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Consolidated Financial Results for the First Quarter Ended June 30, 2022 [Japanese GAAP]

July 28, 2022

Company name: TERAOKA SEISAKUSHO CO.,LTD.

Stock exchange listing: Tokyo

Code number: 4987

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Representative: Kenichi Tsuji

Representative Director & President

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Director

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Scheduled date of filing quarterly securities report: August 12, 2022

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, 2022 (April 01, 2022 to June 30, 2022)

(1) Consolidated Operating Results

(% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to shareholders of the parent company	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
First Quarter ended June 30, 2022	4,555	(10.4)	(376)	-	(122)	-	(43)	-
June 30, 2021	5,087	21.9	33	-	69	-	17	-

(Note) Comprehensive income: Three months ended June 30, 2022: ¥ 280 million [-%]
Three months ended June 30, 2021: ¥ (60) million [-%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
First Quarter ended June 30, 2022	(1.72)	-
June 30, 2021	0.70	-

(2) Consolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio
	Million yen	Million yen	%
As of June 30, 2022	36,877	29,244	79.3
March 31, 2022	37,443	29,089	77.7

(Reference) Equity: As of June 30, 2022: ¥ 29,244 million
As of March 31, 2022: ¥ 29,089 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, 2022	-	5.00	-	5.00	10.00
Fiscal year ending March 31, 2023	-				
Fiscal year ending March 31, 2023 (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, 2023(April 01, 2022 to March 31, 2023)

(% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to shareholders of the parent company		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
First half	10,300	(5.5)	50	(59.3)	110	(46.3)	280	387.3	11.05
Full year	23,200	3.0	520	285.3	520	40.4	590	262.5	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, 2022
(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: Yes

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, 2022: 26,687,955 shares

March 31, 2022: 26,687,955 shares

2) Total number of treasury shares at the end of the period:

June 30, 2022: 1,355,970 shares

March 31, 2022: 1,355,908 shares

3) Average number of shares during the period:

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

Three months ended June 30, 2021: 25,332,512 shares

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1. Qualitative Information on Quarterly Financial Results

(1) Explanation of Operating Results

During the first quarter ended June 30, 2022 (from April 1, 2022 to June 30, 2022), the Japanese economy remained in an extremely difficult state. A recovery in consumer spending was seen in the non-manufacturing sector, centering on the restaurant industry and retail and leisure facilities, backed by the easing of behavioral restrictions after new cases of COVID-19 plateaued. Despite this, in the environment around the manufacturing industry, there were logjams in the supply chain due to the effects of China's zero-COVID policy. Further, resource prices reached even greater heights spurred on by Russia's invasion of Ukraine. The rapidly depreciating yen also resulted in soaring raw material and energy prices.

Within the context of this economic environment, the Group's net sales, in part affected by slumping demand in the Chinese market, a chief market for the Group, decreased year on year. The Group's profit also languished due to the soaring raw material prices.

As a result, net sales for the first quarter ended June 30, 2022 were 4,555 million yen (down 10.4% year on year). Operating loss was 376 million yen (operating profit of 33 million yen in the same period of the previous fiscal year). Ordinary loss was 122 million yen (ordinary profit of 69 million yen in the same period of the previous fiscal year) despite foreign exchange gains from monetary claims denominated in foreign currencies of 238 million yen recorded under non-operating income. Loss attributable to shareholders of the parent company was 43 million yen (profit attributable to shareholders of the parent company of 17 million yen in the same period of the previous fiscal year) despite a gain on sale of non-current assets of 150 million yen recorded under extraordinary income.

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

(Packing tapes)

The decline in the number of customers caused by the stay-at-home demand reaching saturation led to home improvement store demand remaining weak. As a result, the category's net sales were 542 million yen (down 20.5% year on year).

(Electrical insulation and electronic equipment tapes)

Despite foreign exchange gains due to the weak yen being a positive factor for export products, production adjustments of automobiles, smartphones, and other products accompanying the Chinese lockdowns and global IC chip supply shortage resulted in sluggish sales of electronic equipment tapes. As a result, the category's net sales were 2,392 million yen (down 11.5% year on year).

(Other industrial tapes)

Office mail order and construction and civil engineering demand for polyethylene cloth tapes failed to recover. As a result, the category's net sales were 1,620 million yen (down 4.6% year on year).

(Reference) Sales performance

(Million yen)

Adhesive tape business by category	For the first quarter ended June 30, 2021		For the first quarter ended June 30, 2022		Year-on-year change	
	Net sales	Composition ratio	Net sales	Composition ratio	Net sales change	Percentage change
Packing tapes	[43] 682	13.4%	[4] 542	11.9%	(140)	-20.5%
Electrical insulation and electronic equipment tapes	[1,237] 2,705	53.2%	[1,309] 2,392	52.5%	(312)	-11.5%
Other industrial tapes	[68] 1,699	33.4%	[62] 1,620	35.6%	(78)	-4.6%
Total	[1,349] 5,087	100.0%	[1,376] 4,555	100.0%	(531)	-10.4%

(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 36,877 million yen, down 1.5% from the end of the previous fiscal year.

Current assets were 17,596 million yen, down 3.3% from the end of the previous fiscal year. This was primarily due to a decrease in trade receivables accompanying the decrease in net sales.

Non-current assets were 19,280 million yen, up 0.2% from the end of the previous fiscal year. This was primarily due to an increase in construction in progress due to capital investment.

Total liabilities at the end of the first quarter under review were 7,633 million yen, down 8.6% from the end of the previous fiscal year.

Current liabilities were 5,681 million yen, down 10.4% from the end of the previous fiscal year. This was primarily due to a decrease in liabilities related to facilities.

Non-current liabilities were 1,951 million yen, down 3.0% 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 29,244 million yen, up 0.5% from the end of the previous fiscal year. This was primarily due to an increase in foreign currency translation adjustment.

As a result of the above, the capital adequacy ratio was 79.3% (77.7% 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, 2023, which was announced on May 26, 2022. 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

(1) Quarterly Consolidated Balance Sheets

(Million yen)

	As of March 31,2022	As of June 30,2022
Assets		
Current assets		
Cash and deposits	5,470	5,781
Notes receivable - trade	1,450	1,447
Electronically recorded monetary claims - operating	1,426	1,564
Accounts receivable - trade	4,176	3,091
Merchandise and finished goods	2,470	2,600
Work in process	1,322	1,476
Raw materials and supplies	1,165	1,335
Other	728	308
Allowance for doubtful accounts	(9)	(9)
Total current assets	18,202	17,596
Non-current assets		
Property, plant and equipment		
Buildings and structures	14,735	15,124
Accumulated depreciation	(9,132)	(9,422)
Buildings and structures, net	5,603	5,701
Machinery, equipment and vehicles	23,008	23,449
Accumulated depreciation	(18,646)	(19,082)
Machinery, equipment and vehicles, net	4,361	4,367
Land	4,098	4,118
Leased assets	269	269
Accumulated depreciation	(94)	(98)
Leased assets, net	175	170
Construction in progress	177	316
Other	2,303	2,332
Accumulated depreciation	(1,865)	(1,922)
Other, net	438	409
Total property, plant and equipment	14,854	15,084
Intangible assets	397	390
Investments and other assets		
Investment securities	2,870	2,707
Deferred tax assets	5	5
Retirement benefit asset	979	977
Other	133	115
Total investments and other assets	3,988	3,805
Total non-current assets	19,240	19,280
Total assets	37,443	36,877

(Million yen)

	As of March 31,2022	As of June 30,2022
Liabilities		
Current liabilities		
Notes and accounts payable - trade	1,250	1,176
Electronically recorded obligations - operating	2,456	2,651
Short-term borrowings	60	123
Lease liabilities	19	19
Income taxes payable	159	98
Accrued expenses	485	664
Other	1,909	948
Total current liabilities	6,341	5,681
Non-current liabilities		
Long-term borrowings	724	719
Lease liabilities	171	166
Deferred tax liabilities	407	342
Provision for repairs	1	2
Retirement benefit liability	77	85
Asset retirement obligations	508	508
Long-term accounts payable - other	56	56
Other	65	70
Total non-current liabilities	2,012	1,951
Total liabilities	8,353	7,633
Net assets		
Shareholders' equity		
Share capital	5,057	5,057
Capital surplus	4,643	4,643
Retained earnings	17,632	17,462
Treasury shares	(462)	(462)
Total shareholders' equity	26,870	26,700
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,098	979
Foreign currency translation adjustment	622	1,091
Remeasurements of defined benefit plans	497	472
Total accumulated other comprehensive income	2,219	2,543
Total net assets	29,089	29,244
Total liabilities and net assets	37,443	36,877

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statements of Income (For the first quarter)

(Million yen)

	For the first quarter ended June 30,2021	For the first quarter ended June 30,2022
Net sales	5,087	4,555
Cost of sales	3,867	3,829
Gross profit	1,220	726
Selling, general and administrative expenses	1,186	1,103
Operating profit (loss)	33	(376)
Non-operating income		
Interest income	1	0
Dividend income	31	20
Foreign exchange gains	-	238
Other	16	29
Total non-operating income	49	289
Non-operating expenses		
Office relocation expenses	8	-
Rental expenses on real estate	-	11
Cost to deal with COVID	1	19
Other	3	4
Total non-operating expenses	13	35
Ordinary profit (loss)	69	(122)
Extraordinary income		
Gain on sale of non-current assets	-	150
Total extraordinary income	-	150
Profit before income taxes	69	28
Income taxes	52	71
Profit (loss)	17	(43)
Profit attributable to non-controlling interests	-	-
Profit (loss) attributable to shareholders of the parent company	17	(43)

Quarterly Consolidated Statements of Comprehensive Income (For the first quarter)

(Million yen)

	For the first quarter ended June 30,2021	For the first quarter ended June 30,2022
Profit (loss)	17	(43)
Other comprehensive income		
Valuation difference on available-for-sale securities	(56)	(119)
Foreign currency translation adjustment	8	468
Remeasurements of defined benefit plans, net of tax	(29)	(25)
Total other comprehensive income	(77)	324
Comprehensive income	(60)	280
Comprehensive income attributable to		
Comprehensive income attributable to shareholders of the parent company	(60)	280
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.

(Changes in accounting policies)

The Company has applied the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, June 17, 2021; hereinafter "Fair Value Measurement Guidance") from the beginning of the first quarter under review and will prospectively apply the new accounting policies stipulated by the Fair Value Measurement Guidance in accordance with the transitional treatment provided in Paragraph 27-2 of the Fair Value Measurement Guidance. This does not affect the quarterly consolidated financial statements.