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Consolidated Financial Results for the Three Months Ended June 30, 2023 [Japanese GAAP]

July 28, 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: August 10, 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 Three Months Ended June 30, 2023 (April 1, 2023 to June 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	%
Three months ended June 30, 2023	4,594	0.8	(192)	-	97	-	493	-
June 30, 2022	4,555	(10.4)	(376)	-	(122)	-	(43)	-

(Note) Comprehensive income: Three months ended June 30, 2023: ¥ 724 million [157.9%]
Three months ended June 30, 2022: ¥ 280 million [-%]

	Basic earnings per share	Diluted earnings per share
Three months ended June 30, 2023	Yen 19.49	Yen -
June 30, 2022	(1.72)	-

(2) Consolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio
As of June 30, 2023	Millions of yen 32,615	Millions of yen 26,356	80.8%
March 31, 2023	32,630	25,708	78.8

(Reference) Equity: As of June 30, 2023: ¥ 26,356 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	-				
Fiscal year ending March 31, 2024 (Forecast)		5.00	-	5.00	10.00

(Note) Revision to the forecast for dividends announced most recently: No

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
First half	9,900	4.2	100	-	140	-	270	-	10.66
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 three months ended June 30, 2023
(changes in specified subsidiaries resulting in changes in scope of consolidation): No

(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):

June 30, 2023: 26,687,955 shares

March 31, 2023: 26,687,955 shares

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

June 30, 2023: 1,356,181 shares

March 31, 2023: 1,356,004 shares

3) Average number of shares outstanding during the period:

Three months ended June 30, 2023: 25,331,851 shares

Three months ended June 30, 2022: 25,332,031 shares

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1. Qualitative Information on Quarterly Financial Results

(1) Explanation of Operating Results

During the first quarter ended June 30, 2023 (from April 1, 2023 to June 30, 2023), the Japanese economy was on a gradual recovery trend thanks to the recovery of personal consumption and inbound tourism demand. The Short-Term Economic Survey of Enterprises in Japan (Tankan) conducted by the Bank of Japan for June showed that the diffusion index (DI) of sentiment regarding business conditions among large companies in the manufacturing industry improved by 4 percentage points from the previous survey, the first improvement in seven quarters. Work in process in the manufacturing industry and distributors' inventory of raw materials are, however, still at high levels, and the outlook remains unpredictable due to concerns over rising prices, including soaring fuel prices, and the prolonged weakening of the yen.

Meanwhile, turning our attention to the global economy, prolonged inflation and higher policy interest rates in the US and Europe are gradually slowing down the economy, while in China, sluggish real estate sales and declining personal consumption are dragging down the economy.

Within the context of this economic environment, the Group saw sales slightly increase year on year due to strong sales in packing tapes and other industrial tapes. Meanwhile, operating loss decreased significantly year on year due to improved profitability from price increases and decreases in material costs, outsourced processing costs, and fixed costs for manufacturing as a result of group-wide efforts for exhaustive cost reduction. The Group, however, failed to return to profitability due to sluggish sales of electrical insulation and electronic equipment tapes and rising costs of products manufactured at overseas factories caused by the weak yen.

Having reviewed the quantitative targets under its third medium-term management plan (announced on June 15, 2023), the Group is focusing on rebuilding its tape business by adapting to changes in the business environment and concentrating managerial resources on the business domains where it can demonstrate its strengths.

As a result, net sales for the first quarter ended June 30, 2023 were 4,594 million yen (up 0.8% year on year). Operating loss was 192 million yen (operating loss of 376 million yen in the same period of the previous fiscal year). Ordinary profit was 97 million yen (ordinary loss of 122 million yen in the same period of the previous fiscal year), primarily due to foreign exchange gains of 256 million yen recorded under non-operating income as a result of the valuation of monetary claims denominated in foreign currencies amid the sharp depreciation of the yen at the end of the quarter. Profit attributable to owners of parent was 493 million yen (loss attributable to owners of parent of 43 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)

Demand for packing cloth tapes mainly for export recovered. As a result, the category's net sales were 740 million yen (up 36.5% year on year).

(Electrical insulation and electronic equipment tapes)

Market conditions were unfavorable in China, and sales of electronic equipment tapes for personal computers and automobiles remained sluggish. As a result, the category's net sales were 2,096 million yen (down 12.4% year on year).

(Other industrial tapes)

Office mail order sales and sales of polyethylene cloth tapes for construction and civil engineering increased year on year. As a result, the category's net sales were 1,757 million yen (up 8.5% year on year).

(Reference) Sales performance

(Million yen)

Adhesive tape business by category	For the first quarter ended June 30, 2022		For the first quarter ended June 30, 2023		Year-on-year change	
	Net sales	Composition ratio	Net sales	Composition ratio	Net sales change	Percentage change
Packing tapes	542 [4]	11.9%	740 [99]	16.1%	197	36.5%
Electrical insulation and electronic equipment tapes	2,392 [1,309]	52.5%	2,096 [1,008]	45.6%	(296)	(12.4%)
Other industrial tapes	1,620 [62]	35.6%	1,757 [212]	38.3%	137	8.5%
Total	4,555 [1,376]	100.0%	4,594 [1,320]	100.0%	38	0.8%

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

(2) Explanation of Financial Position

Total assets at the end of the first quarter under review were 32,615 million yen, down 0.0% from the end of the previous fiscal year.

Current assets were 16,400 million yen, up 1.4% from the end of the previous fiscal year. This was primarily due to an increase in cash and deposits.

Non-current assets were 16,214 million yen, down 1.5% from the end of the previous fiscal year. This was primarily due to a decrease in investment securities.

Total liabilities at the end of the first quarter under review were 6,259 million yen, down 9.6% from the end of the previous fiscal year.

Current liabilities were 4,435 million yen, down 12.3% from the end of the previous fiscal year. This was primarily due to a decrease in electronically recorded obligations - operating.

Non-current liabilities were 1,823 million yen, down 2.1% from the end of the previous fiscal year. This was primarily due to a decrease in deferred tax liabilities.

Total net assets at the end of the first quarter under review were 26,356 million yen, up 2.5% 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 80.8% (78.8% at the end of the previous fiscal year).

(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. 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 June 30, 2023
Assets		
Current assets		
Cash and deposits	4,820	5,541
Notes receivable - trade	1,188	960
Electronically recorded monetary claims - operating	1,684	1,779
Accounts receivable - trade	2,753	2,783
Merchandise and finished goods	2,327	2,094
Work in process	1,585	1,561
Raw materials and supplies	1,469	1,269
Other	348	418
Allowance for doubtful accounts	(7)	(7)
Total current assets	16,170	16,400
Non-current assets		
Property, plant and equipment		
Buildings and structures	15,048	15,325
Accumulated depreciation	(11,025)	(11,206)
Buildings and structures, net	4,022	4,118
Machinery, equipment and vehicles	23,063	23,477
Accumulated depreciation	(20,230)	(20,578)
Machinery, equipment and vehicles, net	2,832	2,899
Land	4,108	4,120
Leased assets	269	269
Accumulated depreciation	(112)	(116)
Leased assets, net	157	152
Construction in progress	464	482
Other	2,388	2,410
Accumulated depreciation	(2,013)	(2,062)
Other, net	374	348
Total property, plant and equipment	11,960	12,121
Intangible assets	323	312
Investments and other assets		
Investment securities	3,055	2,612
Retirement benefit asset	947	941
Other	173	227
Total investments and other assets	4,176	3,781
Total non-current assets	16,460	16,214
Total assets	32,630	32,615

(Millions of yen)

	As of March 31, 2023	As of June 30, 2023
Liabilities		
Current liabilities		
Notes and accounts payable - trade	1,047	868
Electronically recorded obligations - operating	2,563	2,010
Short-term borrowings	21	21
Lease liabilities	19	19
Income taxes payable	40	119
Accrued expenses	365	490
Other	1,002	905
Total current liabilities	5,060	4,435
Non-current liabilities		
Long-term borrowings	703	697
Lease liabilities	151	147
Deferred tax liabilities	291	253
Provision for repairs	6	7
Retirement benefit liability	64	70
Asset retirement obligations	512	512
Long-term accounts payable - other	56	56
Other	74	77
Total non-current liabilities	1,861	1,823
Total liabilities	6,922	6,259
Net assets		
Shareholders' equity		
Share capital	5,057	5,057
Capital surplus	4,643	4,643
Retained earnings	13,822	14,240
Treasury shares	(462)	(463)
Total shareholders' equity	23,060	23,478
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,252	1,195
Foreign currency translation adjustment	1,012	1,317
Remeasurements of defined benefit plans	383	365
Total accumulated other comprehensive income	2,647	2,878
Total net assets	25,708	26,356
Total liabilities and net assets	32,630	32,615

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statements of Income (For the three months)

(Millions of yen)

	For the three months ended June 30, 2022	For the three months ended June 30, 2023
Net sales	4,555	4,594
Cost of sales	3,829	3,707
Gross profit	726	887
Selling, general and administrative expenses	1,103	1,080
Operating loss	(376)	(192)
Non-operating income		
Interest income	0	3
Dividend income	20	37
Foreign exchange gains	238	256
Rent revenue of real estate	9	17
Other	20	18
Total non-operating income	289	333
Non-operating expenses		
Consulting fee	-	19
Rental expenses on real estate	11	12
Cost to deal with COVID	19	-
Other	4	11
Total non-operating expenses	35	43
Ordinary profit (loss)	(122)	97
Extraordinary income		
Gain on sale of non-current assets	150	135
Gain on sale of investment securities	-	369
Total extraordinary income	150	504
Profit before income taxes	28	602
Income taxes	71	108
Profit (loss)	(43)	493
Profit attributable to non-controlling interests	-	-
Profit (loss) attributable to owners of parent	(43)	493

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

(Millions of yen)

	For the three months ended June 30, 2022	For the three months ended June 30, 2023
Profit (loss)	(43)	493
Other comprehensive income		
Valuation difference on available-for-sale securities	(119)	(56)
Foreign currency translation adjustment	468	305
Remeasurements of defined benefit plans, net of tax	(25)	(18)
Total other comprehensive income	324	230
Comprehensive income	280	724
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	280	724
Comprehensive income attributable to non-controlling interests	-	-

(3) 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 first 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.