

August 7, 2014

## Consolidated Financial Results for the First Quarter of Fiscal 2014 [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: **August 11, 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 2014-First quarter (April 1– June 30, 2014)

#### (1) Results of operations

	(Millions of yen, except per share data; percentage figures denote year-on-year change)							
	Net sales		Operating income		Ordinary income		Net income	
	(% change)		(% change)		(% change)		(% change)	
Fiscal 2014-First quarter	¥14,688	-3.7%	¥170	-25.3%	¥187	-68.1%	¥414	-24.0%
Fiscal 2013-First quarter	15,257	2.6	228	–	587	–	545	–

Note: Comprehensive income (loss)

Fiscal 2014-1st quarter: ¥661 million (89.8%)

Fiscal 2013-1st quarter: ¥348 million (–%)

	Net income per share	Net income per share
	(Yen)	(fully diluted) (Yen)
Fiscal 2014-First quarter	¥2.86	¥–
Fiscal 2013-First quarter	3.76	–

#### (2) Financial position

	(Millions of yen)		
	Total assets	Net assets	Equity ratio
Fiscal 2014-First quarter	¥87,729	¥13,952	13.6%
Fiscal 2013-Year-end	86,938	13,261	12.9%

Note: Equity capital at term-end

Fiscal 2014-1st quarter: ¥11,910 million

Fiscal 2013: ¥11,225 million

### 2. Cash dividends

	Cash dividend per share (yen)				
	First quarter	Second quarter	Third quarter	Year-end	Full year
Fiscal 2013	–	¥0.00	–	¥0.00	¥0.00
Fiscal 2014	–	–	–	–	–
Fiscal 2014 (est.)	–	–	–	–	–

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

At present, the cash dividend forecast for fiscal 2014 is undecided

### 3. Forecast for fiscal 2014 (April 1, 2014–March 31, 2015)

(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)
First 2 quarters	¥32,500	2.4%	¥ 700	-24.9%	¥ 400	-35.7%	¥ 500	-34.2%	¥ 3.44
Full year	75,000	5.8	3,700	9.1	3,000	-15.3	2,600	-45.2	17.90

(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: Yes
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 2014–1st quarter: 162,682,420  
Fiscal 2013: 162,682,420
2. Number of treasury shares outstanding  
Fiscal 2014–1st quarter: 17,502,621  
Fiscal 2013: 17,501,818
3. Average number of shares over period (consolidated total for quarter)  
Fiscal 2014–1st quarter: 145,180,229  
Fiscal 2013–1st quarter: 145,203,726

#### 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 quarter of the consolidated fiscal year ending March 31, 2015, the Japanese economy continued to show a modest recovery trend, backed by the ongoing economic policy of the government and the monetary easing policy by the Bank of Japan, although some areas were impacted by the reactionary drop against the rush demand before the consumption tax rate hike.

Under these circumstances, net sales of the Tokyo Rope Group decreased 3.7% year-on-year to ¥14,688 million for the first quarter. The decrease was due to a drop in overseas sales for Product Development, which had increased in the previous quarter, despite demand for wire rope and steel cord primarily for domestic customers remaining strong.

In terms of profits, the decreased net sales mentioned above caused the Group to post operating income of ¥170 million (a decrease of 25.3%), ordinary income of ¥187 million yen (a decrease of 68.1%) and net income of ¥414 million (a decrease of 24.0%), all on a year-on-year basis.

Results by business segment of the Group were as follows:

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

Demand has remained strong for wire rope, wire and fiber rope, respectively. In the first quarter of the consolidated fiscal year ending March 2015, however, sales of elevator rope in Vietnam (for the period from January to March) dropped temporarily year-on-year, and wire products also showed a decrease primarily for project opportunities.

As a result, total sales in the Wire Rope segment amounted to ¥6,673 million.

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

Although sales in the industry machinery area (tire molding equipment) decreased year-on-year, sales volume of tire cord, the main product of this segment, increased from business operations both in Japan and China.

Accordingly, total sales in the Steel Cord segment amounted to ¥3,975 million.

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

Although sales of products for Russia (related to the Sochi 2014 Winter Olympics), which had expanded in the fourth quarter of the consolidated fiscal year ended March 2014, were not recorded in the quarter under review, there was a steady increase in orders in Japan for delivery in the latter half of the fiscal year.

This brought Product Development sales to ¥1,614 million.

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

Sales in the Real Estate segment remained almost flat year-on-year, totaling ¥295 million.

#### ***Other***

Sales grew strongly in oil products, powder metallurgy products and industrial machinery (automatic weighing machines and packaging machines), respectively, resulting in sales for the Other segment to be ¥2,128 million.

## **(2) Financial Position**

### *Assets, Liabilities and Net Assets*

As of June 30, 2014, the Tokyo Rope Group had total assets of ¥87,729 million. The figure represented a rise of ¥790 million from the end of the previous consolidated fiscal year (March 31, 2014), caused mainly by an increase in inventories.

Total liabilities increased ¥99 million from the end of the previous consolidated fiscal year to ¥73,777 million, due to an increase in advances received and a decrease in borrowings.

Net assets totaled ¥13,952 million, grow ¥690 million compared with the end of the previous consolidated fiscal year. The increase was due to recording of net income for the quarter under review.

## **(3) Performance Forecasts**

The Tokyo Rope Group has revised its first 2 quarters projected results for the fiscal year ending March 2015 it announced on May 12, 2014.

## **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 quarter.

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

(Changes in accounting policies)

Effective from the first quarter of the consolidated fiscal year ending March 2015, the Company applied the “Accounting Standard for Retirement Benefits” (Accounting Standard Board of Japan (ASBJ) Statement No. 26 dated May 17, 2012 and the Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No. 25 dated May 17, 2012) pursuant to the provisions depicted in the main clause of Item 35 of the Accounting Standard for Retirement Benefits and in the main clause of Item 67 of the Guidance on Accounting Standard for Retirement Benefits. Accordingly, the Company modified the calculation method for retirement benefit obligations and current service costs, changed the method of attributing expected retirement benefit to periods from the straight-line basis to the benefit formula basis, and also changed the method to calculate the discount rate.

Upon applying the Accounting Standard for Retirement Benefits, etc., the Company added or deducted the amounts arising from the modification of the calculation method for retirement benefit obligations and the current service costs to and from retained earnings at the beginning of the first quarter of the consolidated fiscal year ending March 2015, pursuant to the transitional measures set forth in Item 37 of Accounting Standard for Retirement Benefits.

As a result, the obligations related to retirement benefits decreased by ¥39 million while retained earnings increased by ¥29 million for the quarter under review, with minimum impact given on operating income, ordinary income and income before income taxes for the first quarter of the consolidated fiscal year ending March 31, 2015.

### 3. Quarterly Consolidated Financial Statements

#### (1) Balance Sheets

(Millions of yen, rounded down)

	Fiscal 2013 (March 31, 2014)	Fiscal 2014–First quarter (June 30, 2014)
<b>ASSETS</b>		
Current assets		
Cash and bank deposits	¥ 2,242	¥ 3,891
Notes and accounts receivable	17,533	14,599
Commodities and products	5,623	5,893
Goods in process	4,360	5,227
Materials and supplies	4,053	4,367
Deferred tax assets	1,152	1,161
Other	1,394	1,874
Allowance for doubtful accounts	(369)	(325)
<b>Total current assets</b>	<b>35,990</b>	<b>36,689</b>
Fixed assets		
Property, plant and equipment		
Buildings and structures (net)	9,815	9,660
Machinery and vehicles (net)	4,528	5,630
Land	19,862	19,821
Construction in progress	1,323	629
Other (net)	1,287	1,250
<b>Total property, plant and equipment</b>	<b>36,817</b>	<b>36,990</b>
Intangibles	323	322
Investments and other assets		
Investment securities	8,423	8,453
Net defined benefit asset	138	136
Deferred tax assets	2,823	2,755
Other	4,156	3,815
Allowance for doubtful accounts	(1,752)	(1,455)
<b>Total investments and other assets</b>	<b>13,788</b>	<b>13,706</b>
<b>Total fixed assets</b>	<b>50,929</b>	<b>51,020</b>
Deferred assets	19	19
<b>Total assets</b>	<b>86,938</b>	<b>87,729</b>

(Millions of yen, rounded down)

	Fiscal 2013 (March 31, 2014)	Fiscal 2014–First quarter (June 30, 2014)
<b>LIABILITIES</b>		
Current liabilities		
Notes and accounts payable	¥13,300	¥12,852
Short-term borrowings	12,714	11,628
Accrued expenses	3,974	4,026
Reserve for employees' bonuses	810	1,120
Other	4,228	5,126
Total current liabilities	35,027	34,754
Long-term liabilities		
Long-term loans	23,702	24,310
Deferred tax liabilities for land revaluation	5,326	5,326
Net defined benefit liability	6,481	6,224
Other	3,138	3,160
Total long-term liabilities	38,649	39,022
Total liabilities	73,677	73,777
<b>NET ASSETS</b>		
Shareholders' equity		
Common stock	15,074	15,074
Capital surplus	8,574	8,574
Retained earnings	(17,406)	(16,963)
Treasury stock	(3,276)	(3, 276)
Total shareholders' equity	2,965	3,409
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	600	620
Revaluation reserve for land	10,009	10,009
Foreign currency translation adjustment	(644)	(556)
Remeasurements of defined benefit plans	(1,704)	(1,571)
Total accumulated other comprehensive income	8,260	8,501
Minority interests	2,035	2,041
Total net assets	13,261	13,952
<b>Total liabilities and net assets</b>	<b>86,938</b>	<b>87,729</b>

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

### 1) Statements of Income

(Millions of yen, rounded down)

	Fiscal 2013–First quarter (April 1–June 30, 2013)	Fiscal 2014–First quarter (April 1–June 30, 2014)
Net sales	¥15,257	¥14,688
Cost of sales	12,613	12,150
Gross profit	2,643	2,537
Selling, general and administrative expenses	2,415	2,367
Operating income	228	170
Other income		
Interest income	7	8
Dividend income	135	64
Foreign exchange gains	181	—
Transfer from allowance for doubtful accounts	172	319
Other	100	170
Total other income	598	562
Other expenses		
Interest expense	168	285
Foreign exchange losses	—	184
Other	69	75
Total other expenses	238	545
Ordinary income	587	187
Extraordinary income		
Gain on sales of investment securities	—	259
Gain on transfer of business	—	147
Other	—	8
Total extraordinary income	—	416
Extraordinary expenses		
Loss on valuation of golf club membership	1	—
Total extraordinary expenses	1	—
Income before income taxes	586	604
Income taxes	34	184
Income before minority interests	551	420
Minority interests in income	5	5
Net income	545	414



2) Statements of Comprehensive Income

(Millions of yen, rounded down)

	Fiscal 2013–First quarter (April 1–June 30, 2013)	Fiscal 2014–First quarter (April 1–June 30, 2014)
Income before minority interests	¥551	¥420
Other comprehensive income		
Valuation difference on available-for-sale securities	220	19
Foreign currency translation adjustment	(606)	154
Remeasurements of defined benefit plans, net of tax	—	133
Share of other comprehensive income (loss) of associates accounted for using equity method	182	(66)
Total other comprehensive income (loss)	(203)	241
Comprehensive income	348	661
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	342	655
Comprehensive income attributable to minority interests	5	5

### (3) Notes on Consolidated Financial Statements

#### Notes on Going-concern Assumptions

Fiscal 2014–First quarter (April 1– June 30, 2014)  
None

#### Note in the Event of Major Changes in Shareholders' Equity

Fiscal 2014–First quarter (April 1–June 30, 2014)  
None

#### Segment Information

##### Segment Information

Fiscal 2013–First quarter (April 1– June 30, 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	¥6,886	¥3,952	¥2,280	¥294	¥13,413	¥1,843	¥15,257	¥ —	¥15,257
Intersegment sales or transfers	34	3	41	—	79	213	292	(292)	—
<b>Total</b>	<b>6,920</b>	<b>3,955</b>	<b>2,321</b>	<b>294</b>	<b>13,493</b>	<b>2,057</b>	<b>15,550</b>	<b>(292)</b>	<b>15,257</b>
Segment income (loss)	346	(303)	64	93	201	26	228	—	228

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 2014–First quarter (April 1– June 30, 2014)

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	¥6,673	¥3,975	¥1,614	¥295	¥12,559	¥2,128	¥14,688	¥ —	¥14,688
Intersegment sales or transfers	33	1	1	—	36	225	262	(262)	—
<b>Total</b>	<b>6,706</b>	<b>3,977</b>	<b>1,616</b>	<b>295</b>	<b>12,595</b>	<b>2,354</b>	<b>14,950</b>	<b>(262)</b>	<b>14,688</b>
Segment income (loss)	486	(49)	(351)	3	89	81	170	—	170

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.

## Subsequent Event

Fiscal 2014—First quarter (April 1–June 30, 2014)

### Payment Completion for Class A Shares Issued through Third-Party Allotment, Decrease in Capital Stock and Capital Surplus Conducted Simultaneously with Issuance of the Shares, and Appropriation of Surplus

The Company made the following transfers in accordance with the completion of payment on July 8, 2014 for the class A shares it issued.

1. Amount of increases in capital stock and legal capital surplus

Increase in capital stock	¥1,250,000,000
Increase in legal capital surplus	¥1,250,000,000

2. Amount of decreases in capital stock and legal capital surplus, and amount of increase in other capital surplus

Decrease in capital stock	¥15,324,167,611
Decrease in legal capital surplus	¥6,539,508,899
Increase in other capital surplus	¥21,863,676,510

3. Amount of decrease in other capital surplus and amount of increase in retained earnings

Decrease in other capital surplus	¥21,366,871,798
Increase in retained earnings brought forward	¥21,366,871,798

4. Amounts of capital stock, legal capital surplus, other capital surplus and retained earnings brought forward after the transfers of above 1 through 3 become effective

Amount of capital stock	¥1,000,000,000
Amount of legal capital surplus	¥250,000,000
Amount of other capital surplus	¥3,496,804,712
Amount of retained earnings brought forward	¥0