

# Consolidated Financial Results

## for the First 3 Quarters of Fiscal 2015 [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: **February 10, 2016**

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 2015-First 3 quarters (April 1– December 31, 2015)

#### (1) Results of operations

(Millions of yen, except per share data; percentage figures denote year-on-year change)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
		(% change)		(% change)		(% change)		(% change)
Fiscal 2015–First 3 quarters	¥47,870	-10.6%	¥2,790	8.2%	¥2,017	-39.3%	¥1,271	-63.6%
Fiscal 2014–First 3 quarters	53,532	6.5	2,578	8.5	3,323	16.9	3,495	1.7

Note: Comprehensive income

Fiscal 2015–1st 3 quarters: ¥539 million (-88.7%)

Fiscal 2014–1st 3 quarters: ¥4,784 million (66.9%)

	Earnings per share	Earnings per share (fully diluted)
	(Yen)	(Yen)
Fiscal 2015–First 3 quarters	¥ 7.90	¥ 7.85
Fiscal 2014–First 3 quarters	23.70	21.67

#### (2) Financial position

(Millions of yen)

	Total assets	Net assets	Equity ratio
Fiscal 2015–First 3 quarters	¥90,511	¥23,062	23.2%
Fiscal 2014–Year-end	87,259	22,320	23.2

Note: Equity capital at term-end

Fiscal 2015–1st 3 quarters: ¥20,986 million

Fiscal 2014: ¥20,261 million

### 2. Cash dividends

	Cash dividend per share (yen)				
	First quarter	Second quarter	Third quarter	Year-end	Full year
Fiscal 2014	–	¥0.00	–	¥0.00	¥0.00
Fiscal 2015	–	0.00	–		
Fiscal 2015 (est.)				4.00	4.00

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

(Note) The above table shows cash dividends for the Company's common stock. For cash dividends of its class shares (non-listed) that have different entitlements from common shares, please refer to "Cash Dividends for Class A Shares" stated below.

### 3. Forecast for fiscal 2015 (April 1, 2015–March 31, 2016)

(Millions of yen, except per share data; percentage figures denote year-on-year change)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Earnings per share
									(Yen)
Full year	¥73,500	0.2%	¥4,200	6.4%	¥3,900	-13.0%	¥3,000	-22.3%	¥18.93

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

#### Notes

(1) Changes in important 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 2015–1st 3 quarters: 162,682,420

Fiscal 2014: 162,682,420

2. Number of treasury shares outstanding

Fiscal 2015–1st 3 quarters: 56,582

Fiscal 2014: 17,529,456

3. Average number of shares over period (consolidated total for quarter)

Fiscal 2015–1st 3 quarters: 157,066,342

Fiscal 2014–1st 3 quarters: 145,174,018

Note: Based on the resolution made at the board of directors' meeting held on June 5, 2015, the Company disposed 15,220,000 shares of its treasury stock through public offering and 2,280,000 shares of its treasury stock through third-party allotment.

#### 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.

#### (Reference) Cash Dividends for Class A Shares

The following table shows the breakdown of cash dividend per share for the class shares that have different entitlements from the common stock.

	Cash dividend per share (yen)				
	First quarter	Second quarter	Third quarter	Year-end	Full year
Fiscal 2014	–	–	–	¥32,917.80	¥32,917.80
Fiscal 2015	–	–	–		
Fiscal 2015 (est.)				–	–

(Note) As of July 9, 2015, the Company acquired all of the class A shares outstanding and cancelled them as of the same date. Because of this, the Company will have no dividend to pay for class A shares for the fiscal year ending March 2016 and thereafter.

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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 31, 2016, the Japanese economy continued to show a modest recovery trend with improvements seen in the corporate earnings and employment situation. Meanwhile, the future prospects of the economy remain in a state of uncertainty due to such factors as the slowdown of the Chinese economy and a drop in crude oil prices.

Under these circumstances, net sales of the Tokyo Rope Group decreased 10.6% year-on-year to ¥47,870 million for the first three quarters. Despite an increase in sales of elevator rope and road safety equipment, the figure decreased due to such factors as the repercussions of sales for overseas projects in the Product Development segment recorded in the same period of the previous fiscal year and a decrease in sales related to oil products in accordance with lower crude oil prices.

In terms of profits, increased sales of elevator rope and other products as well as improved earnings in the Product Development segment allowed the Group to post operating income of ¥2,790 million, a year-on-year increase of 8.2%. However, ordinary income decreased 39.3% to ¥2,017 million and profit attributable to owners of parent dropped 63.6% to ¥1,271 million, both on a year-on-year basis, mainly due to the impact of foreign exchange losses in accordance with the revaluation of foreign currency-denominated bonds.

Results by business segment of the Group were as follows:

#### *Wire Rope*

Although wire products decreased mainly for project opportunities, domestic sales of wire rope and sales of elevator rope from the Vietnam factory as well as fiber rope remained strong.

As a result, total sales in the Wire Rope segment amounted to ¥21,496 million, a year-on-year increase of 4.6%.

#### *Steel Cord*

In the face of the worsening market conditions, sales volume of tire cord decreased in China, and sales volume of tire cord decreased year-on-year in the domestic market.

As a result, total sales in the Steel Cord segment amounted to ¥9,982 million, a year-on-year decrease of 11.4%.

#### *Product Development*

Sales of road-related products have increased in domestic market. However, due to the repercussions of recording sales for overseas projects in the same period of previous fiscal year, total sales in the Product Development segment amounted to ¥10,038 million, a year-on-year decrease of 27.9%.

#### *Real Estate*

With contributions from the electricity sales revenues from the solar power plant operations which started from June 2015 in Hachinohe, Aomori Prefecture, total sales amounted to ¥946 million, a year-on-year increase of 9.5%.

#### *Other*

Sales decreased mainly in oil-related products, resulting in sales for the Other segment to be ¥5,406 million, a year-on-year decrease of 22.0%.

## **(2) Financial Position**

### *Assets, Liabilities and Net Assets*

Total assets at the end of the first three quarters of the consolidated fiscal year ending March 31, 2016 for the Tokyo Rope Group were ¥90,511 million yen, an increase of ¥3,251 million yen from the end of the previous consolidated fiscal year, mainly due to an increase in inventories.

Total liabilities increased ¥2,509 million yen from the end of the previous consolidated fiscal year to ¥67,448 million as a result of an increase in current liabilities such as accounts payable and advances received, despite a decrease in borrowings.

Net assets totaled ¥23,062 million, an increase of ¥742 million compared with the end of the previous consolidated fiscal year. These figures reflect such factors as the disposition of treasury stock and the recording of profit attributable to owners of parent, despite acquisition and cancellation of class A shares and decreases in the difference of securities valuation.

## **(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 Fiscal 2014” dated May 13, 2015.

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

### **(1) Changes in Important 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**

#### *Changes in accounting policies*

Effective from the first quarter of the consolidated fiscal year ending March 2016, the Company applied the “Accounting Standard for Business Combinations” (Accounting Standard Board of Japan (ASBJ) Statement No. 21 dated September 13, 2013), “Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No. 22 dated September 13, 2013) and “Accounting Standard for Business Divestitures” (ASBJ Statement No. 7 dated September 13, 2013), etc., and changed presentation of net income and other accounting items as well as presentation of minority interests to non-controlling interests. In order to reflect these changes in presentation, quarterly and annual consolidated financial statements have been restated for the first 3 quarters of the previous consolidated fiscal year and the previous consolidated fiscal year.

### 3. Quarterly Consolidated Financial Statements

#### (1) Balance Sheets

(Millions of yen, rounded down)

	Fiscal 2014 (March 31, 2015)	Fiscal 2015–First 3 quarters (December 31, 2015)
<b>ASSETS</b>		
Current assets		
Cash and bank deposits	¥ 4,708	¥ 5,062
Notes and accounts receivable	14,819	13,981
Commodities and products	5,383	5,917
Goods in process	3,751	5,558
Materials and supplies	3,655	4,356
Deferred tax assets	762	765
Other	1,413	2,726
Allowance for doubtful accounts	(541)	(193)
<b>Total current assets</b>	<b>33,953</b>	<b>38,175</b>
Fixed assets		
Property, plant and equipment		
Buildings and structures (net)	9,968	9,935
Machinery and vehicles (net)	6,548	6,467
Land	19,819	19,782
Construction in progress	525	375
Other (net)	990	1,667
<b>Total property, plant and equipment</b>	<b>37,853</b>	<b>38,228</b>
Intangibles	339	327
Investments and other assets		
Investment securities	10,463	8,935
Net defined benefit asset	109	112
Deferred tax assets	2,022	2,321
Other	3,957	3,961
Allowance for doubtful accounts	(1,446)	(1,553)
<b>Total investments and other assets</b>	<b>15,107</b>	<b>13,777</b>
<b>Total fixed assets</b>	<b>53,300</b>	<b>52,333</b>
Deferred assets	5	2
<b>Total assets</b>	<b>87,259</b>	<b>90,511</b>

(Millions of yen, rounded down)

	Fiscal 2014 (March 31, 2015)	Fiscal 2015–First 3 quarters (December 31, 2015)
<b>LIABILITIES</b>		
Current liabilities		
Notes and accounts payable	¥11,712	¥13,461
Short-term borrowings	10,196	12,709
Accrued expenses	3,459	3,695
Reserve for employees' bonuses	845	461
Other	3,849	7,842
Total current liabilities	30,063	38,170
Long-term liabilities		
Long-term loans	20,928	16,148
Deferred tax liabilities for land revaluation	4,856	4,849
Net defined benefit liability	6,027	5,631
Other	3,063	2,648
Total long-term liabilities	34,875	29,277
Total liabilities	64,939	67,448
<b>NET ASSETS</b>		
Shareholders' equity		
Common stock	1,000	1,000
Capital surplus	3,781	796
Retained earnings	7,816	9,020
Treasury stock	(3,281)	(11)
Total shareholders' equity	9,316	10,805
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,936	1,284
Revaluation reserve for land	10,474	10,460
Foreign currency translation adjustment	120	(99)
Remeasurements of defined benefit plans	(1,586)	(1,464)
Total accumulated other comprehensive income	10,944	10,181
Non-controlling interests	2,058	2,075
Total net assets	22,320	23,062
<b>Total liabilities and net assets</b>	<b>87,259</b>	<b>90,511</b>

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

### 1) Statements of Income

(Millions of yen, rounded down)

	Fiscal 2014–First 3quarters (April 1–December 31, 2014)	Fiscal 2015–First 3 quarters (April 1–December 31, 2015)
Net sales	¥53,532	¥47,870
Cost of sales	43,487	37,692
Gross profit	10,044	10,178
Selling, general and administrative expenses	7,466	7,388
Operating income	2,578	2,790
Other income		
Interest income	20	17
Dividend income	118	133
Foreign exchange gains	1,163	—
Transfer from allowance for doubtful accounts	296	—
Other	427	168
Total other income	2,026	319
Other expenses		
Interest expense	655	345
Foreign exchange losses	—	259
Financing expenses	154	—
Other	471	487
Total other expenses	1,281	1,092
Ordinary income	3,323	2,017
Extraordinary income		
Gain on sales of non-current assets	8	4
Gain on sales of investment securities	260	10
Gain on transfer of business	147	—
Other	—	3
Total extraordinary income	417	18
Income before income taxes	3,740	2,035
Income taxes	227	746
Profit	3,513	1,288
Profit attributable to non-controlling interests	17	17
Profit attributable to owners of parent	3,495	1,271

2) Statements of Comprehensive Income

(Millions of yen, rounded down)

	Fiscal 2014–First 3quarters (April 1–December 31, 2014)	Fiscal 2015–First 3 quarters (April 1–December 31, 2015)
Profit	¥3,513	¥1,288
Other comprehensive income		
Valuation difference on available-for-sale securities	804	(652)
Foreign currency translation adjustment	6	111
Remeasurements of defined benefit plans, net of tax	370	122
Share of other comprehensive income (loss) of entities accounted for using equity method	90	(331)
Total other comprehensive income (loss)	1,271	(749)
Comprehensive income	4,784	539
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	4,767	521
Comprehensive income attributable to non-controlling interests	17	17

### (3) Notes on Consolidated Financial Statements

#### Notes on Going-concern Assumptions

Fiscal 2015–First 3 quarters (April 1– December 31, 2015)

None

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

Fiscal 2015– First 3 quarters (April 1– December 31, 2015)

##### (1) Acquisition and cancellation of class A shares

###### 1) Acquisition of Class A Shares

The Company acquired 2,500 class A shares as of July 9, 2015, based on the resolution at its board of directors' meeting held on May 22, 2015.

Amount of increase in treasury stock	¥3,080,430,250
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###### 2) Cancellation of class A shares

The Company cancelled all class A shares acquired as described in 1) above.

Amount of decrease in treasury stock	¥3,080,430,250
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Amount of decrease in capital surplus	¥3,080,430,250
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##### (2) Disposal of treasury stock related to common shares

###### 1) Disposal of treasury stock through public offering

The Company disposed the treasury stock through public offerings with June 22, 2015 as the payment date, based on the resolution at its board of directors' meeting held on June 5, 2015.

Total number of shares	15,220,000 shares
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Amount of decrease in treasury stock	¥2,849,525,472
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Amount of increase in capital surplus	¥83,064,128
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###### 2) Disposal of treasury stock through third-party allotment

The Company disposed the treasury stock through third-party allotment with July 23, 2015 as the payment date, based on the resolution at its board of directors' meeting held on June 5, 2015.

Total number of shares	2,280,000 shares
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Amount of decrease in treasury stock	¥427,003,636
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Amount of increase in capital surplus	¥12,306,764
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As a result, mainly due to disposition of treasury stock described above, the treasury stock decreased by ¥3,270 million and capital surplus decreased by ¥2,985 million in the first three quarters of the consolidated fiscal year ending March 2016, with treasury stock standing at ¥11 million and capital surplus standing at ¥796 million at the end of the quarter.

## Segment Information

### Segment Information

Fiscal 2014—First 3 quarters (April 1– December 31, 2014)

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	¥20,557	¥11,261	¥13,918	¥864	¥46,602	¥6,929	¥53,532	¥ —	¥53,532
Intersegment sales or transfers	171	52	242	—	467	825	1,292	(1,292)	—
<b>Total</b>	<b>20,729</b>	<b>11,314</b>	<b>14,161</b>	<b>864</b>	<b>47,069</b>	<b>7,755</b>	<b>54,824</b>	<b>(1,292)</b>	<b>53,532</b>
Segment income (loss)	1,275	593	407	(27)	2,249	329	2,578	—	2,578

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 2015—First 3 quarters (April 1– December 31, 2015)

Sales, Income 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	¥21,496	¥ 9,982	¥10,038	¥946	¥42,463	¥5,406	¥47,870	¥ —	¥47,870
Intersegment sales or transfers	130	42	244	—	417	620	1,038	(1,038)	—
<b>Total</b>	<b>21,626</b>	<b>10,025</b>	<b>10,283</b>	<b>946</b>	<b>42,881</b>	<b>6,027</b>	<b>48,909</b>	<b>(1,038)</b>	<b>47,870</b>
Segment income	1,422	514	473	60	2,470	320	2,790	—	2,790

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.