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Financial Results for the Six Months Ended September 30, 2022 [Japanese GAAP] (Consolidated)



October 28, 2022

Company name: Tatsuta Electric Wire & Cable Co., Ltd.

Stock exchange listing: Tokyo Stock Exchange

Stock Code: 5809

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Scheduled date of filing Quarterly Report: November 11, 2022

Scheduled date of commencing dividend payments: December 1, 2022

Availability of supplementary briefing material on quarterly financial results: Available

Schedule of quarterly financial results briefing session: Scheduled (for institutional investors, analysts and journalists)

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

1. Consolidated Financial Results for the Six Months Ended September 30, 2022 (From April 1, 2022 to September 30, 2022)

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

	Net sales		Operating income		Ordinary income		Income attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Six months ended September 30, 2022	30,409	2.7	892	(47.6)	1,074	(41.3)	872	(34.6)
Six months ended September 30, 2021	29,604	8.1	1,704	(15.3)	1,830	(9.9)	1,334	(8.7)

(Note) Comprehensive income: Six months ended September 30, 2022: 503 million yen [(50.3)%]

Six months ended September 30, 2021: 1,012 million yen [(49.6)%]

	Income per share		Diluted earnings per share	
	Yen		Yen	
Six months ended September 30, 2022	14.12		-	
Six months ended September 30, 2021	21.60		-	

(2) Consolidated Financial Position

	Total assets		Net assets		Equity ratio		Net assets per share	
	Million yen		Million yen		%		Yen	
As of September 30, 2022	58,704		48,117		82.0		778.84	
As of March 31, 2022	58,654		48,169		82.1		779.68	

(Reference) Equity: As of September 30, 2022: 48,117 million yen

As of March 31, 2022: 48,169 million yen

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	-	9.00	-	9.00	18.00
Fiscal year ending March 31, 2023	-	9.00			
Fiscal year ending March 31, 2023 (Forecast)			-	9.00	18.00

(Note) Revisions from the most recently announced dividends forecast: No

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2023 (From April 1, 2022 to March 31, 2023)

(% indicates changes from the previous corresponding period.)

	Net sales		Operating income		Ordinary income		Income attributable to owners of parent		Income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	64,000	6.9	2,400	(16.8)	2,600	(16.5)	2,000	(14.2)	32.37

(Note) Revisions from the most recently announced financial results forecast: Yes

Notes:

(1) Changes in significant subsidiaries during the period under review (changes in specified subsidiaries resulting in changes in scope of consolidation): No
Newly added: NA Excluded: NA

(2) Application of special accounting treatment in preparation of quarterly consolidated financial statements: No

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

1) Changes in accounting principles due to the revision of accounting standards: No

2) Changes in accounting principles other than 1) above: No

3) Changes in accounting estimates: No

4) Retrospective restatement: No

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

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

As of September 30, 2022	70,156,394 shares
As of March 31, 2022	70,156,394 shares

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

As of September 30, 2022	8,375,229 shares
As of March 31, 2022	8,375,147 shares

3) Average number of shares during the period (cumulative quarterly period):

Six months ended September 30, 2022	61,781,235 shares
Six months ended September 30, 2021	61,781,838 shares

* These quarterly consolidated financial results are outside the scope of quarterly review by a certified public accountant or an audit corporation.

* Overview of the proper use of financial results forecast and other notes

The earnings forecasts and other forward-looking statements herein are based on information available to the Company and certain assumptions deemed reasonable as at the date of publication of this document and should not be interpreted as any kind of guarantee or promise by the Company to achieve such forecasts. In addition, actual results may differ significantly from these forecasts due to a wide range of factors.

The supplemental financial information is scheduled to be disclosed on the TDnet on that same day as well as on the Company's website.

Table of Contents of Reference Materials

1. Qualitative Information on Financial Results for the Quarterly Period Under Review	1
(1) Overview of business results	1
(2) Overview of financial position	2
(3) Overview of cash flows	2
(4) Overview of forward-looking information such as consolidated financial results forecasts	3
2. Quarterly Consolidated Financial Statements.....	4
(1) Quarterly Consolidated Balance Sheets	4
(2) Quarterly Consolidated Statements of Income and Quarterly Consolidated Statements of Comprehensive Income.....	6
(3) Quarterly Consolidated Statements of Cash Flows.....	8

1. Qualitative Information on Financial Results for the Quarterly Period Under Review

(1) Overview of business results

During the six months ended September 30, 2022, as the Japanese economy saw mitigation of the harsh situation owing to the impact of COVID-19, there were signs of moderate recovery in corporate earnings, capital investment, personal consumption, the employment situation, etc. The world economy is also expected to continue improving moderately as the impact of COVID-19 decreases. However, the outlook remains uncertain due to volatility in the financial and capital markets and rising prices amid ongoing global monetary tightening, resource and raw material prices fluctuating at high levels, the prolonged Russia-Ukraine crisis, and the lingering effects of restraints on economic activity in China.

The average domestic quotation price for copper, the main raw material used for the Company's products, for the six months ended September 30, 2022 was on levels higher than for the same period of the previous fiscal year.

In the meantime, demand for electric wires for infrastructure was on levels lower than for the same period of the previous fiscal year, while in the electric wires for industrial device business, demand from some users continued recovering. Sales of smartphones, the main application of functional films, remained weak in terms of volumes due to a global price increase, and a slowdown of the Chinese economy and the effects of lockdowns, etc. in the country. Demand for materials was affected by sluggish product sales, shortages in supplies of semiconductors and other components and materials, users' inventory adjustment, etc.

In this environment, net sales for the six months ended September 30, 2022 increased to 30,409 million yen (up 2.7% year on year), but income decreased, with operating income of 892 million yen (down 47.6% year on year), ordinary income of 1,074 million yen (down 41.3% year on year), and income attributable to owners of parent of 872 million yen (down 34.6% year on year).

An overview of the Group's business performance by segment is as follows:

[Electric Wire and Cable Business]

Sales volumes of electric wires for infrastructure were lower than for the same period of the previous fiscal year (down 11.9% year on year) as customers continued conservative buying due to higher copper prices and competition intensified, fueled by selling price revisions implemented in response to rising raw material prices. However, owing to higher copper prices as well as a continued recovery in demand from some customers for electric wires for industrial devices, etc., net sales for this segment increased to 21,013 million yen (up 8.7% year on year). Meanwhile, despite efforts to improve margins by selling price revisions, etc., operating income decreased to 20 million yen (down 95.1% year on year) due to lower sales volumes, higher raw material prices, slow progress on selling price revisions, fluctuations in copper prices, etc.

[Electronic Materials Business]

Demand for functional films, the Company's flagship products, decreased (down 12.8% year on year) due to lower sales volumes for smartphones, the major application of functional films, lockdowns in China, shortages in supplies of semiconductors, etc., users' inventory adjustment, etc., and as a result, net sales for this segment were 8,263 million yen (down 11.1% year on year). Operating income decreased to 1,190 million yen (down 27.7% year on year).

[Other Businesses]

In each of the sensor, medical equipment materials, and environmental analysis businesses, demand continued recovering, net sales for this segment increased to 1,144 million yen (up 15.1% year on year) and operating income was 46 million yen (up 600.9% year on year).

(2) Overview of financial position

Total assets at the end of the six months ended September 30, 2022 increased by 50 million yen from the end of the previous fiscal year to 58,704 million yen, due to increases in short-term loans receivable, etc.

Total liabilities increased by 102 million yen from the end of the previous fiscal year to 10,587 million yen, due to increases in notes and accounts payable - trade, etc.

Total net assets decreased by 52 million yen from the end of the previous fiscal year to 48,117 million yen, due to decreases in deferred gains or losses on hedges, etc., despite an increase in retained earnings resulting from the posting of income attributable to owners of parent.

As a result, the equity ratio decreased by 0.1 percentage points from the end of the previous fiscal year to 82.0%.

(3) Overview of cash flows

Cash and cash equivalents (hereinafter referred to as “funds”) at the end of the six months ended September 30, 2022, amounted to 1,448 million yen, an increase of 59 million yen from the end of the previous fiscal year.

Overall cash flows and the reasons therefor are as follows:

(Cash flows from operating activities)

Net cash provided by operating activities resulted in a net cash inflow of 2,138 million yen, an increase in cash inflow of 3,417 million yen from a net cash outflow of 1,279 million yen in the same period of the previous fiscal year, with netting factors such as income before income taxes of 1,156 million yen, the posting of depreciation of 965 million yen, and an increase in accounts payable - other of 272 million yen, etc., contributing to an increase in funds and factors contributing to a decrease in funds including income taxes paid of 404 million yen, etc.

(Cash flows from investing activities)

Net cash used in investing activities amounted to a net cash outflow of 1,459 million yen, a decrease in cash inflow of 3,181 million yen from a net cash inflow of 1,721 million yen in the same period of the previous fiscal year, due primarily to purchase of property, plant and equipment of 1,217 million yen.

(Cash flows from financing activities)

Net cash used in financing activities resulted in a net cash outflow of 556 million yen mainly due to dividends paid of 556 million yen, an increase in net cash outflow by 0 million yen from the same period of the previous fiscal year.

(4) Overview of forward-looking information such as consolidated financial results forecasts

The Company has revised the consolidated financial results forecasts for the full year of the fiscal year ending March 31, 2023 announced on July 27, 2022. For details, please see “Financial Summary for the Six Months Ended September 30, 2022” announced today.

2. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2022	As of September 30, 2022
Assets		
Current assets		
Cash and deposits	1,389	1,448
Notes and accounts receivable - trade	19,419	19,678
Finished goods	3,957	3,173
Work in process	6,127	6,852
Raw materials and supplies	1,869	2,076
Short-term loans receivable	5,686	6,002
Other	1,235	373
Allowance for doubtful accounts	(13)	(12)
Total current assets	39,671	39,592
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	8,305	8,393
Machinery, equipment and vehicles, net	3,259	3,085
Tools, furniture and fixtures, net	417	388
Land	3,721	3,721
Construction in progress	522	585
Total property, plant and equipment	16,225	16,173
Intangible assets		
Software	146	147
Software in progress	9	7
Right to use facilities	5	4
Other	4	2
Total intangible assets	165	161
Investments and other assets		
Investment securities	1,082	1,278
Long-term prepaid expenses	2	0
Deferred tax assets	1,030	1,268
Other	659	405
Allowance for doubtful accounts	(181)	(175)
Total investments and other assets	2,591	2,776
Total non-current assets	18,982	19,112
Total assets	58,654	58,704

(Millions of yen)

	As of March 31, 2022	As of September 30, 2022
Liabilities		
Current liabilities		
Notes and accounts payable - trade	3,883	4,169
Accounts payable - other	815	815
Accrued expenses	1,518	1,532
Income taxes payable	456	398
Other	1,446	1,220
Total current liabilities	8,121	8,135
Non-current liabilities		
Long-term borrowings	900	900
Retirement benefit liability	1,302	1,357
Asset retirement obligations	68	64
Deferred tax liabilities	1	1
Other	91	127
Total non-current liabilities	2,363	2,451
Total liabilities	10,484	10,587
Net assets		
Shareholders' equity		
Share capital	6,676	6,676
Capital surplus	4,516	4,516
Retained earnings	38,936	39,252
Treasury shares	(2,458)	(2,459)
Total shareholders' equity	47,670	47,986
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	216	233
Deferred gains or losses on hedges	232	(197)
Foreign currency translation adjustment	(63)	(28)
Remeasurements of defined benefit plans	113	123
Total accumulated other comprehensive income	499	130
Total net assets	48,169	48,117
Total liabilities and net assets	58,654	58,704

(2) Quarterly Consolidated Statements of Income and Quarterly Consolidated Statements of Comprehensive Income
Quarterly Consolidated Statements of Income
Six months ended September 30

(Millions of yen)

	Six months ended September 30, 2021 (From April 1, 2021 to September 30, 2021)	Six months ended September 30, 2022 (From April 1, 2022 to September 30, 2022)
Net sales	29,604	30,409
Cost of sales	23,104	24,694
Gross income	6,499	5,714
Selling, general and administrative expenses	4,795	4,822
Operating income	1,704	892
Non-operating income		
Interest income	9	8
Dividend income	10	12
Foreign exchange gains	54	142
Subsidy income	29	0
Other	29	26
Total non-operating income	133	191
Non-operating expenses		
Interest expenses	2	3
Other	4	5
Total non-operating expenses	7	9
Ordinary income	1,830	1,074
Extraordinary income		
Compensation for forced relocation	-	101
Gain on sale of investment securities	-	0
Gain on sale of non-current assets	3	0
Total extraordinary income	3	102
Extraordinary losses		
Loss on sale of non-current assets	-	0
Loss on abandonment of non-current assets	10	20
Total extraordinary losses	10	20
Income before income taxes	1,824	1,156
Income taxes - current	524	342
Income taxes - deferred	(35)	(58)
Total income taxes	489	284
Income	1,334	872
Income attributable to owners of parent	1,334	872

Quarterly Consolidated Statements of Comprehensive Income

Six months ended September 30

(Millions of yen)

	Six months ended September 30, 2021 (From April 1, 2021 to September 30, 2021)	Six months ended September 30, 2022 (From April 1, 2022 to September 30, 2022)
Income	1,334	872
Other comprehensive income		
Valuation difference on available-for-sale securities	6	16
Deferred gains or losses on hedges	(356)	(430)
Foreign currency translation adjustment	(3)	35
Remeasurements of defined benefit plans, net of tax	32	9
Total other comprehensive income	(321)	(368)
Comprehensive income	1,012	503
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,012	503

(3) Quarterly Consolidated Statements of Cash Flows

	Six months ended September 30, 2021 (From April 1, 2021 to September 30, 2021)	Six months ended September 30, 2022 (From April 1, 2022 to September 30, 2022)
Cash flows from operating activities		
Income before income taxes	1,824	1,156
Depreciation	930	965
Increase (decrease) in retirement benefit liability	152	70
Decrease (increase) in retirement benefit asset	(5)	(7)
Increase (decrease) in allowance for doubtful accounts	(5)	(6)
Interest and dividend income	(20)	(21)
Loss (gain) on sale and valuation of investment securities	-	(0)
Subsidy income	(29)	(0)
Insurance claim income	-	(5)
Compensation for forced relocation	-	(101)
Interest expenses	2	3
Loss (gain) on sale of non-current assets	(3)	0
Loss on abandonment of non-current assets	13	20
Decrease (increase) in trade receivables	(3,189)	(195)
Decrease (increase) in inventories	(1,313)	(113)
Decrease (increase) in other assets	244	310
Increase (decrease) in trade payables	350	265
Increase (decrease) in accounts payable - other	75	272
Increase (decrease) in accrued expenses	(135)	12
Increase (decrease) in accrued consumption taxes	15	34
Increase (decrease) in other liabilities	281	(241)
Subtotal	(812)	2,418
Interest and dividends received	15	12
Interest paid	(2)	(3)
Proceeds from compensation for forced relocation	-	109
Income taxes paid	(508)	(404)
Subsidies received	29	0
Proceeds from insurance income	-	5
Net cash provided by (used in) operating activities	(1,279)	2,138
Cash flows from investing activities		
Purchase of investment securities	(0)	(51)
Proceeds from sale of investment securities	-	5
Purchase of property, plant and equipment	(1,301)	(1,217)
Proceeds from sale of property, plant and equipment	3	1
Purchase of intangible assets	(20)	(25)
Net decrease (increase) in short-term loans receivable	3,146	(180)
Other, net	(106)	8
Net cash provided by (used in) investing activities	1,721	(1,459)
Cash flows from financing activities		
Dividends paid	(556)	(556)
Purchase of treasury shares	(0)	(0)
Net cash provided by (used in) financing activities	(556)	(556)
Effect of exchange rate change on cash and cash equivalents	(37)	(63)
Net increase (decrease) in cash and cash equivalents	(151)	59
Cash and cash equivalents at beginning of period	1,444	1,389
Cash and cash equivalents at end of period	1,293	1,448