

# Consolidated Financial Results

## for the First 3 Quarters of Fiscal 2013 [Japanese GAAP]

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

Listing: **Tokyo Stock Exchange**

Stock code number: **5981**

URL: **http://www.tokyorope.co.jp**

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Preparation of Supplementary Explanations of Quarterly Financial Results: **February 10, 2014**

Start of cash dividend payments: **—**

Supplementary quarterly materials prepared: **None**

Quarterly results information meeting held: **None**

\*Amounts fewer than one million yen have been rounded down.

### 1. Fiscal 2013-First 3 quarters (April 1– December 31, 2013)

#### (1) Results of operations

	(Millions of yen, except per share data; percentage figures denote year-on-year change)							
	Net sales		Operating income (loss)		Ordinary income (loss)		Net income (loss)	
		(% change)		(% change)		(% change)		(% change)
Fiscal 2013–First 3 quarters	¥50,248	7.6%	¥2,375	—%	¥2,844	—%	¥3,437	—%
Fiscal 2012–First 3 quarters	46,686	-18.4	(2,988)	—	(3,060)	—	(3,097)	—

Note: Comprehensive income (loss)

Fiscal 2013–1st 3 quarters: ¥2,867 million (—%)

Fiscal 2012–1st 3 quarters: ¥(3,426) million (—%)

	Net income (loss) per share		Net income per share	
	(Yen)		(fully diluted)	
		(Yen)		(Yen)
Fiscal 2013–First 3 quarters		¥23.67	¥	—
Fiscal 2012–First 3 quarters		(21.33)		—

#### (2) Financial position

	(Millions of yen)		
	Total assets	Net assets	Equity ratio
Fiscal 2013–First 3 quarters	¥86,932	¥14,517	14.4%
Fiscal 2012–Year-end	82,944	11,796	11.7

Note: Equity capital at term-end

Fiscal 2013–1st 3 quarters: ¥12,487 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	—	—	—	—	—
Fiscal 2013 (est.)	—	0.00	—	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, except per share data; percentage figures denote year-on-year change)

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

(Note) Revision of latest consolidated forecasts in review: No

#### 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 3 quarters: 162,682,420  
Fiscal 2012: 162,682,420
2. Number of treasury shares outstanding  
Fiscal 2013–1st 3 quarters: 17,497,246  
Fiscal 2012: 17,477,279
3. Average number of shares over period (consolidated total for quarter)  
Fiscal 2013–1st 3 quarters: 145,200,191  
Fiscal 2012–1st 3 quarters: 145,216,438

#### 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 three quarters of the consolidated fiscal year ending March 2014, the Japanese economy continued to stay on track for a gradual recovery, as corporate performance improved due to the weakening yen and higher stock prices as a result of monetary easing and other economic measures by the government, and an increase was also observed in capital investment and public spending.

Under such circumstances, consolidated net sales of the Tokyo Rope Group increased 7.6% year-on-year to ¥50,248 million for the first three 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 ¥2,375 million (in contrast to operating loss of ¥2,988 million a year ago) and ordinary income of ¥2,844 million yen (same, ordinary loss of ¥3,060 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 ¥3,437 million (same, net loss of ¥3,097 million), recording extraordinary income that included ¥856 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 for each business category, and orders for wire products and elevator rope in overseas markets also remained strong.

As a result, total sales in the Wire Rope segment amounted to ¥21,303 million.

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

Sales of tire cord and saw wire fell below the previous year's results both in Japan and China, but sales of products for industrial machinery increased year-on-year.

As a result, total sales in the Steel Cord segment amounted to ¥12,048 million.

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

Sales of road safety equipment increased from the corresponding period in the previous year, bolstered by the increase in sales for Russia in the first half of the fiscal year. In Japan, there was also a year-on-year increase in sales centering on anti-snow damage equipment.

As a result, total sales in the Product Development segment amounted to ¥9,578 million.

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

Sales in the Real Estate segment remained almost flat year-on-year and amounted to ¥884 million.

#### ***Other***

Although sales of powder metallurgy products and industrial machinery (automatic weighing machines and packaging machines) decreased year-on-year, sales in gas-related products increased, resulting in sales for the Other segment to reach ¥6,434 million.

## **(2) Financial Position**

### *Assets, Liabilities and Net Assets*

As of December 31, 2013, the Tokyo Rope Group had total assets of ¥86,932 million. The figure represented an increase of ¥3,988 million from the end of the previous consolidated fiscal year (March 31, 2013), due mainly to an increase in inventories and property, plant and equipment.

Total liabilities increased ¥1,267 million from the end of the previous consolidated fiscal year to ¥72,414 million due to an increase in borrowings and other factors.

Net assets totaled ¥14,517 million, up ¥2,721 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.

## **(3) Performance Forecasts**

The Tokyo Rope Group has made no revision to its full-year projected results forecast released in the “Consolidated Financial Results for the First 2 Quarters of Fiscal 2013” dated November 11, 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 3 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 3 quarters (December 31, 2013)
<b>ASSETS</b>		
Current assets		
Cash and bank deposits	¥ 5,499	¥ 5,336
Notes and accounts receivable	15,733	16,084
Commodities and products	4,608	5,498
Goods in process	3,853	4,917
Materials and supplies	3,705	4,574
Other	2,226	2,778
Allowance for doubtful accounts	(199)	(215)
<b>Total current assets</b>	<b>35,427</b>	<b>38,974</b>
Fixed assets		
Property, plant and equipment		
Buildings and structures (net)	8,943	9,691
Machinery and vehicles (net)	4,754	4,576
Land	19,862	19,862
Construction in progress	150	1,183
Other (net)	1,448	1,321
<b>Total property, plant and equipment</b>	<b>35,159</b>	<b>36,635</b>
Intangibles	318	305
Investments and other assets		
Investment securities	8,055	7,261
Deferred tax assets	1,543	1,368
Other	4,229	4,089
Allowance for doubtful accounts	(1,802)	(1,720)
<b>Total investments and other assets</b>	<b>12,025</b>	<b>10,999</b>
<b>Total fixed assets</b>	<b>47,503</b>	<b>47,939</b>
Deferred assets	12	18
<b>Total assets</b>	<b>82,944</b>	<b>86,932</b>

(Millions of yen, rounded down)

	Fiscal 2012 (March 31, 2013)	Fiscal 2013–First 3 quarters (December 31, 2013)
<b>LIABILITIES</b>		
Current liabilities		
Notes and accounts payable	¥13,354	¥13,486
Short-term borrowings	29,061	18,083
Accrued expenses	2,998	3,184
Reserve for employees' bonuses	781	390
Other	3,716	4,336
<b>Total current liabilities</b>	<b>49,912</b>	<b>39,482</b>
Long-term liabilities		
Long-term loans	7,142	19,426
Deferred tax liabilities due to revaluation	5,326	5,326
Reserve for employees' retirement benefits	4,285	4,183
Other	4,480	3,996
<b>Total long-term liabilities</b>	<b>21,235</b>	<b>32,932</b>
<b>Total liabilities</b>	<b>71,147</b>	<b>72,414</b>
<b>NET ASSETS</b>		
Shareholders' equity		
Common stock	15,074	15,074
Capital surplus	8,574	8,574
Retained earnings	(22,058)	(18,717)
Treasury stock	(3,272)	(3,275)
<b>Total shareholders' equity</b>	<b>(1,682)</b>	<b>1,655</b>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	975	1,097
Revaluation reserve for land	10,009	10,009
Foreign currency translation adjustment	435	(275)
<b>Total accumulated other comprehensive income</b>	<b>11,420</b>	<b>10,832</b>
Minority interests	2,059	2,029
<b>Total net assets</b>	<b>11,796</b>	<b>14,517</b>
<b>Total liabilities and net assets</b>	<b>82,944</b>	<b>86,932</b>

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

### Statements of Income

(Millions of yen, rounded down)

	Fiscal 2012—First 3 quarters (April 1–December 31, 2012)	Fiscal 2013—First 3 quarters (April 1–December 31, 2013)
Net sales	¥46,686	¥50,248
Cost of sales	41,354	40,639
Gross profit	5,331	9,608
Selling, general and administrative expenses	8,320	7,232
Operating income (loss)	(2,988)	2,375
Other income		
Interest income	19	22
Dividend income	131	239
Foreign exchange gains	—	1,163
Reversal of allowance for doubtful accounts	—	202
Other	287	320
Total other income	438	1,949
Other expenses		
Interest expense	366	654
Financing expenses	—	579
Other	143	246
Total other expenses	510	1,480
Ordinary income (loss)	(3,060)	2,844
Extraordinary income		
Gain on sales of investment securities	0	856
Total extraordinary income	0	856
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	2	—
Other	9	—
Total extraordinary expenses	866	1
Income (loss) before income taxes	(3,926)	3,698
Income taxes	(639)	243
Income (loss) before minority interests	(3,287)	3,455
Minority interests in income (loss)	(189)	17
Net income (loss)	(3,097)	3,437



Statements of Comprehensive Income

(Millions of yen, rounded down)

	Fiscal 2012—First 3 quarters (April 1–December 31, 2012)	Fiscal 2013—First 3 quarters (April 1–December 31, 2013)
Income (loss) before minority interests	¥(3,287)	¥3,455
Other comprehensive income		
Valuation difference on available-for-sale securities	(72)	122
Deferred gains or losses on hedges	(1)	—
Foreign currency translation adjustment	(58)	(947)
Share of other comprehensive income of associates accounted for using equity method	(6)	237
Total other comprehensive income (loss)	(138)	(588)
Comprehensive income (loss)	(3,426)	2,867
Comprehensive income attributable to		
Comprehensive income (loss) attributable to owners of the parent	(3,227)	2,849
Comprehensive income (loss) attributable to minority interests	(198)	17

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

Fiscal 2013–First 3 quarters (April 1– December 31, 2013)

None

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

Fiscal 2013–First 3 quarters (April 1– December 31, 2013)

None

### (5) Segment Information

Segment Information

Fiscal 2012–First 3 quarters (April 1– December 31, 2012)

Sales, Income (Loss) by Reporting Segment

	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	¥19,815	¥11,772	¥7,827	¥890	¥40,306	¥6,379	¥46,686	¥ —	¥46,686
Intersegment sales or transfers	116	—	132	—	248	788	1,037	(1,037)	—
Total	19,931	11,772	7,959	890	40,554	7,168	47,723	(1,037)	46,686
Segment income (loss)	787	(3,915)	(342)	294	(3,175)	186	(2,988)	—	(2,988)

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 3 quarters (April 1– December 31, 2013)

Sales, Income (Loss) by Reporting Segment

	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	¥21,303	¥12,048	¥9,578	¥884	¥43,814	¥6,434	¥50,248	¥ —	¥50,248
Intersegment sales or transfers	159	188	202	—	551	825	1,377	(1,377)	—
Total	21,463	12,236	9,781	884	44,365	7,259	51,625	(1,377)	50,248
Segment income (loss)	1,351	(394)	856	282	2,096	279	2,375	—	2,375

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.