quarter	16,108,761 shares

Note: Treasury shares that are deducted when calculating the number of treasury stocks outstanding at the end of Fiscal 2020 and the average number of shares over the year include shares of the Company owned by Board Benefit Trust (Fiscal 2021 1Q: 144,600 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 2 for information on preconditions underlying the above forecasts and other related information.

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1. Performance and Financial Position

(1) Business Results

Net sales of the Tokyo Rope Group for the first quarter of the current consolidated cumulative period were ¥14,055 million (up 12.7% 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, despite the ongoing impact of COVID-19.

In terms of profits, operating income was ¥67 million (operating loss of ¥555 million in the same period of the previous year), ordinary income was ¥168 million (ordinary loss of ¥649 million in the same period of the previous year), and net income attributable to owners of parent was ¥154 million (net loss attributable to owners of parent of ¥525 million in the same period of the previous year), due to a major improvement from the same period of the previous year when temporary closures were implemented after sharp decreases in demand caused by the impact of COVID-19, and the impact of the delay in safety facility construction carried over from 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 machinery-related products, net sales decreased owing 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 ¥6,150 million (down 1.3% year-on-year) and operating income was ¥315 million (up 23.6% year-on-year).

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 ¥2,033 million (up 44.7% year-on-year), and the operating loss was reduced to ¥230 million (operating loss of ¥548 million in the same period of the previous year).

Product Development

Net sales for this segment were ¥3,566 million (up 17.2% year-on-year) and operating loss was ¥213 million (operating loss of ¥387 million in the same period of the previous year), mainly due to the delay in construction projects for safety facilities carried over from the previous year caused by the impact of COVID-19 and snowfall, the acceleration of some projects, and an increase in overseas CFCC business sales.

Industrial Machinery

In the powder metallurgy-related business, sales increased owing to a recovery in the automobile industry, to which major customers belong. Net sales for this segment were ¥922 million (up 36.0% year-on-year), and operating income was ¥65 million (operating loss of ¥22 million in the same period of the previous year).

Energy Real Estate

Although net sales for this segment increased significantly to ¥1,382 million (up 23.6% year-on-year) owing to an increase in sales of petroleum products caused by higher crude oil prices, operating income was ¥130 million (down 11.1% year-on-year) due to an increase in operating expenses for commercial facilities.

(2) Financial Position

Assets, Liabilities and Net Assets

Total assets at the end of the first quarter of the current consolidated fiscal year decreased by ¥107 million from the end of the previous consolidated fiscal year to ¥84,028 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 ¥1,175 million from the end of the previous consolidated fiscal year to ¥58,162 million owing to the repayment of borrowings using funds collected from accounts receivable-trade.

Net assets increased by ¥1,068 million from the end of the previous consolidated fiscal year to ¥25,865 million owing to a large increase in accumulated other comprehensive income, including valuation difference on available-for-sale securities and foreign currency translation adjustment.

(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 quarter (June 30, 2021)
ASSETS		
Current assets		
Cash and deposits	6,104	6,351
Notes and accounts receivable - trade	14,179	-
Notes and accounts receivable - trade, and contract assets	-	12,488
Merchandise and finished goods	6,498	6,691
Work in process	4,568	4,535
Raw materials and supplies	4,283	4,292
Other	1,193	1,773
Allowance for doubtful accounts	-17	-17
Total current assets	36,811	36,115
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	6,890	6,894
Machinery, equipment and vehicles, net	6,136	6,119
Land	18,451	18,456
Construction in progress	323	465
Other, net	1,804	1,729
Total property, plant and equipment	33,606	33,665
Intangible assets	563	541
Investments and other assets		
Investment securities	6,395	6,849
Retirement benefit asset	504	565
Deferred tax assets	2,721	2,622
Other	3,599	3,739
Allowance for doubtful accounts	-65	-71
Total investments and other assets	13,154	13,706
Total non-current assets	47,324	47,913
Total assets	84,135	84,028

(Millions of yen, rounded down)

	Fiscal 2020 (March 31, 2021)	Fiscal 2021-First quarter (June 30, 2021)
LIABILITIES		
Current liabilities		
Notes and accounts payable - trade	12,003	10,872
Short-term borrowings	5,099	4,349
Accrued expenses	2,184	2,255
Provision for bonuses	857	1,305
Other	5,976	6,786
Total current liabilities	26,120	25,569
Non-current liabilities		
Long-term borrowings	22,067	21,626
Deferred tax liabilities for land revaluation	3,922	3,922
Retirement benefit liability	4,298	4,213
Other	2,929	2,831
Total non-current liabilities	33,218	32,593
Total liabilities	59,338	58,162
NET ASSETS		
Shareholders' equity		
Share capital	1,000	1,000
Capital surplus	1,070	1,070
Retained earnings	12,343	12,504
Treasury shares	-313	-313
Total shareholders' equity	14,100	14,260
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	953	1,316
Deferred gains or losses on hedges	22	7
Revaluation reserve for land	9,063	9,063
Foreign currency translation adjustment	-277	325
Remeasurements of defined benefit plans	-539	-501
Total accumulated other comprehensive income	9,222	10,210
Non-controlling interests	1,474	1,394
Total net assets	24,796	25,865
Total liabilities and net assets	84,135	84,028

(2) Statement of Income and Statement of Comprehensive Income

Statement of income

Fiscal 2021-First quarter

(Millions of yen, rounded down)

	Fiscal 2020-First quarter (April 1–June 30, 2020)	Fiscal 2021-First quarter (April 1–June 30, 2021)
Net sales	12,476	14,055
Cost of sales	10,549	11,412
Gross profit	1,926	2,643
Selling, general and administrative expenses	2,482	2,576
Operating income (loss)	-555	67
Non-operating income		
Interest income	5	4
Dividend income	66	88
Gain on receipt of donated non-current assets	40	–
Foreign exchange gains	–	51
Share of profit of entities accounted for using equity method	–	25
Other	51	68
Total non-operating income	163	239
Non-operating expenses		
Interest expenses	76	69
Foreign exchange losses	138	–
Share of loss of entities accounted for using equity method	3	–
Other	38	67
Total non-operating expenses	257	137
Ordinary income (loss)	-649	168
Extraordinary income		
Subsidies for employment adjustment	39	–
Total extraordinary income	39	–
Extraordinary losses		
Loss due to COVID-19	138	–
Impairment losses	–	9
Loss on valuation of investment securities	–	1
Total extraordinary losses	138	10
Income (loss) before income taxes	-747	157
Income taxes	-15	86
Profit (loss)	-732	71
Profit (loss) attributable to non-controlling interests	-206	-83
Profit (loss) attributable to owners of parent	-525	154

Statement of Comprehensive Income

Fiscal 2021-First quarter

(Millions of yen, rounded down)

	Fiscal 2020-First quarter (April 1–June 30, 2020)	Fiscal 2021-First quarter (April 1–June 30, 2021)
Profit (loss)	-732	71
Other comprehensive income		
Valuation difference on available-for-sale securities	270	362
Deferred gains or losses on hedges	-10	-14
Foreign currency translation adjustment	-148	463
Remeasurements of defined benefit plans, net of tax	37	41
Share of other comprehensive income of entities accounted for using equity method	△57	138
Total other comprehensive income	90	991
Comprehensive income	-641	1,062
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	-437	1,142
Comprehensive income attributable to non-controlling interests	-204	-80

(3) Notes on 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 first quarter under review.

Changes in Accounting Policy

Application of accounting standards for revenue recognition

“Accounting standards for revenue recognition” (ASBJ Statement No. 29, March 31, 2020, hereinafter referred to as “revenue recognition accounting standards”), etc. are applied from the beginning of the first quarter under review, 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 standards 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 standards, etc. follows the transitional treatment stipulated in the proviso of paragraph 84 of revenue recognition accounting standards. 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 first quarter under review.

As a result, net sales and the cost of sales for the first quarter of the current consolidated cumulative period decreased to ¥136 million and ¥127 million, respectively, and operating income, ordinary income and income before income taxes increased by ¥8 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 standards, “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 standards, 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 Standards for Quarterly Financial Statements” (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 first quarter of the previous consolidated fiscal year.

Adoption of Accounting Standard for Calculation of Fair Value

"Accounting Standard for Calculation of Fair Value" (ASBJ Statement No. 30, July 4, 2019, hereinafter referred to as "market value accounting standards"), etc. will be applied from the beginning of the first quarter under review, and a new accounting policy determined by the market value calculation accounting standard, etc. will be applied in the future in accordance with the transitional treatment prescribed in Section 19 of the market value calculation accounting standard and "Accounting standards 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

Segment Information

I. Fiscal 2020-First quarter (April 1–June 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	6,231	1,405	3,041	678	1,118	12,476	–	12,476
Intersegment sales or transfers	56	45	6	22	99	230	-230	–
Total	6,288	1,450	3,048	701	1,218	12,707	-230	12,476
Segment income (loss)	254	-548	-387	-22	146	-555	–	-555

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

II. Fiscal 2021-First quarter (April 1–June 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	6,150	2,033	3,566	922	1,382	14,055	–	14,055
Intersegment sales or transfers	21	74	0	21	145	263	-263	–
Total	6,172	2,107	3,566	944	1,527	14,318	-263	14,055
Segment income (loss)	315	-230	-213	65	130	67	–	67

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 due to their immateriality.

3. Changes in Reporting Segments

As stated in Changes in Accounting Policies, the Company adopted revenue recognition accounting standards, etc. from the beginning of the first quarter under review, 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 first quarter of the current consolidated cumulative period, net sales of the Wire Rope business decreased by ¥425 million, net sales of the Product Development business increased by ¥276 million and its segment loss decreased by ¥8 million, net sales of the Industrial Machinery business increased by ¥14 million, and net sales of the Energy Real Estate business decreased by ¥1 million.