

# Consolidated Financial Results

## for the First 2 Quarters of Fiscal 2013 [Japanese GAAP]

Name: **Tokyo Rope Manufacturing Co., Ltd.**

Listing: **Tokyo Stock Exchange**

Stock code number: **5981**

URL: **http://www.tokyoropeco.jp**

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Preparation of Supplementary Explanations of Quarterly Financial Results: **November 13, 2013**

Start of cash dividend payments: **–**

Supplementary quarterly materials prepared: **None**

Quarterly results information meeting held: **Yes (for institutional investors)**

### 1. Fiscal 2013-First 2 Quarters (April 1–September 30, 2013)

#### (1) Results of Operations

	(Millions of yen, except per share data, rounded down; percentage figures denote year-on-year change)								
	Net sales	(% change from previous year)		Operating income (loss)	(% change)		Ordinary income (loss)	(% change)	
Fiscal 2013–First 2 quarters	¥31,728	2.8%	¥ 932	–%	¥ 622	–%	¥ 760	–%	
Fiscal 2012–First 2 quarters	30,860	-14.2	(2,362)	–	(2,558)	–	(2,769)	–	

Note: Comprehensive income (loss)

Fiscal 2013–1st 2 quarters: ¥348 million (–%)

Fiscal 2012–1st 2 quarters: ¥(3,193) million (–%)

	Net income (loss) per share	Net income per share (fully diluted)
	(Yen)	(Yen)
Fiscal 2013–First 2 quarters	¥ 5.23	¥ –
Fiscal 2012–First 2 quarters	(19.07)	–

#### (2) Financial Position

	(Millions of yen, rounded down)		
	Total assets	Net assets	Equity ratio
Fiscal 2013–First 2 quarters	¥82,552	¥12,001	12.1%
Fiscal 2012–Year-end	82,944	11,796	11.7

Note: Equity capital at term-end

Fiscal 2013–1st 2 quarters: ¥9,977 million

Fiscal 2012: ¥9,737 million

### 2. Cash Dividends

	Cash dividend per share (yen)				
	First quarter	Second quarter	Third quarter	Year-end	Full year
Fiscal 2012	–	¥0.00	–	¥0.00	¥0.00
Fiscal 2013	–	0.00	–	–	–
Fiscal 2013 (est.)	–	–	–	0.00	0.00

(Note) Revision of latest cash dividend forecast in review: No

### 3. Forecast for Fiscal 2013 (April 1, 2013–March 31, 2014)

(Millions of yen, rounded down; percentage figures denote year-on-year change)

	Net sales		Operating income (loss)		Ordinary income (loss)		Net income (loss)		Net income (loss) per share
Full year	¥69,000	5.7%	¥2,500	–%	¥1,800	–%	¥1,500	–%	¥10.33

(Note) Revision of latest consolidated forecasts in review: Yes

#### Notes

(1) Significant changes in subsidiaries during the period (changes in specific subsidiaries due to change in scope of consolidation):  
None

Note: This refers to the existence of changes to specific subsidiaries due to changes in the scope of consolidation in the period under review.

(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

Note: This refers to the existence of changes in accounting policies, changes in accounting estimates, restatements, pertaining to the preparation of quarterly consolidated financial statements.

(4) Shares outstanding (common stock) at term-end

1. Number of shares outstanding (including treasury stock)  
Fiscal 2013–1st 2 quarters: 162,682,420  
Fiscal 2012: 162,682,420
2. Number of treasury shares outstanding  
Fiscal 2013–1st 2 quarters: 17,484,834  
Fiscal 2012: 17,477,279
3. Average number of shares over period (consolidated total for quarter)  
Fiscal 2013–1st 2 quarters: 145,201,981  
Fiscal 2012–1st 2 quarters: 145,216,703

#### Implementation status of quarterly review procedures

At the time of disclosure of this report, review procedures for quarterly financial statements pursuant to the Financial Instruments and Exchange Act had not been completed.

#### 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 due 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) Consolidated Business Results**

During the first two quarters of the consolidated fiscal year ending March 31, 2014, the Japanese economy showed a gradual recovery due to such factors as correction of the yen's appreciation, the government's effective economic measures and an increase in public spending.

Under such circumstances, consolidated net sales of the Tokyo Rope Group increased 2.8% year-on-year to ¥31,728 million for the first two quarters, with orders and sales in the Wire Rope segment and the Product Development segment growing solidly both in the domestic and overseas markets.

In terms of profits, the Group recorded operating income of ¥932 million (in contrast to operating loss of ¥2,362 million a year ago) and ordinary income of ¥622 million yen (same, ordinary loss of ¥2,558 million), backed by an increase in sales in the Wire Rope segment and the Product Development segment and other factors, on top of the reduction in fixed costs in the Steel Cord segment, which had recorded business structure improvement expense in the previous consolidated fiscal year. The Group posted net income of 760 million (same, net loss of 2,769 million), recording extraordinary income that included ¥267 million for gain on sales of investment securities.

Results by business segment of the Group were as follows:

#### ***Wire Rope***

Domestic sales volume of rope increased year-on-year in each product category, and wire products and overseas sales of elevator rope also remained strong.

As a result, total sales in the Wire Rope segment amounted to ¥13,970 million.

#### ***Steel Cord***

Domestic sales of tire cord and saw wire decreased year-on-year, impacted by the cutback of production systems. Overseas sales of tire cord also decreased year-on-year both in volume and unit price.

As a result, total sales in the Steel Cord segment amounted to ¥7,922 million.

#### ***Product Development***

Sales of road safety equipment for Russia and other markets surpassed the results of the corresponding period in the previous year. In Japan, there was also a year-on-year increase in unfilled orders to be delivered in the latter half of the fiscal year.

As a result, total sales in the Product Development segment amounted to ¥5,284 million.

#### ***Real Estate***

Sales in the Real Estate segment remained almost flat year-on-year and amounted to ¥590 million.

#### ***Other***

Sales of powder metallurgy products and industrial machinery (automatic weighing machines and packaging machines) stagnated year-on-year, as a result, total sales in the Other segment amounted to ¥3,961 million.

## **(2) Financial Position**

### *Assets, Liabilities and Net Assets*

As of September 30, 2013, the Tokyo Rope Group had total assets of ¥82,552 million. The figure represented a drop of ¥392 million from the end of the previous consolidated fiscal year (March 31, 2013), caused mainly by a decrease in notes and accounts receivable.

Total liabilities decreased ¥596 million from the end of the previous consolidated fiscal year to ¥70,551 million due to a decrease in notes and accounts payable.

Net assets totaled ¥12,001 million, up ¥204 million compared with the end of the previous consolidated fiscal year. The increase was due to recording of net income for the quarters under review, among other things.

### *Cash Flows*

At September 30, 2013, cash and cash equivalents totaled ¥3,652 million, down ¥1,811 million from March 31, 2013.

Net cash provided by operating activities amounted to ¥290 million, due mainly to a decrease in notes and accounts receivable.

Net cash used in investing activities totaled ¥1,605 million, mainly due to purchases of fixed assets.

Net cash used in financing activities was ¥81 million, due mainly to repayments of lease obligations.

## **(3) Performance Forecasts**

With regard to the business environment in the second half of the consolidated fiscal year, it is expected that the public works budget will increase toward measures for reconstruction from the earthquake, disaster prevention and countermeasures against aging infrastructure, among others. We believe there will be wider opportunities for the Group's products primarily in the Wire Rope segment and the Product Development segment to contribute to such initiatives.

As for the operating results for the fiscal year ending March 2014, the Tokyo Rope Group anticipates sales and profits to surpass the figures assumed in the previous forecast backed by a steady stream of orders, and has made upward revision to its full-year projected results forecast released in the "Consolidated Financial Results for Fiscal 2012" dated May 10, 2013.

## **2. Summary (Other) Information**

### **(1) Significant Changes in Subsidiaries during the Period**

Not applicable

### **(2) Application of Special Accounting Treatment**

We have adopted the method in which income taxes are calculated by multiplying quarterly income before income taxes by reasonably estimated effective tax rate subsequent to the application of tax effect accounting to the income before income taxes and minority interests for the consolidated fiscal year, including the first 2 quarters.

### **(3) Changes in Accounting Policies; Changes in Accounting Estimates; Restatements**

Not applicable

### 3. Quarterly Consolidated Financial Statements

#### (1) Balance Sheets

(Millions of yen, rounded down)

	Fiscal 2012 (March 31, 2013)	Fiscal 2013–First 2 quarters (September 30, 2013)
<b>ASSETS</b>		
Current assets		
Cash and bank deposits	¥ 5,499	¥ 3,714
Notes and accounts receivable	15,733	14,095
Commodities and products	4,608	5,252
Goods in process	3,853	4,369
Materials and supplies	3,705	4,157
Other	2,226	2,945
Allowance for doubtful accounts	(199)	(257)
<b>Total current assets</b>	<b>35,427</b>	<b>34,278</b>
Fixed assets		
Property, plant and equipment		
Buildings and structures (net)	8,943	8,733
Machinery and vehicles (net)	4,754	4,708
Land	19,862	19,862
Construction in progress	150	1,439
Other (net)	1,448	1,387
<b>Total property, plant and equipment</b>	<b>35,159</b>	<b>36,132</b>
Intangibles	318	318
Investments and other assets		
Investment securities	8,055	7,943
Deferred tax assets	1,543	1,436
Other	4,229	4,088
Allowance for doubtful accounts	(1,802)	(1,654)
<b>Total investments and other assets</b>	<b>12,025</b>	<b>11,813</b>
<b>Total fixed assets</b>	<b>47,503</b>	<b>48,264</b>
Deferred assets	12	9
<b>Total assets</b>	<b>82,944</b>	<b>82,552</b>

(Millions of yen, rounded down)

	Fiscal 2012 (March 31, 2013)	Fiscal 2013–First 2 quarters (September 30, 2013)
<b>LIABILITIES</b>		
Current liabilities		
Notes and accounts payable	¥13,354	¥12,397
Short-term borrowings	29,061	17,452
Accrued expenses	2,998	3,000
Reserve for employees' bonuses	781	670
Other	3,716	3,554
<b>Total current liabilities</b>	<b>49,912</b>	<b>37,075</b>
Long-term liabilities		
Long-term loans	7,142	19,880
Deferred tax liabilities due to revaluation	5,326	5,326
Reserve for employees' retirement bonuses	4,285	4,152
Other	4,480	4,115
<b>Total long-term liabilities</b>	<b>21,235</b>	<b>33,475</b>
<b>Total liabilities</b>	<b>71,147</b>	<b>70,551</b>
<b>NET ASSETS</b>		
Shareholders' equity		
Common stock	15,074	15,074
Capital surplus	8,574	8,574
Retained earnings	(22,058)	(21,394)
Treasury stock	(3,272)	(3,273)
<b>Total shareholders' equity</b>	<b>(1,682)</b>	<b>(1,019)</b>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	975	1,248
Revaluation reserve for land	10,009	10,009
Foreign currency translation adjustment	435	(261)
<b>Total accumulated other comprehensive income</b>	<b>11,420</b>	<b>10,996</b>
Minority interests	2,059	2,024
<b>Total net assets</b>	<b>11,796</b>	<b>12,001</b>
<b>Total liabilities and net assets</b>	<b>82,944</b>	<b>82,552</b>

## (2) Statements of Income and Statements of Comprehensive Income

### 1) Statements of Income

(Millions of yen, rounded down)

	Fiscal 2012—First 2 quarters (April 1—September 30, 2012)	Fiscal 2013—First 2 quarters (April 1—September 30, 2013)
Net sales	¥30,860	¥31,728
Cost of sales	27,528	26,041
Gross profit	3,331	5,687
Selling, general and administrative expenses	5,693	4,754
Operating income (loss)	(2,362)	932
Other income		
Interest income	12	37
Dividend income	103	215
Foreign exchange gains	—	132
Reversal of allowance for doubtful accounts	4	234
Other	128	222
Total other income	249	843
Other expenses		
Interest expense	268	437
Foreign exchange losses	89	—
Financing expenses	—	579
Other	87	136
Total other expenses	445	1,153
Ordinary income (loss)	(2,558)	622
Extraordinary income		
Gain on sales of investment securities	0	267
Total extraordinary income	0	267
Extraordinary expenses		
Loss on valuation of golf club membership	—	1
Business structure improvement expenses	855	—
Loss on sales of investment securities	0	—
Loss on valuation of investment securities	244	—
Other	9	—
Total extraordinary expenses	1,109	1
Income (loss) before income taxes	(3,666)	887
Income taxes	(756)	115
Income (loss) before minority interests	(2,910)	772
Minority interests in income (loss)	(140)	12
Net income (loss)	(2,769)	760



## 2) Statement of Comprehensive Income

(Millions of yen, rounded down)

	Fiscal 2012—First 2 quarters (April 1–September 30, 2012)	Fiscal 2013—First 2 quarters (April 1–September 30, 2013)
Income (loss) before minority interests	¥(2,910)	¥772
Other comprehensive income		
Valuation difference on available-for-sale securities	(487)	273
Deferred gains or losses on hedges	(1)	—
Foreign currency translation adjustment	188	(982)
Share of other comprehensive income of associates accounted for using equity method	16	285
Total other comprehensive income (loss)	(282)	(423)
Comprehensive income (loss)	(3,193)	348
Comprehensive income attributable to		
Comprehensive income (loss) attributable to owners of the parent	(3,076)	336
Comprehensive income (loss) attributable to minority interests	(117)	12

### (3) Statements of Cash Flows

(Millions of yen, rounded down)

	Fiscal 2012–First 2 quarters (April 1–September 30, 2012)	Fiscal 2013–First 2 quarters (April 1–September 30, 2013)
Operating activities		
Income (loss) before income taxes	¥(3,666)	¥ 887
Depreciation	1,658	831
Increase (decrease) in reserve for employees' bonuses	(123)	(110)
Increase (decrease) in reserve for employees' retirement bonuses	43	(133)
Interest expense	268	437
Interest and dividend income	(116)	(252)
(Gain) loss on sales investments securities	(0)	(267)
(Gain) loss on valuation of investment securities	244	—
Business structure improvement expenses	855	—
(Increase) decrease in notes and accounts receivable	3,809	2,211
(Increase) decrease in inventories	146	(1,214)
Increase (decrease) in notes and accounts payable	(1,300)	(1,519)
Increase (decrease) in advances received	38	560
Other	(265)	(670)
Subtotal	1,593	759
Interest and dividends received	116	284
Interest paid	(270)	(432)
Directors' retirement bonuses paid	(5)	(92)
Income tax paid	(272)	(228)
Net cash provided by operating activities	1,161	290
Investing activities		
Purchases of investment securities	(7)	(492)
Proceeds from sales of investment securities	3	802
Payments of loans receivable	(63)	(109)
Collection of loans receivable	68	53
Purchases of property, plant and equipment	(1,345)	(1,824)
Proceeds from sales of property, plant and equipment	651	14
Other	(43)	(48)
Net cash used in investing activities	(736)	(1,605)

(Millions of yen, rounded down)

	Fiscal 2012—First 2 quarters (April 1–September 30, 2012)	Fiscal 2013—First 2 quarters (April 1–September 30, 2013)
Financing activities		
Net increase (decrease) in short-term borrowings	¥1,249	¥(13,319)
Proceeds from long-term borrowings	270	19,372
Repayment of long-term borrowings	(453)	(5,835)
Cash dividends paid	(361)	(2)
Proceeds from disposal of treasury stock	0	0
Purchase of treasury stock	(1)	(1)
Repayments of lease obligations	(293)	(293)
Net cash provided by (used in) financing activities	411	(81)
Effect of exchange rate changes on cash and cash equivalents	(43)	(724)
Net increase (decrease) in cash and cash equivalents	792	(2,120)
Cash and cash equivalents at beginning of term	1,822	5,463
Increase in cash and cash equivalents due to inclusions in consolidation	—	309
Cash and cash equivalents at end of term	2,614	3,652

#### (4) Notes on Going-concern Assumptions

Fiscal 2013–First 2 quarters (April 1–September 30, 2013)

None

#### (5) Note in the Event of Major Changes in Shareholders' Equity

Fiscal 2013–First 2 quarters (April 1–September 30, 2013)

None

#### (6) Segment Information

Segment Information

Fiscal 2012–First 2 quarters (April 1–September 30, 2012)

Sales, Income (Loss) by Reporting Segment

(Millions of yen)

	Reporting Segment					Other (Note)	Total	Adjustment	Consolidated statements of Income
	Wire Rope	Steel Cord	Product Development	Real Estate	Total				
Net sales									
Sales to outside customers	¥13,211	¥ 8,367	¥4,570	¥591	¥26,740	¥4,119	¥30,860	¥ —	¥30,860
Intersegment sales or transfers	64	—	90	—	154	552	707	(707)	—
Total	13,276	8,367	4,660	591	26,895	4,671	31,567	(707)	30,860
Segment income (loss)	557	(2,808)	(433)	194	(2,490)	127	(2,362)	—	(2,362)

Note: "Other" refers to a business segment that is not included in the reporting segments. It includes the Company's industrial machinery, powder metallurgy products, and oil businesses.

Fiscal 2013–First 2 quarters (April 1–September 30, 2013)

Sales, Income (Loss) by Reporting Segment

(Millions of yen)

	Reporting Segment					Other (Note)	Total	Adjustment	Consolidated statements of Income
	Wire Rope	Steel Cord	Product Development	Real Estate	Total				
Net sales									
Sales to outside customers	¥13,970	¥ 7,922	¥5,284	¥590	¥27,767	¥3,961	¥31,728	¥ —	¥31,728
Intersegment sales or transfers	106	22	103	—	232	356	589	(589)	—
Total	14,076	7,945	5,387	590	27,999	4,318	32,318	(589)	31,728
Segment income (loss)	832	(485)	254	188	790	142	932	—	932

Note: "Other" refers to a business segment that is not included in the reporting segments. It includes the Company's industrial machinery, powder metallurgy products, and oil businesses.