



Consolidated Financial Results for the First 3 Quarters of the Fiscal Year 2020 [Japanese GAAP]

February 10, 2021

Name: Tokyo Rope Manufacturing Co., Ltd.

Listing: Tokyo Stock Exchange

Stock code number: 5981

URL <http://www.tokyoropeco.jp/>

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Date of issue of Financial Report: February 12, 2021

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 2020-First 3 Quarters (April 1–December 31, 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	
	million yen	%	million yen	%	million yen	%	million yen	%
Fiscal 2020–First 3 quarters	40,773	-12.1	-306	-	-556	-	-560	-
Fiscal 2019–First 3 quarters	46,392	-0.4	-154	-	-106	-	-202	-

Note: Comprehensive income Fiscal 2020–First 3 quarters ¥71 million (-%) Fiscal 2019–First 3 quarters ¥-779 million (-%)

	Earnings per share	Earnings per share (fully diluted)
	Yen	Yen
Fiscal 2020–First 3 quarters	-34.78	-
Fiscal 2019–First 3 quarters	-12.56	-

(2) Financial Position

(Millions of yen)

	Total assets	Net assets	Equity ratio
Fiscal 2020–First 3 quarters	83,173	22,344	25.0%
Fiscal 2019	85,019	21,819	24.0%

Note: Equity capital at term end Fiscal 2020–First 3 quarters: ¥20,814 million Fiscal 2019: ¥20,423 million

2. Cash Dividend

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

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

Please refer to “Notice concerning revisions to full-year consolidated financial forecasts and projected dividends,” announced today (February 10, 2021), concerning revisions to projected dividends.

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

(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
	million yen	%	million yen	%	million yen	%	million yen	%	Yen
Full year	58,000	-8.0	200	-37.3	100	-77.6	200	-	12.41

Note: Revision of latest consolidated forecasts in review : Yes

Please refer to “Notice concerning revisions to full-year consolidated financial forecasts and projected dividends,” announced today (February 10, 2021), concerning revisions to full-year consolidated financial forecast

*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 3 quarters	16,268,242 shares	Fiscal 2019	16,268,242 shares
2. Number of treasury shares outstanding	Fiscal 2020 – 1st 3 quarters	157,983 shares	Fiscal 2019	159,482 shares
3. Average number of shares over period	Fiscal 2020 – 1st 3 quarters	16,109,824 shares	Fiscal 2019 – 1st 3 quarters	16,115,763 shares

Note: Treasury shares that are deducted when calculating the number of treasury shares outstanding at the end of fiscal year and the average number of shares over the year includes shares of the Company owned by the Board Benefit Trust (Fiscal 2020 3Q: 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 3 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 Group for the current third quarter of the consolidated cumulative period were ¥40,773million (down 12.1% year-on-year). Although the decline in demand due to the effects of the COVID-19 outbreak in the first quarter has bottomed out in the second quarter and domestic business has been on a recovery trend, automobile-related products such as tire cords fell 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. , as.

In terms of profits, we took a leave of absence using the employment adjustment subsidy system, worked to reform our China steel cord business structure, which was completed during the first half of the year, and worked to reduce sundry expenses, in response to the decrease in demand due to COVID-19. As a result, profits for the current third quarter of the consolidated accounting period (October 1, 2020 to December 31, 2020) moved into the black and recovered to a level higher than the same period of the previous year. However, the operating loss for the current third quarter of the consolidated cumulative period was ¥306 million (operating loss of ¥154 million in the same period of the previous year), ordinary loss was ¥556 million (ordinary loss of ¥106 million in the same period of the previous year), and net loss attributable to owners of parent was ¥560 million (net loss of 202 million yen 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 in the first half of the fiscal year, the deterioration of factory productivity due to the decrease in production, and the delay in the construction of road safety facilities.

Results by business segment of the Group were as follows.

As stated in “2. Quarterly Consolidated Financial Statements (3) 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 comparison, the figures for the same period of the previous year have been reclassified to the changed segment for comparison.

Wire Rope

Due to the impact of COVID-19, domestic demand for wire rope was sluggish, mainly in the steel and construction machinery-related industries, resulting in net sales of ¥19,147 million (down 6.8% year-on-year) and operating income of ¥838 million (down 3.4% year-on-year).

Steel Cord

With the impact of COVID-19 in the automobile industry having bottomed out and winter tires performing well, orders for tire-cords have generally returned to normal. In addition, the withdrawal from the unprofitable Chinese business has been completed, and profits are on an improving trend. However, owing to the impact of a large decrease in orders in the first quarter, net sales of this business were ¥5,421 million (down 27.6% year-on-year), operating loss was ¥938 million (operating loss of ¥1,166 million in the same period of the previous year).

Product Development

Although there were partial sales of bridge projects for overseas markets, sales of wire rope-type protective fences for medians, which were strong in the previous fiscal year, also settled down, and the impact of COVID-19, such as delays in the construction of road safety facilities, caused net sales for this business to be ¥10,319 million (down 4.5% year-on-year), and the operating loss to be ¥657 million (operating loss of ¥499 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 owing to the slump in carbide products for automobiles. Net sales for this segment were ¥2,303 million (down 26.9% year-on-year), and operating income was ¥18 million (down 92.6% year-on-year).

Energy Real Estate

Net sales for this segment decreased significantly to ¥3,582 million (down 18.5% year-on-year) owing to a decrease in petroleum sales impacted by lower crude oil prices. However, in terms of profits, operating income was ¥430 million (up 11.1% year-on-year) thanks to the increase in sales amount.

(2) Financial Position

Assets, Liabilities and Net Assets

Total assets at the end of the third quarter of the current consolidated fiscal year decreased by ¥1,845 million from the end of the previous consolidated fiscal year to ¥83,173 million. This is due to a decrease in trade receivables and adjustment of the holding level of cash and deposits by the effects of COVID-19, despite an increase in inventories and investment securities.

As for liabilities, trade payable decreased owing to the decline in capacity utilization in response to COVID-19 infection prevention and the decline in demand. Short-term borrowings (long-term borrowings within one year) decreased and long-term borrowings increased owing to refinancing of long-term borrowings that matured in the third quarter of the current fiscal year. As a result, liability decreased by ¥2,370 million from the end of the previous consolidated fiscal year to ¥60,829 million.

Net assets increased by ¥525 million from the end of the previous consolidated fiscal year to ¥22,344 million, despite a quarterly net loss. This is because non-controlling interests increased owing to the increase in market value of securities held and the capital increase through third-party allotment of subsidiaries.

(3) Performance Forecasts

Regarding the consolidated earnings forecast for the fiscal year ending March 2021, the forecast had remained to be determined as it was difficult to reasonably calculate the impact at that stage because the outlook remained uncertain owing to worldwide concerns about the spread of COVID-19. We will announce earnings forecasts which we have calculated based on the information and forecasts available at this time.

In the third quarter, demand for automobile-related products such as the steel cord business, which was greatly affected by COVID-19, recovered rapidly, and domestic construction work such as the delayed disaster prevention-related business is progressing. As a result, profits for the three months of the third quarter returned to the black on a consolidated basis, and profits increased or the deficit narrowed in all segments compared to the same period of the previous year before the impact of COVID-19. In the fourth quarter, some impacts such as sluggish demand for domestic steel ropes due to COVID-19 are expected to continue. However, the production of carbon fiber cables for civil engineering for large US bridges, which was ordered in November last year, and the progress of domestic construction work are expected to be generally firm, so we expect to secure a surplus for the full year.

Although business performance has been recovering rapidly, the impact of COVID-19 on business performance in the first half of the year is significant for profit attributable to owners of the parent company, which is the source of dividends. For this reason, we regret to inform you of our forecast that we will not pay the year-end dividend for the current fiscal year, which was undecided.

2. Quarterly Consolidated Financial Statements

(1) Balance Sheet

(Millions of yen, rounded down)

	Fiscal 2019 (March 31, 2020)	Fiscal 2020–First 3 quarters (December 31, 2020)
ASSETS		
Current assets		
Cash and bank deposits	6,282	5,235
Notes and accounts receivable	14,810	12,747
Merchandise and finished goods	6,678	6,576
Work in process	5,360	6,336
Raw materials and supplies	4,557	4,668
Other	1,312	1,394
Allowance for doubtful accounts	-18	-16
Total current assets	38,983	36,943
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	7,395	7,073
Machinery, equipment and vehicles, net	6,170	6,190
Land	18,286	18,346
Construction in progress	554	546
Other, net	2,133	1,858
Total property, plant and equipment	34,540	34,015
Intangible assets	702	609
Investments and other assets		
Investment securities	4,625	5,313
Retirement benefit asset	257	431
Deferred tax assets	2,424	2,378
Other	3,778	3,563
Allowance for doubtful accounts	-292	-81
Total investments and other assets	10,793	11,605
Total non-current assets	46,035	46,230
Total assets	85,019	83,173

(Millions of yen, rounded down)

	Fiscal 2019 (March 31, 2020)	Fiscal 2020—First 3 quarters (December 31, 2020)
LIABILITIES		
Current liabilities		
Notes and accounts payable - trade	12,182	11,764
Short-term borrowings	16,482	6,487
Accrued expenses	2,365	2,211
Provision for bonuses	878	425
Other	6,088	5,880
Total current liabilities	37,997	26,769
Non-current liabilities		
Long-term borrowings	13,450	22,859
Deferred tax liabilities for land revaluation	3,922	3,922
Retirement benefit liability	4,745	4,505
Other	3,084	2,773
Total non-current liabilities	25,202	34,060
Total Liabilities	63,200	60,829
NET ASSETS		
Shareholders' equity		
Share capital	1,000	1,000
Capital surplus	1,070	1,070
Retained earnings	11,606	11,046
Treasury shares	-315	-311
Total shareholders' equity	13,361	12,804
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	-788	-204
Deferred gains or losses on hedges	-0	12
Revaluation reserve for land	9,063	9,063
Foreign currency translation adjustment	-415	-170
Remeasurements of defined benefit plans	-795	-691
Total accumulated other comprehensive income	7,062	8,009
Non-controlling interests	1,395	1,529
Total net assets	21,819	22,344
Total liabilities and net assets	85,019	83,173

(2) Statements of Income and Statements of Comprehensive Income

Statement of Income

Fiscal 2020–First 3quarters

(Millions of yen, rounded down)

	Fiscal 2019–First 3quarters (April 1–December 31, 2019)	Fiscal 2020–First 3quarters (April 1–December 31, 2020)
Net sales	46,392	40,773
Cost of sales	38,283	33,497
Gross profit	8,108	7,276
Selling, general and administrative expenses	8,263	7,583
Operating income (loss)	-154	-306
Non-operating income		
Interest income	21	9
Dividend income	173	139
Gain on donation of non-current assets	–	42
Share of profit of entities accounted for using equity method	173	43
Subsidies for employment adjustment	–	97
Other	185	181
Non-operating income	553	514
Non-operating expenses		
Interest expenses	212	225
Foreign exchange losses	77	150
Commission expenses	–	211
Other	215	176
Non-operating expenses	505	763
Ordinary profit (loss)	-106	-556
Extraordinary income		
Subsidies for employment adjustment	–	39
Gain on change in equity	160	–
Gain on sales of investment securities	60	–
Total extraordinary income	221	39
Extraordinary losses		
Loss due to COVID-19	–	138
Impairment loss	10	15
Loss on retirement of non-current assets	10	–
Loss on sales of investment securities	10	–
Loss on valuation of investment securities	0	–
Loss on liquidation of subsidiaries and associates	–	138
Other	3	–
Total extraordinary losses	36	292
Income (loss) before income taxes	78	-808
Income taxes	386	75
Profit (loss)	-307	-883
Profit (loss) attributable to non-controlling interests	-105	-323
Profit (loss) attributable to owners of parent	-202	-560

Statements of Comprehensive Income

Fiscal 2020–First 3quarters

(Millions of yen, rounded down)

	Fiscal 2019–First 3quarters (April 1–December 31, 2019)	Fiscal 2020–First 3quarters (April 1–December 31, 2020)
Profit (loss)	-307	-883
Other comprehensive income		
Valuation difference on available-for-sale securities	-290	584
Deferred gains or losses on hedges	0	12
Foreign currency translation adjustment	-218	272
Remeasurements of defined benefit plans, net of tax	193	111
Share of other comprehensive income of entities accounted for using equity method	-155	-26
Total other comprehensive income	-471	954
Comprehensive income	-779	71
Profit attributable to		
Comprehensive income attributable to owners of the parent	-678	386
Comprehensive income attributable to non-controlling interests	-100	-315

(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 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 third quarter under review.

Segment Information

Segment Information

I. Fiscal 2019—First 3 quarters (April 1–December 31, 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	20,547	7,490	10,805	3,152	4,397	46,392	–	46,392
Intersegment sales or transfers	161	144	178	85	531	1,102	-1,102	–
Total	20,708	7,635	10,983	3,237	4,929	47,494	-1,102	46,392
Segment income (loss)	868	-1,166	-499	254	387	-154	–	-154

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

II. Fiscal 2020—First 3 quarters (April 1–December 31, 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	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 income (loss)	838	-938	-657	18	430	-306	–	-306

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 three quarters of the previous consolidated fiscal year is presented based on the changed classification method.

Significant Subsequent Events

The Company resolved to express its opposition at the Board of Directors meeting held on February 4, 2021 regarding the tender offer for the Company's common stock by NIPPON STEEL CORPORATION.