



Consolidated Financial Results for the First 2 Quarters of the Fiscal Year 2020 [Japanese GAAP]

November 13, 2020

Name: Tokyo Rope Manufacturing 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: November 13, 2020 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 2020–First 2 Quarters (April 1–September 30, 2020)

(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 2020–First 2 quarters	25,588	-17.4	-867	-	-851	-	-749	-
Fiscal 2019–First 2 quarters	30,979	4.1	-67	-	11	-	-491	-

Note: Comprehensive income Fiscal 2020–First 2 quarters: ¥-448 million (-%) Fiscal 2019–First 2 quarters: ¥-817 million (-%)

	Earnings per share	Earnings per share (fully diluted)
	Yen	Yen
Fiscal 2020–First 2 quarters	-46.50	-
Fiscal 2019–First 2 quarters	-30.47	-

(2) Financial Position

(Millions of yen)

	Total assets	Net assets	Equity ratio
			%
Fiscal 2020–First 2 quarters	82,316	21,825	24.6
Fiscal 2019	85,019	21,819	24.0

Note: Equity capital at term end Fiscal 2020–First 2 quarters: ¥20,289 million Fiscal 2019: ¥20,423 million

2. Cash Dividend

	Cash dividend per share				
	1st quarter	2nd quarter	3rd quarter	Year-end	Full year
	Yen	Yen	Yen	Yen	Yen
Fiscal 2019	-	0.00	-	0.00	0.00
Fiscal 2020	-	0.00	-	-	-
Fiscal 2020 (est.)	-	-	-	-	-

Note: Revision of latest cash dividend forecast in review : Yes

The interim dividend for the fiscal year ending March 2021 will not be paid, and the year-end dividend forecast has not been decided.

3. Forecast for Consolidated Fiscal 2020 (April 1, 2020–March 31, 2021)

The consolidated earnings forecast for the fiscal year ending March 2021 remains to be determined. This is because it is difficult to reasonably calculate the impact of the COVID-19 pandemic at this stage. However, there are signs of recovery from the stagnation of economic activities due to COVID-19, and it is expected that the business performance will improve in the second half accordingly. We will announce earnings forecasts promptly as soon as it becomes possible to estimate.

*Notes

- (1) Changes in important subsidiaries during the period (changes in specific subsidiaries due to change in scope of consolidation) : Yes
 Newly consolidated – (Company name), Excluded 2 (Company name) Tokyo Rope Overseas Business Investment Co., Ltd.
 Tokyo Rope (Changzhou) Co., Ltd
- (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 : None
 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)	Fiscal 2020– 1st 2 quarters	16,268,242 shares	Fiscal 2019	16,268,242 shares
2. Number of treasury shares outstanding	Fiscal 2020– 1st 2 quarters	157,669 shares	Fiscal 2019	159,482 shares
3. Average number of shares over period	Fiscal 2020– 1st 2 quarters	16,109,477 shares	Fiscal 2019– 1st 2 quarters	16,119,397 shares

Note: Treasury shares that are deducted when calculating the number of treasury shares outstanding at the end of Fiscal 2019 and the average number of shares over the year includes shares of the Company owned by the Board Benefit Trust (Fiscal 2020 2Q: 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

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 due to various factors. Please refer to “(3) Performance Forecasts” on page 3 for information on preconditions underlying the above forecasts and other related information.

2. The Company plans to hold a livestream of information sessions for institutional investors on November 27, 2020. The video image and explanation (voice) will be posted on our website later along with the financial results briefing materials used on the day.

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1. Performance and Financial Position

(1) Business Results

Net sales of the Group for the current second quarter of the consolidated cumulative period were ¥25,588 million (down 17.4% year-on-year). Although the decline in demand due to the effects of the COVID-19 outbreak has bottomed out and the domestic business is on a recovery trend, automobile-related products such as tire cords dropped sharply during the first quarter of the consolidated fiscal year, and the amount of petroleum sales declined in line with the fall in crude oil prices.

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In terms of profits, we took a leave of absence using the employment adjustment subsidy system and worked to reduce sundry expenses, in response to the decrease in demand due to COVID-19. However, the operating loss was ¥867 million (¥67 million in the same period of the previous year), ordinary loss was ¥851 million (ordinary income of ¥11 million in the same period of the previous year), and net loss attributable to owners of parent was ¥749 million (net loss of ¥491 million in the same period of the previous year) due to the effects of the decrease in sales of tire cords, demand for which decreased significantly, also causing the deterioration of factory productivity due to the decrease in production, and the delay in the construction of road safety facilities.

During the second quarter of the consolidated accounting period, the Company's subsidiary Tokyo Rope Overseas Business Investment Co., Ltd. and its wholly-owned subsidiary Tokyo Rope (Changzhou) Co., Ltd. have been transferred to Dalian Guangshen Enterprise Group Co., Ltd. in China. As a result of the completion of the transfer of the company, the gain on sale due to the transfer and the amount of reversal of the foreign currency translation adjustment due to the exclusion of consolidation are recorded as an extraordinary loss of ¥138 million as a "loss on liquidation of subsidiaries and associates."

Results by business segment of the Group were as follows.

As stated in "2. Quarterly Consolidated Financial Statements (4) Notes on Consolidated Financial Statements (Segment Information)," the reporting segment has been changed from the first quarter of the current fiscal year.

In the following year-on-year comparisons, the figures for the same period of the previous year have been reclassified into the changed segment for comparison.

Wire Rope

Due to the impact of COVID-19, domestic demand for wire ropes was sluggish, mainly in the machinery, fisheries and construction machinery-related industries, therefore resulting in net sales of ¥12,521 million (down 11.1% year-on-year) and operating income of ¥534 million (down 17.0% year-on-year).

Steel Cord

Although the impact of COVID-19 in the automobile industry has bottomed out and business is on a recovery trend, orders for tire cords fell sharply in the first quarter. As a result, net sales for this segment were ¥3,342 million (down 34.9% year-on-year) and operating loss was ¥868 million (operating loss of ¥715 million in the same period of the previous year).

Product Development

Although there were partial sales of bridge projects for overseas markets, the impact of COVID-19, such as delays in the construction of road safety facilities, caused net sales for this business to be ¥6,031 million (down 8.5% year-on-year), and the operating loss to be ¥763 million (operating loss of ¥478 million in the same period of the previous year).

Industrial Machinery

While large-scale spot sales were recorded in the previous fiscal year, both sales and profits decreased significantly in the current fiscal year due to the slump in carbide products for automobiles. Net sales for this segment were ¥1,455 million (down 36.8% year-on-year), and operating loss was ¥41 million (operating income of ¥221 million in the same period of the previous year).

Energy Real Estate

Net sales for this segment decreased significantly to ¥2,237 million (down 21.9% year-on-year) due to a decrease in petroleum sales impacted by lower crude oil prices. However, in terms of profits, operating income was ¥270 million (up 3.8% year-on-year) thanks to the decrease in operating costs for commercial facilities.

(2) Financial Position

Assets, Liabilities and Net Assets

Total assets at the end of the second quarter of the current consolidated fiscal year decreased by ¥2,703 million from the end of the previous consolidated fiscal year to ¥82,316 million. This is due to the annual trend of increasing inventories and decreasing trade receivables, as well as a decrease in trade receivables due to the effects of COVID-19.

Liability decreased by ¥2,709 million from the end of the previous consolidated fiscal year to ¥60,490 million. This is due to a decrease in trade payable caused by the decline in capacity utilization in response to COVID-19 prevention and the decline in demand.

Net assets increased by ¥5 million from the end of the previous consolidated fiscal year to ¥21,825 million, despite a quarterly net loss. This is because non-controlling interests increased due to the capital increase through third-party allotment of subsidiaries.

Cash Flows

Cash and cash equivalents at the end of the second quarter of the current consolidated fiscal year increased by ¥46 million from the end of the previous consolidated fiscal year to ¥6,305 million.

Cash flows from operating activities produced an inflow of ¥214 million due to the impact of depreciation and other factors, although a net loss before income taxes and other adjustments was recorded.

Cash flows from investing activities produced an outflow of ¥181 million due to the acquisition of tangible fixed assets, although income from the sale of the China steel cord business base was recorded.

Cash flows from financing activities produced an inflow of ¥12 million due to a capital increase through third-party allotment of a subsidiary.

(3) Performance Forecasts

Regarding the consolidated earnings forecast for the fiscal year ending March 2021, a reasonable recovery is expected in the second half of the year. The reason is that there are some signs of recovery of some automobile-related products from the stagnation of economic activity due to COVID-19, and it is expected that the delayed domestic construction will progress in the future, and the transfer of the sluggish China steel cord business was completed within the first half of the year. However, the forecast remains to be determined, as it is difficult to calculate the impact on major segments at this stage because the outlook remains uncertain due to worldwide concerns about the spread of infection. We will announce earnings forecasts promptly as soon as it becomes possible to estimate.

2. Quarterly Consolidated Financial Statements

(1) Balance Sheet

(Millions of yen, rounded down)

	Fiscal 2019 (March 31, 2020)	Fiscal 2020—First 2 quarters (September 30, 2020)
ASSETS		
Current assets		
Cash and bank deposits	6,282	6,323
Notes and accounts receivable	14,810	11,382
Merchandise and finished goods	6,678	6,919
Work in process	5,360	5,976
Raw materials and supplies	4,557	4,551
Other	1,312	1,285
Allowance for doubtful accounts	-18	-17
Total current assets	38,983	36,421
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	7,395	7,166
Machinery, equipment and vehicles, net	6,170	5,999
Land	18,286	18,330
Construction in progress	554	686
Other, net	2,133	1,955
Total property, plant and equipment	34,540	34,138
Intangible assets	702	650
Investments and other assets		
Investment securities	4,625	4,877
Retirement benefit asset	257	360
Deferred tax assets	2,424	2,457
Other	3,778	3,488
Allowance for doubtful accounts	-292	-78
Total investments and other assets	10,793	11,105
Total non-current assets	46,035	45,895
Total assets	85,019	82,316

(Millions of yen, rounded down)

	Fiscal 2019 (March 31, 2020)	Fiscal 2020—First 2 quarters (September 30, 2020)
LIABILITIES		
Current liabilities		
Notes and accounts payable - trade	12,182	10,822
Short-term borrowings	16,482	15,607
Accrued expenses	2,365	2,197
Provision for bonuses	878	834
Other	6,088	5,658
Total current liabilities	37,997	35,121
Non-current liabilities		
Long-term borrowings	13,450	14,041
Deferred tax liabilities for land revaluation	3,922	3,922
Retirement benefit liability	4,745	4,552
Other	3,084	2,853
Total non-current liabilities	25,202	25,369
Total Liabilities	63,200	60,490
NET ASSETS		
Shareholders' equity		
Share capital	1,000	1,000
Capital surplus	1,070	1,070
Retained earnings	11,606	10,857
Treasury shares	-315	-311
Total shareholders' equity	13,361	12,616
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	-788	-626
Deferred gains or losses on hedges	-0	3
Revaluation reserve for land	9,063	9,063
Foreign currency translation adjustment	-415	-40
Remeasurements of defined benefit plans	-795	-726
Total accumulated other comprehensive income	7,062	7,672
Non-controlling interests	1,395	1,536
Total net assets	21,819	21,825
Total liabilities and net assets	85,019	82,316

(2) Statements of Income and Statements of Comprehensive Income

Statement of Income

Fiscal 2020–First 2quarters

(Millions of yen, rounded down)

	Fiscal 2019–First 2quarters (April 1–September 30, 2019)	Fiscal 2020–First 2quarters (April 1–September 30, 2020)
Net sales	30,979	25,588
Cost of sales	25,559	21,407
Gross profit	5,419	4,180
Selling, general and administrative expenses	5,487	5,048
Operating income (loss)	-67	-867
Non-operating income		
Interest income	17	7
Dividend income	136	99
Gain on donation of non-current assets	–	45
Share of profit of entities accounted for using equity method	120	–
Subsidies for employment adjustment	–	75
Other	121	106
Non-operating income	396	334
Non-operating expenses		
Interest expenses	136	151
Foreign exchange losses	53	87
Other	127	79
Non-operating expenses	317	318
Ordinary profit (loss)	11	-851
Extraordinary income		
Subsidies for employment adjustment	–	39
Gain on sales of investment securities	60	–
Total extraordinary income	60	39
Extraordinary losses		
Loss due to COVID-19	–	138
Loss on valuation of investment securities	289	–
Loss on liquidation of subsidiaries and associates	–	138
Other	25	–
Total extraordinary losses	314	276
Income (loss) before income taxes	-242	-1,088
Income taxes	248	-25
Profit (loss)	-491	-1,063
Profit (loss) attributable to non-controlling interests	–	-314
Profit (loss) attributable to owners of parent	-491	-749

Statements of Comprehensive Income

Fiscal 2020–First 2quarters

(Millions of yen, rounded down)

	Fiscal 2019–First 2quarters (April 1–September 30, 2019)	Fiscal 2020–First 2quarters (April 1–September 30, 2020)
Profit (loss)	-491	-1,063
Other comprehensive income		
Valuation difference on available-for-sale securities	-207	162
Deferred gains or losses on hedges	-0	3
Foreign currency translation adjustment	-192	445
Remeasurements of defined benefit plans, net of tax	128	74
Share of other comprehensive income of entities accounted for using equity method	-55	-69
Total other comprehensive income	-326	615
Comprehensive income	-817	-448
Profit attributable to		
Comprehensive income attributable to owners of the parent	-817	-139
Comprehensive income attributable to non-controlling interests	–	-309

(3) Statements of Cash Flows

(Millions of yen, rounded down)

	Fiscal 2019–First 2quarters (April 1–September 30, 2019)	Fiscal 2020–First 2quarters (April 1–September 30, 2020)
Cash flows from operating activities		
Income (loss) before income taxes	-242	-1,088
Depreciation	1,237	1,165
Increase (decrease) in provision for bonuses	69	-44
Increase (decrease) in retirement benefit liability	2	-85
Interest expenses	136	151
Interest and dividend income	-154	-107
Loss (gain) on sales of investment securities	-50	–
Subsidies for employment adjustment	–	-114
Decrease (increase) in trade receivables	-133	3,310
Decrease (increase) in inventories	-767	-1,598
Increase (decrease) in trade payables	103	-1,537
Loss (gain) on valuation of investment securities	289	–
Increase (decrease) in advances received	-20	327
Increase (decrease) in accrued consumption taxes	-135	-258
Other	-96	121
Subtotal	237	241
Interest and dividends received	153	196
Interest paid	-138	-153
Proceeds from subsidies for employment adjustment	–	103
Payments associated with disaster loss	-137	–
Payments of retirement benefits for directors (and other officers)	-2	–
Income taxes paid	-156	-174
Cash flows from operating activities	-43	214
Cash flows from investing activities		
Purchase of investment securities	-9	-7
Proceeds from sales of investment securities	491	–
Loan advances	-3	-1
Collection of loans receivable	9	11
Purchase of property, plant and equipment	-1,407	-1,243
Proceeds from sales of property, plant and equipment	41	1
Purchase of shares of subsidiaries and associates	–	-179
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	–	1,316
Other	-195	-80
Cash flows from investing activities	-1,073	-181
Cash flows from financing activities		
Repayments of installment payables	-140	-122
Net increase (decrease) in short-term borrowings	-2,387	-121
Proceeds from long-term borrowings	8,400	1,090
Repayments of long-term borrowings	-3,323	-1,253
Dividends paid	-645	-0
Proceeds from sales of treasury shares	2	4
Purchase of treasury shares	-15	-0
Proceeds from share issuance to non-controlling shareholders	1,000	450
Other	-23	-33
Cash flows from financing activities	2,866	12

(Millions of yen, rounded down)

	Fiscal 2019—First 2quarters (April 1–September 30, 2019)	Fiscal 2020—First 2quarters (April 1–September 30, 2020)
Effect of exchange rate change on cash and cash equivalents	66	0
Net increase (decrease) in cash and cash equivalents	1,816	46
Cash and cash equivalents at beginning of term	3,308	6,259
Cash and cash equivalents at end of term	5,124	6,305

(4) 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 a method whereby income tax is calculated by multiplying quarterly profit before income tax by reasonably estimating the effective tax rate subsequent to the application of tax effect accounting to the profit before income tax for the consolidated fiscal year, including the second quarter under review.

Segment Information

Segment Information

I. Fiscal 2019—First 2 quarters (April 1–September 30, 2019)

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	14,085	5,131	6,593	2,304	2,864	30,979	–	30,979
Intersegment sales or transfers	140	89	4	56	369	661	-661	–
Total	14,226	5,221	6,597	2,360	3,234	31,640	-661	30,979
Segment income (loss)	643	-715	-478	221	260	-67	–	-67

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

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

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

2. Changes in Reporting Segments

From the first quarter of the current consolidated fiscal year, the “industrial machinery business” and “powdered metallic products business,” which were previously included in “Other,” have been reclassified as “Industrial Machinery.” Both businesses manufacture equipment and tools for industrial machinery, have outstanding manufacturing technologies in niche fields, and are growing as businesses with diverse needs both in Japan and overseas. We are planning to innovate further market development and manufacturing technology in both segments. In addition, the “oil business” was transferred to the “Real Estate” segment, which was renamed “Energy Real Estate” segment. As this business has started handling a variety of energies and is a BtoC business, we expect synergies in terms of business strategy and marketing with the “Real Estate” business that currently operates the power generation business and commercial facilities.

The segment information for the first two quarters of the previous consolidated fiscal year is presented based on the changed classification method.