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Consolidated Financial Results for the Six Months Ended September 30, 2023 [Japanese GAAP]

October 30, 2023

Company name: TERAOKA SEISAKUSHO CO.,LTD.

Stock exchange listing: Tokyo

Code number: 4987

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Scheduled date of filing quarterly securities report: November 14, 2023

Scheduled date of commencing dividend payments: -

Availability of supplementary briefing material on quarterly financial results: Yes

Schedule of quarterly financial results briefing session: No

(Amounts of less than one million yen are rounded down.)

1. Consolidated Financial Results for the Six Months Ended September 30, 2023 (April 1, 2023 to September 30, 2023)

(1) Consolidated Operating Results (% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ended September 30, 2023	9,170	(3.5)	(581)	-	(201)	-	325	-
September 30, 2022	9,503	(12.8)	(805)	-	(487)	-	(346)	-

(Note) Comprehensive income: Six months ended September 30, 2023: ¥ 768 million [381.1%]
Six months ended September 30, 2022: ¥ 159 million [218.6%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended September 30, 2023	12.87	-
September 30, 2022	(13.69)	-

(2) Consolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio
	Millions of yen	Millions of yen	%
As of September 30, 2023	32,502	26,400	81.2
March 31, 2023	32,630	25,708	78.8

(Reference) Equity: As of September 30, 2023: ¥ 26,400 million
As of March 31, 2023: ¥ 25,708 million

2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2023	-	3.00	-	3.00	6.00
Fiscal year ending March 31, 2024	-	0.00			
Fiscal year ending March 31, 2024 (Forecast)			-	0.00	0.00

(Note) Revision to the forecast for dividends announced most recently: Yes

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2024(April 1, 2023 to March 31, 2024)

(% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	21,000	8.7	250	-	330	-	590	-	23.29

(Note) Revision to the financial results forecast announced most recently: No

* Notes:

(1) Changes in significant subsidiaries during the six months ended September 30, 2023

(changes in specified subsidiaries resulting in changes in scope of consolidation): No

New - (Company name:)
 Exclusion: - (Company name:)

(2) Accounting policies adopted specially for the preparation of quarterly consolidated financial statements: Yes

(3) Changes in accounting policies, changes in accounting estimates and retrospective restatement

- 1) Changes in accounting policies due to the revision of accounting standards: No
- 2) Changes in accounting policies other than 1) above: No
- 3) Changes in accounting estimates: No
- 4) Retrospective restatement: No

(4) Total number of issued shares (common shares)

1) Total number of issued shares at the end of the period (including treasury shares):

September 30, 2023: 26,687,955 shares
 March 31, 2023: 26,687,955 shares

2) Number of treasury shares at the end of the period:

September 30, 2023: 1,356,201 shares
 March 31, 2023: 1,356,004 shares

3) Average number of shares outstanding during the period:

Six months ended September 30, 2023: 25,331,815 shares
 Six months ended September 30, 2022: 25,332,011 shares

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1. Qualitative Information on Quarterly Financial Results

(1) Explanation of Operating Results

During the six months ended September 30, 2023 (from April 1, 2023 to September 30, 2023), the Japanese economy was on an improving trend in both the manufacturing and non-manufacturing sectors. In particular, the recovery in the retail and wholesale industries has been remarkable, due in part to the recovery of inbound tourism demand. However, the outlook for the manufacturing sector continues to be unpredictable due to concerns about sluggish overseas demand, rising prices, including soaring fuel prices, and the prolonged depreciation of the yen.

Meanwhile, turning our attention to the global economy, prolonged inflation and tightening financial conditions in the US and Europe are gradually slowing down the economy, while in China, one of our major markets, the sense of economic slowdown is intensified due to sluggish real estate sales, declining personal consumption, and a prolonged slump in exports.

Within the context of this business environment, the Group saw sales decrease year on year, as sales of electrical insulation and electronic equipment tapes declined significantly due to sluggish market conditions in China and prolonged inventory adjustments in the electronic components market, although sales of packing tapes and other industrial tapes were strong. On the other hand, operating loss decreased year on year due to an improvement in costs through the measures we had taken since the beginning of the fiscal year to reduce long-term immovable inventories and pass some of the increases in raw material prices to product prices. The decrease in operating loss was also due to a decrease in factory expenses and SG&A expenses, which resulted from group-wide efforts for exhaustive cost reduction. The Group, however, failed to return to profitability due to sluggish market conditions and defects in some of its products, which led to a decline in sales of electrical insulation and electronic equipment tapes.

As a result, net sales for the six months ended September 30, 2023 were 9,170 million yen (down 3.5% year on year). Operating loss was 581 million yen (operating loss of 805 million yen in the same period of the previous fiscal year). Ordinary loss was 201 million yen (ordinary loss of 487 million yen in the same period of the previous fiscal year), primarily due to foreign exchange gains of 356 million yen recorded under non-operating income as a result of the valuation of monetary claims denominated in foreign currencies amid the depreciation of the yen. Profit attributable to owners of parent was 325 million yen (loss attributable to owners of parent of 346 million yen in the same period of the previous fiscal year) due to a gain on sale of investment securities of 369 million yen and a gain on sale of non-current assets of 135 million yen.

The Group engages in the manufacture and sale of adhesive tapes. Net sales by product category are as presented below.

(Packing tapes)

As a result of the acquisition of new trade areas through new products and the spread of price increases, the category's net sales were 1,506 million yen (up 22.1% year on year).

(Electrical insulation and electronic equipment tapes)

Sales of electrical insulation and electronic equipment tapes were sluggish, mainly due to prolonged inventory adjustments in the electronic components market. As a result, the category's net sales were 4,067 million yen (down 15.6% year on year).

(Other industrial tapes)

Sales of automotive bundling tapes and steel frame masking tapes increased year on year. As a result, the category's net sales were 3,597 million yen (up 4.2% year on year).

(Reference) Sales performance

(Million yen)

Adhesive tape business by category	Six months ended September 30, 2022		Six months ended September 30, 2023		Year-on-year change	
	Net sales	Composition ratio	Net sales	Composition ratio	Net sales change	Percentage change
Packing tapes	1,233 [69]	13.0%	1,506 [204]	16.4%	272	22.1%
Electrical insulation and electronic equipment tapes	4,816 [2,610]	50.7%	4,067 [1,986]	44.4%	(749)	(15.6%)
Other industrial tapes	3,453 [100]	36.3%	3,597 [456]	39.2%	143	4.2%
Total	9,503 [2,780]	100.0%	9,170 [2,647]	100.0%	(332)	(3.5%)

(Note) Figures in brackets [] indicate overseas net sales.

(2) Explanation of Financial Position

1) Assets, Liabilities and Net Assets

Total assets at the end of the second quarter under review were 32,502 million yen, down 0.4% from the end of the previous fiscal year.

Current assets were 15,871 million yen, down 1.9% from the end of the previous fiscal year. This was primarily due to a decrease in inventories.

Non-current assets were 16,631 million yen, up 1.0% from the end of the previous fiscal year. This was primarily due to an increase in construction in progress.

Total liabilities at the end of the second quarter under review were 6,101 million yen, down 11.9% from the end of the previous fiscal year.

Current liabilities were 4,246 million yen, down 16.1% from the end of the previous fiscal year. This was primarily due to a decrease in electronically recorded obligations - operating.

Non-current liabilities were 1,855 million yen, down 0.3% from the end of the previous fiscal year. This was primarily due to a decrease in long-term borrowings.

Total net assets at the end of the second quarter under review were 26,400 million yen, up 2.7% from the end of the previous fiscal year. This was primarily due to increases in retained earnings and foreign currency translation adjustment.

As a result of the above, the capital adequacy ratio was 81.2% (78.8% at the end of the previous fiscal year).

2) Cash Flows

Cash and cash equivalents (hereinafter "cash") at the end of the second quarter under review were 5,190 million yen, up 550 million yen from the end of the previous fiscal year.

(Cash flows from operating activities)

Net cash provided by operating activities was 219 million yen (865 million yen provided in the same period of the previous fiscal year). This was primarily due to a decrease in inventories.

(Cash flows from investing activities)

Net cash provided by investing activities was 187 million yen (670 million yen used in the same period of the previous fiscal year). This was primarily due to proceeds from sale of investment securities.

(Cash flows from financing activities)

Net cash used in financing activities was 96 million yen (60 million yen used in the same period of the previous fiscal year). This was primarily due to dividends paid.

(3) Explanation of Consolidated Financial Results Forecast and Other Forward-looking Information

There is no change to the financial results forecast for the fiscal year ending March 31, 2024, which was announced on May 10, 2023. This is because an increase in sales is expected in the second half of the fiscal year due to the expansion of new products of packing tapes, which is likely to contribute to the sales in the second half of the fiscal year, and due also to the steady expansion of sales of automotive bundling tapes and steel frame masking tapes. It is also because we have strongly promoted cost reduction measures, such as an improvement in costs through the reduction of long-term immovable inventories, which we have been pushing forward since the beginning of the fiscal year, and the implementation of group-wide efforts for exhaustive cost reduction.

The financial results forecast is based on currently available information. Actual performance may differ from forecasted results due to a variety of factors going forward.

2. Quarterly Consolidated Financial Statements and Principal Notes

(1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2023	As of September 30, 2023
Assets		
Current assets		
Cash and deposits	4,820	5,387
Notes receivable - trade	1,188	753
Electronically recorded monetary claims - operating	1,684	2,127
Accounts receivable - trade	2,753	2,889
Merchandise and finished goods	2,327	1,731
Work in process	1,585	1,498
Raw materials and supplies	1,469	1,148
Other	348	340
Allowance for doubtful accounts	(7)	(7)
Total current assets	16,170	15,871
Non-current assets		
Property, plant and equipment		
Buildings and structures	15,048	15,462
Accumulated depreciation	(11,025)	(11,343)
Buildings and structures, net	4,022	4,118
Machinery, equipment and vehicles	23,063	23,637
Accumulated depreciation	(20,230)	(20,797)
Machinery, equipment and vehicles, net	2,832	2,839
Land	4,108	4,135
Leased assets	269	269
Accumulated depreciation	(112)	(121)
Leased assets, net	157	148
Construction in progress	464	883
Other	2,388	2,427
Accumulated depreciation	(2,013)	(2,104)
Other, net	374	323
Total property, plant and equipment	11,960	12,448
Intangible assets	323	298
Investments and other assets		
Investment securities	3,055	2,742
Retirement benefit asset	947	934
Other	173	206
Total investments and other assets	4,176	3,883
Total non-current assets	16,460	16,631
Total assets	32,630	32,502

(Millions of yen)

	As of March 31, 2023	As of September 30, 2023
Liabilities		
Current liabilities		
Notes and accounts payable - trade	1,047	978
Electronically recorded obligations - operating	2,563	1,903
Short-term borrowings	21	21
Lease liabilities	19	19
Income taxes payable	40	7
Accrued expenses	365	501
Other	1,002	813
Total current liabilities	5,060	4,246
Non-current liabilities		
Long-term borrowings	703	692
Lease liabilities	151	142
Deferred tax liabilities	291	287
Provision for repairs	6	8
Retirement benefit liability	64	75
Asset retirement obligations	512	512
Long-term accounts payable - other	56	56
Other	74	79
Total non-current liabilities	1,861	1,855
Total liabilities	6,922	6,101
Net assets		
Shareholders' equity		
Share capital	5,057	5,057
Capital surplus	4,643	4,643
Retained earnings	13,822	14,072
Treasury shares	(462)	(463)
Total shareholders' equity	23,060	23,310
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,252	1,283
Foreign currency translation adjustment	1,012	1,458
Remeasurements of defined benefit plans	383	347
Total accumulated other comprehensive income	2,647	3,090
Total net assets	25,708	26,400
Total liabilities and net assets	32,630	32,502

(2) Quarterly Consolidated Statements of Income and Comprehensive Income
Quarterly Consolidated Statements of Income (For the six months)

(Millions of yen)

	For the six months ended September 30, 2022	For the six months ended September 30, 2023
Net sales	9,503	9,170
Cost of sales	8,037	7,564
Gross profit	1,466	1,606
Selling, general and administrative expenses	2,272	2,188
Operating loss	(805)	(581)
Non-operating income		
Interest income	1	8
Dividend income	44	45
Foreign exchange gains	264	356
Rent revenue of real estate	27	35
Other	35	23
Total non-operating income	373	468
Non-operating expenses		
Consulting fee	-	35
Rental expenses on real estate	23	24
Cost to deal with COVID	21	-
Other	9	28
Total non-operating expenses	54	88
Ordinary loss	(487)	(201)
Extraordinary income		
Gain on sale of non-current assets	150	135
Gain on sale of investment securities	-	369
Total extraordinary income	150	504
Profit (loss) before income taxes	(336)	302
Income taxes	10	(23)
Profit (loss)	(346)	325
Profit attributable to non-controlling interests	-	-
Profit (loss) attributable to owners of parent	(346)	325

Quarterly Consolidated Statements of Comprehensive Income (For the six months)

(Millions of yen)

	For the six months ended September 30, 2022	For the six months ended September 30, 2023
Profit (loss)	(346)	325
Other comprehensive income		
Valuation difference on available-for-sale securities	(122)	31
Foreign currency translation adjustment	679	446
Remeasurements of defined benefit plans, net of tax	(50)	(36)
Total other comprehensive income	506	442
Comprehensive income	159	768
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	159	768
Comprehensive income attributable to non-controlling interests	-	-

(3) Quarterly Consolidated Statements of Cash Flows

(Millions of yen)

	For the six months ended September 30, 2022	For the six months ended September 30, 2023
Cash flows from operating activities		
Profit (loss) before income taxes	(336)	302
Depreciation	686	493
Increase (decrease) in retirement benefit liability	(71)	(28)
Interest and dividend income	(45)	(53)
Interest expenses	4	2
Foreign exchange losses (gains)	(100)	(383)
Decrease (increase) in trade receivables	1,204	(97)
Decrease (increase) in inventories	(372)	1,094
Increase (decrease) in trade payables	(304)	(783)
Loss (gain) on sale of investment securities	-	(369)
Loss (gain) on sale of non-current assets	(150)	(135)
Increase/decrease in consumption taxes payable/consumption taxes refund receivable	318	6
Other, net	159	48
Subtotal	992	97
Interest and dividends received	45	53
Interest paid	(4)	(2)
Income taxes refund (paid)	(168)	70
Net cash provided by (used in) operating activities	865	219
Cash flows from investing activities		
Purchase of property, plant and equipment	(1,407)	(682)
Proceeds from sale of property, plant and equipment	162	160
Purchase of intangible assets	-	(4)
Purchase of investment securities	(15)	(2)
Proceeds from sale of investment securities	-	716
Decrease (increase) in time deposits	590	-
Net cash provided by (used in) investing activities	(670)	187
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	85	-
Repayments of long-term borrowings	(10)	(10)
Dividends paid	(126)	(75)
Purchase of treasury shares	(0)	(0)
Other, net	(8)	(9)
Net cash provided by (used in) financing activities	(60)	(96)
Effect of exchange rate change on cash and cash equivalents	84	239
Net increase (decrease) in cash and cash equivalents	217	550
Cash and cash equivalents at beginning of period	4,813	4,640
Cash and cash equivalents at end of period	5,031	5,190

(4) Notes to Quarterly Consolidated Financial Statements

(Notes on going concern assumption)

Not applicable.

(Notes in case of significant changes in shareholders' equity)

Not applicable.

(Accounting policies adopted specially for the preparation of quarterly consolidated financial statements)

Tax expenses are calculated by reasonably estimating the effective tax rate expected to be imposed on profit before income taxes (after tax effect accounting) for the consolidated fiscal year, in which the second quarter under review is included, and multiplying this estimated effective tax rate by the quarterly profit before income taxes. However, in cases where the estimated effective tax rate cannot be used, the statutory effective tax rate is used. Income taxes – deferred is included under income taxes.