

## Consolidated Financial Results for the Fiscal 2015 [Japanese GAAP]

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

Listing: **Tokyo Stock Exchange**

Stock code number: **5981**

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

Representative: **Hiroaki Nakamura, President**

Contact: **Kazunori Sato, Executive Officer & General Manager, General Affairs Dept.**

Phone: **+81-3-6366-7777**

Annual Meeting of Shareholders: **June 28, 2016**

Date of issue of Financial Report: **June 28, 2016**

Start of cash dividend payments: **June 8, 2016**

Supplementary financial materials prepared: **None**

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

### 1. Fiscal 2015 (April 1, 2015 – March 31, 2016)

#### (1) Results of Operations

	(Millions of yen, except per share data, rounded down; percentage figures denote year-on-year change)							
	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
		(% change from previous year)		(% change)		(% change)		(% change)
Fiscal 2015	¥65,281	-11.0%	¥4,303	9.0%	¥3,021	-32.0%	¥2,673	-30.0%
Fiscal 2014	73,315	3.5	3,948	16.5	4,444	25.5	3,822	-19.5

Note: Comprehensive income

Fiscal 2015: ¥1,422 million (-78.2%)

Fiscal 2014: ¥6,534 million (97.1%)

	Earnings per share	Earnings per share (fully diluted)	ROE	Ordinary income/total assets	Operating income/net sales
	(Yen)	(Yen)	(%)	(%)	(%)
Fiscal 2015	¥16.68	¥16.49	12.7%	3.4%	6.6%
Fiscal 2014	25.76	24.07	24.3	5.1	5.4

Note: Gain (Loss) on investments based on equity method

Fiscal 2015: ¥(210) million

Fiscal 2014: ¥129 million

#### (2) Financial Position

	(Millions of yen, rounded down)			
	Total assets	Net assets	Equity ratio	Net assets per share (Yen)
Fiscal 2015	¥88,508	¥23,945	24.7%	¥134.45
Fiscal 2014	87,259	22,320	23.2	121.80

Note: Equity capital at the year-end

Fiscal 2015: ¥21,865 million

Fiscal 2014: ¥20,261 million

#### (3) Cash Flows

	(Millions of yen, rounded down)			
	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of year
Fiscal 2015	¥4,240	¥(2,166)	¥(2,087)	¥4,569
Fiscal 2014	7,844	(1,744)	(3,525)	4,649

## 2. Cash Dividends

	Cash dividend per share (yen)					Total dividends paid (full year) (Millions of yen)	Payout ratio (consolidated)	Dividends paid/ net assets (consolidated) (%)
	1st quarter	2nd quarter	3rd quarter	Year-end	Full year			
Fiscal 2014	-	¥0.00	-	¥0.00	¥0.00	¥ -	-%	-%
Fiscal 2015	-	0.00	-	4.00	4.00	650	24.0	3.1
Fiscal 2016 (est.)	-	0.00	-	4.00	4.00		24.1	

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 2016 (April 1, 2016–March 31, 2017)

	(Millions of yen, rounded down; percentage figures denote year-on-year change)								
	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Earnings per share (Yen)
First 2 quarters	¥31,500	1.5%	¥1,500	-0.5%	¥1,200	15.2%	¥ 850	38.1%	¥ 5.23
Full year	66,000	1.1	4,400	2.2	3,800	25.7	2,700	1.0	16.60

### Notes

(1) Changes in important subsidiaries during the year (changes in specific subsidiaries due to change in scope of consolidation):

Yes

Newly consolidated - Excluded -

(2) 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: Yes
4. Restatements: None

(3) Shares outstanding (capital stock) at the year-end

1. Number of shares outstanding (including treasury shares)

Fiscal 2015: 162,682,420

Fiscal 2014: 162,682,420

2. Number of treasury shares outstanding

Fiscal 2015: 58,822

Fiscal 2014: 17,529,456

3. Average number of shares over the year

Fiscal 2015: 158,444,691

Fiscal 2014: 145,169,464

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 shares through public offering and 2,280,000 shares of its treasury shares through third-party allotment.

### Implementation status of review procedures

This financial report is exempt from audit procedure based upon the Financial Instruments and Exchange Act. It is under the audit procedure process at the time of disclosure of this report.

### 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 "1. Performance and Financial Position (1) Consolidated Business Results" on page 2 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 2016 (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 ended March 2016 and thereafter.

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## 1. Performance and Financial Position

### (1) Consolidated Business Results

#### 1) Fiscal 2015 Results

During the consolidated fiscal year that ended March 31, 2016, the Japanese economy remained on course for a modest recovery with improvements seen in the corporate earnings and employment situation, backed by economic measures and monetary policies by the government and the Bank of Japan. However, the future prospects of the economy still remain in a state of uncertainty due to such factors as the slowdown of China and other emerging economies, and a drop in crude oil prices, as well as the rapid appreciation of the yen and a steep drop in stock prices since the beginning of 2016.

Under these circumstances, the Tokyo Rope Group established "TCT-Focus 2020," its new mid-term management plan for 5 years from fiscal 2015 to fiscal 2019. Positioning the 5 years as a period for "further enhancing its business base" and "starting and implementing its strategies for growth," the Group has worked on a variety of measures to "achieve sustained growth into the future and make contributions to society."

For the fiscal year under review, net sales of the Tokyo Rope Group totaled ¥65,281 million, a year-on-year decrease of 11.0%. 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 previous fiscal year and a decrease in sales related to oil products in accordance with lower crude oil prices.

In terms of profits, the Group posted operating income of ¥4,303 million, a year-on-year increase of 9.0%, due to increased sales of elevator rope and other products as well as improved costs including a decrease in energy costs as a result of lower crude oil prices. However, ordinary income decreased 32.0% to ¥3,021 million and profit attributable to owners of parent dropped 30.0% to ¥2,673 million, both on a year-on-year basis and 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, sales volume of rope products including elevator rope and fiber rope increased, bringing the total sales in the Wire Rope segment to ¥28,788 million, a year-on-year increase of 2.4%. In terms of profits, operating income of the segment amounted to ¥2,284 million, up 24.5% year-on-year, due to such factors as an increase in sales volume and improved costs, including a decrease in energy costs as a result of lower crude oil prices.

#### *Steel Cord*

As sales volume of tire cord decreased both in Japan and China in the face of the worsening market conditions, total sales in the Steel Cord segment amounted to ¥13,038 million, a year-on-year decrease of 13.6%. As for profits, the segment posted operating income of ¥777 million, up 33.6% year-on-year due to such factors as improved costs, including a decrease in energy costs as a result of lower crude oil prices.

#### *Product Development*

Although sales of road-related products for the Japanese market and carbon fiber composite cable (CFCC®) for overseas markets increased, both total sales and operating income of the Product Development segment decreased year-on-year from the repercussions of recording sales for overseas projects in the previous fiscal year. As such, this segment posted total sales of ¥14,898 million, down 24.7%, and operating income of ¥658 million, down 38.8%, both on a year-on-year basis.

#### *Real Estate*

With the contributions of electricity sales revenue from solar power plant operations which started in June 2015 in Hachinohe, Aomori Prefecture, total sales amounted to ¥1,272 million, a year-on-year increase of

11.3%, and operating income came to ¥125 million in contrast to operating loss of ¥43 million in the previous fiscal year.

#### ***Other***

With sales related to oil products decreasing in accordance with a drop in crude oil prices, the Other segment posted total sales of ¥7,284 million, down 20.7%, and operating income of ¥458 million, down 8.3%, on a year-on-year basis.

## **2) Outlook for Fiscal 2016**

The Group's consolidated forecasts for fiscal 2016 are net sales of ¥66.0 billion, operating income of ¥4.4 billion, ordinary income of ¥3.8 billion and profit attributable to owners of parent of ¥2.7 billion. Forecasts for the first two-quarter period of fiscal 2016 (the cumulative total of the first 2 quarters) are net sales of ¥31.5 billion, operating income of ¥1.5 billion, ordinary income of ¥1.2 billion and profit attributable to owners of parent of ¥850 million.

In the Wire Rope segment, demand for elevator rope in China is forecasted to decrease due to the country's economic slowdown and other factors. Demand in Japan is also anticipated to decrease due to the worsening economic environment via the appreciating yen. Accordingly, total sales of this segment are projected to decrease year-on-year.

In the Steel Cord segment, the Japanese and Chinese tire cord markets still continue to face tough business conditions. In China, however, the Group will work toward securing orders for more profitable products. Moreover, demand for high-strength extra fine wire for solar power generation is projected to remain strong.

In the Product Development segment, although public works projects in Japan such as rock fall protection nets continue to be on a weak note, the Group anticipates an increase in sales of disaster prevention products in emerging countries as well as further progress in Indonesia and commencement of operations in North America for the CFCC® business.

The Tokyo Rope Group will continue its group-wide and integrated endeavors to improve earnings by accelerating cost reductions while at the same time providing quality products that meet customer needs.

## **(2) Financial Position**

### **1) Assets, Liabilities and Net Assets**

At March 31, 2016, the Tokyo Rope Group had total assets of ¥88,508 million. The figure represents an increase of ¥1,249 million from the end of the previous consolidated fiscal year (March 31, 2015), due mainly to an increase in inventories.

Total liabilities decreased ¥376 million yen from the end of the previous consolidated fiscal year to ¥64,563 million as a result of a decrease in borrowings, despite a significant increase in advances received.

Net assets totaled ¥23,945 million, an increase of ¥1,625 million compared with the end of the previous consolidated fiscal year. These figures reflect such factors as the disposition of treasury shares 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.

### **2) Cash Flows**

At March 31, 2016, cash and cash equivalents totaled ¥ 4,569 million, down ¥ 79 million from a year earlier.

Net cash provided by operating activities amounted to ¥ 4,240 million, which mainly reflected a recording of net income before income taxes for the year under review and an increase in notes and accounts payable.

Net cash used in investing activities totaled ¥ 2,166 million, mainly due to purchases of property, plant, and equipment.

Net cash used in financing activities was ¥ 2,087 million, mainly reflecting decrease in borrowings.

**(Reference) Cash Flow Indicators**

	Fiscal 2011	Fiscal 2012	Fiscal 2013	Fiscal 2014	Fiscal 2015
Equity ratio (%)	35.3	11.7	12.9	23.2	24.7
Equity ratio based on market price (%)	23.3	19.6	26.7	31.8	29.9
Debt coverage (years)	-7.3	13.6	15.3	4.0	6.9
Interest coverage ratio (times)	-9.7	4.9	2.6	9.6	9.6

Equity ratio: Equity capital/Total assets

Equity ratio based on market price: Total stock value based on market price/Total assets

Debt coverage: Interest-bearing debt/Operating cash flow

Interest coverage ratio: Operating cash flow/Interest paid

Notes: 1. Each index is calculated based on consolidated financial figures.

2. Market value of total stock is calculated based on the number of shares outstanding at the end of the year, excluding treasury shares.

3. Operating cash flow is calculated using net cash provided by operating activities (listed in the Consolidated Statements of Cash Flows).

4. Interest-bearing debt refers to all liabilities listed in the Consolidated Balance Sheets that incur interest.

**(3) Profit Appropriation Policy; Cash Dividends**

The Company prioritizes returning of profits to shareholders as an important management issue. In distributing profits, the Company shall do so in accordance with its consolidated performance for each fiscal year as a rule. Otherwise, it shall decide on the implementation of returning of profits by comprehensively taking into account such factors as the status of internal demand for funds required for enhancing the corporate value in the future, such as implementation of new businesses, development of new products and reinforcement of the production and sales systems, the Company's performances and financial conditions, and realization of stable and continuous shareholder returns.

As for the year-end cash dividends for fiscal 2015, the Company has decided to pay ¥4.0 per share, representing a recovery of dividends for the first time in four fiscal years, based on its judgment that it has regained earning power and established a financial base strong enough to pay dividends on a continuous and stable basis.

Furthermore, the Company plans to pay ¥4.0 per share for fiscal 2016, with considerations given to the outlook of its performance going forward.

**(4) Business Risks**

A summary of the various risks that could affect the Group's financial position and business performance is given below. Forward-looking statements included in the summary below are based on the Group's judgments as of March 31, 2015.

**1) Economic Trends**

Economic conditions worldwide and in Japan can potentially affect the activity levels of key sectors, including the tire and construction industries, which represent the main sources of demand for the Group. This could have a negative impact on the Group's business performance.

**2) Competition**

The competition which the Group faces, in terms of domestic and overseas production and sales activities, is intensifying. We are promoting both a consecutive effort to reduce costs and develop new products, or new businesses. However, the reduction of market prices could have a negative impact on the financial position and business performance of the Group.

**3) Availability of Raw Materials, etc.**

The Group makes regular purchases of key raw materials, namely wire rod, zinc, and fiber core, and depends upon a few suppliers for each type of purchase. Lack of supplies or delays in the delivery of raw materials

caused by poor business performance or the closing down of certain businesses of suppliers, restrictions on purchasing volumes stemming from worldwide supply-demand pressures, or rising prices of steel, caused by surging prices of iron ore and coal, could have a negative impact on the Groups' financial position and business performance.

#### **4) Overseas Operational Factors**

The Group has overseas business operations in China and Vietnam. If those countries experience political and/or economic turmoil, social unrest resulting from the spread of disease or terrorism, or legal constraints, the Group's business activities could be restricted as a consequence.

#### **5) Natural Disasters and Accidents**

The advent of earthquakes, fires, and other large-scale disasters, as well as equipment-related accidents, could impede the Group's production activities and incur substantial restoration expenses. The Group's financial position and business performance could be affected as a consequence.

#### **6) Falling Share Prices**

The Group holds shares in some business partners in the interests of pursuing common medium- and long-term business strategies. If the market values of those shares decline, the Group may need to incur devaluation losses. Moreover, Company's pension assets may decline and its retirement benefits expenses may increase as a result of declines in share prices.

#### **7) Default of Business Partners**

The Group allows credit accommodation to business partners in various ways, and bears credit risks, such as the possibility of not being able to recover receivables. In order to avert such risks, the Group establishes credit ceilings according to the credit condition of each business partner, and implements countermeasures, which includes acquisition of necessary security or guarantees. However, in the event it is impossible to recover receivables due to the unexpected deterioration of the credit condition of, or corporate bankruptcies of business partners, the Group's financial position and business performance may be negatively impacted.

#### **8) Impairment Loss on Fixed Assets**

The Group possesses a large sum of fixed assets. In the event that it cannot be expected to recover the amount invested as a result of the decrease in profitability in the wake of changes in business environment, there will be a need to reduce the book value of fixed assets so as to reflect their collectability, and record the amount of the said decrease as impairment loss. As a result, this could have a negative impact on the Group's financial position and business performance.

#### **9) Lawsuits**

The Group is committed to comply with laws and regulations, etc. However, in the event an important lawsuit, or similar action, is filed against the Group regardless of whether we have violated any laws or regulations, etc., this could have a negative impact on the Group's financial position and business performance.

#### **10) Environmental Factors**

The Group properly disposes waste and hazardous substances that are produced as a byproduct of business activities subject to laws and regulations pertaining to the environment. However, in the event environmental standards, such as CO<sub>2</sub> emissions restrictions, are tightened in the future, expenses for creating and implementing new measures may arise, or we may have to close down certain businesses. As a result, this could have a negative impact on the Group's financial position and business performance.

#### **11) Intellectual Property Rights**

The Group has delivered a number of new technologies through development of new products, gained a lot of expertise, applied for patents for such intellectual properties and strived to protect such rights and leverage them

as resources for business. However, in the event the Group's application for intellectual property rights is nullified, or a third party violates intellectual property rights, this could have a negative impact on the Group's financial position and business performance.

## **12) Legal Restrictions**

The Group is subject to legal restrictions of the countries where it does business, whether it is in Japan or overseas. We have established and operated a proper internal control system, which includes matters related to compliance, as well as the securing of legal financial reporting procedures. However, this does not mean that violations of laws and regulations will never arise in the future, and furthermore, expenses to comply with changes in laws and regulations may arise. This could have a negative impact on the Group's financial position and business performance.

## **2. Business Policies**

### **(1) Basic Corporate Management Policy**

The Tokyo Rope Group aims to become a company with a high level of enterprise value that can make further contributions to society by working to reinforce its earning power and financial position through implementation of measures to achieve greater competitiveness in global markets and carrying out growth strategies, based on the provision of services from the perspective of its customers.

As its long-term vision, the Group has upheld "In Pursuit of Total Cable Technology."

The Company possesses a broad range of wire, wire rope and fiber rope products as well as their derivatives (including engineering business), and through having provided them to various industries in Japan, has accumulated various technologies in return. In addition, we are engaged in technological development in operational know-how such as diagnostic techniques and in different materials such as carbon fiber.

Based on these endeavors, the Company will make an attempt to step into the new stage of growth as a unique and global competitive supplier that can offer a variety of solutions for cables.

### **(2) Targeted Management Indicators**

The Tokyo Rope Group has established "TCT-Focus 2020," its new mid-term management plan for 5 years from fiscal 2015 to fiscal 2019. Under the three key phrases of "Strengthening of Domestic Business Base," "Challenge to New Materials and Technologies" and "Overseas Business Expansion," the Company will strive to vitalize all of its business operations, aiming to achieve the targeted financial figures including ¥90 billion in net sales, ¥7,8 billion in operating income and over ¥10 billion in EBITDA (earnings before interest, taxes, depreciation and amortization), all on a consolidated basis, for the fiscal year ending March 2020, the final year of the plan.

### **(3) Company Management Strategies over the Medium- to Long-Term and Issues to Tackle**

Looking ahead, the management environment surrounding the Tokyo Rope Group will continue to be unpredictable in the face of such worrisome issues as sluggish consumer spending, slowdown in China and other emerging economies, and trends in monetary situations and natural resource prices.

The Tokyo Rope Group is determined to pursue the above-mentioned objectives of the TCT-Focus 2020, the mid-term business plan, in order to "further enhance its business base" and "start and implement its strategies for growth."

Specific actions in this endeavor are indicated below.

#### **1) Promotion of the CFCC® Project**

With demand for building and repairing bridges in North America anticipated to grow further going forward, the Company will establish a production base for CFCC® in the area to capture such demand. The Company will



also work to secure demand for overhead power lines in Indonesia, where expansion of electricity supply networks is under way in the face of growing demand for electrical power as the economy continues to grow.

## **2) Actively Tap into the Overseas Infrastructure Demand as well as New Markets**

Product lines such as road safety products, bridge cables, and elevator wire rope meet the demand for infrastructure development in developing countries. As such, the Company will expand its business endeavors in overseas markets on top of in Russia, where it has already participated, through selling emergency goods in Central Asia and Middle East countries, expanding sales of bridge cables overseas with a focus on Turkey, and expanding sales of elevator wire rope in China, Southeast Asia and India, etc.

## **3) Transforming the Structure of the Steel Cord Project**

In the tire cord industry, in which competition in the global market has increased, differentiation in production type and quality has become increasingly important. Therefore, there is a need to engage in efforts to make significant changes in quality. The Company will strengthen its efforts to provide products with high added value for not only the tire industry - an industry with a strong demand for environmental performance - but for each industry that requires high-strength and fine wire. The Company will also strive to expand its portfolio of products as well as increase profitability.

## **4) Capturing the Domestic Market Securely by Responding to Infrastructure Demand (e.g. Building National Resilience)**

The Japanese market has strong demand for products related to "safety, disaster management, the environment, and eco-friendliness." The Company will strive to enhance its contributions to, and maximize its profits in the domestic market by taking advantage of the high level of trust and developed brand strength it has earned in the funicular line and developmental product industries, respectively.

## **5) Reinforcing the Financial Base**

By securely increasing profits going forward, the Company will aim to achieve and expand the returning of profits to its shareholders in a stable manner, as well as endeavor to further reinforce its financial base.

Through these endeavors mentioned above, the Tokyo Rope Group will respond to the rapidly changing business environment and construct a strong and solid business foundation that should enable continuous growth. By doing so, the Company is determined to do everything in its power to become a corporation that proves worthy of the trust of various stakeholders, including its shareholders, customers, suppliers and employees.

## **3. Basic Perspective on Selection of Accounting Standards**

It is the Tokyo Rope Group's policy to prepare the consolidated financial statements based on the Japanese Accounting Standards for the time being, taking into account the comparability of consolidated financial statements with other fiscal years and with other companies.

For the future, the Group intends to explore application of the International Financial Reporting Standards (IFRS) while considering factors such as the changes in its foreign shareholder ratio and the trends of domestic peer companies in terms of adoption of the IFRS.

## 4. Consolidated Financial Statements

### (1) Balance Sheets

(Millions of yen, rounded down)

	Fiscal 2014 (March 31, 2015)	Fiscal 2015 (March 31, 2016)
<b>ASSETS</b>		
Current assets		
Cash and bank deposits	¥ 4,708	¥ 4,604
Notes and accounts receivable	14,819	14,493
Commodities and products	5,383	5,967
Goods in process	3,751	4,681
Materials and supplies	3,655	4,054
Deferred tax assets	762	941
Other	1,413	1,909
Allowance for doubtful accounts	(541)	(25)
<b>Total current assets</b>	<b>33,953</b>	<b>36,627</b>
Fixed assets		
Property, plant and equipment		
Buildings and structures (net)	9,968	9,831
Machinery and vehicles (net)	6,548	6,528
Land	19,819	19,782
Lease assets (net)	614	1,194
Construction in progress	525	524
Other (net)	375	451
<b>Total property, plant and equipment</b>	<b>37,853</b>	<b>38,313</b>
Intangibles	339	317
Investments and other assets		
Investment securities	10,463	7,948
Net defined benefit asset	109	113
Deferred tax assets	2,022	2,815
Other	3,957	3,031
Allowance for doubtful accounts	(1,446)	(679)
<b>Total investments and other assets</b>	<b>15,107</b>	<b>13,230</b>
<b>Total fixed assets</b>	<b>53,300</b>	<b>51,861</b>
Deferred assets	5	19
<b>Total assets</b>	<b>87,259</b>	<b>88,508</b>

(Millions of yen, rounded down)

	Fiscal 2014 (March 31, 2015)	Fiscal 2015 (March 31, 2016)
<b>LIABILITIES</b>		
Current liabilities		
Notes and accounts payable	¥11,712	¥12,190
Short-term borrowings	10,196	13,754
Accrued expenses	3,459	2,768
Reserve for employees' bonuses	845	861
Other	3,849	6,593
Total current liabilities	30,063	36,168
Long-term liabilities		
Long-term loans	20,928	15,391
Lease obligations	741	554
Deferred tax liabilities for land revaluation	4,856	4,598
Reserve for directors' retirement benefits	180	165
Net defined benefit liability	6,027	5,813
Asset retirement obligations	521	465
Provision for environmental measures	-	213
Other	1,619	1,192
Total long-term liabilities	34,875	28,395
Total liabilities	64,939	64,563
<b>NET ASSETS</b>		
Shareholders' equity		
Capital stock	1,000	1,000
Capital surplus	3,781	796
Retained earnings	7,816	10,422
Treasury shares	(3,281)	(11)
Total shareholders' equity	9,316	12,207
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,936	641
Revaluation reserve for land	10,474	10,711
Foreign currency translation adjustment	120	(44)
Remeasurements of defined benefit plans	(1,586)	(1,649)
Total accumulated other comprehensive income	10,944	9,658
Minority interests	2,058	2,079
Total net assets	22,320	23,945
<b>Total liabilities and net assets</b>	<b>87,259</b>	<b>88,508</b>

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

### 1) Statements of Income

(Millions of yen, rounded down)

	Fiscal 2014 (April 1, 2014 – March 31, 2015)	Fiscal 2015 (April 1, 2015 – March 31, 2016)
Net sales	¥73,315	¥65,281
Cost of sales	59,408	51,286
Gross profit	13,907	13,995
Selling, general and administrative expenses	9,959	9,691
Operating income	3,948	4,303
Other income		
Interest income	23	22
Dividend income	174	184
Foreign exchange gains	1,148	-
Transfer from allowance for doubtful accounts	325	147
Other	383	208
Total other income	2,056	563
Other expenses		
Interest expense	821	437
Share of loss of entities accounted for using equity method	-	210
Foreign exchange losses	-	669
Provision for environmental measures	-	213
Financing expenses	154	-
Other	583	314
Total other expenses	1,560	1,844
Ordinary income	4,444	3,021
Extraordinary income		
Gain on sales of non-current assets	8	4
Gain on sales of investment securities	260	31
Gain on transfer of business	147	-
Other	-	3
Total extraordinary income	417	39
Extraordinary expenses		
Loss on liquidation of subsidiaries and associates	209	-
Business structure improvement expenses	-	251
Other	52	-
Total extraordinary expenses	262	251
Income before income taxes	4,599	2,809
Income taxes	261	384
Income tax adjustment	492	(269)
Total income taxes	753	114
Profit	3,845	2,694
Profit attributable to non-controlling interests	22	21
Profit attributable to owners of parent	3,822	2,673

## 2) Statement of Comprehensive Income

(Millions of yen, rounded down)

	Fiscal 2014 (April 1, 2014 – March 31, 2015)	Fiscal 2015 (April 1, 2015 – March 31, 2016)
Profit	¥3,845	¥ 2,694
Other comprehensive income		
Valuation difference on available-for-sale securities	1,336	(1,295)
Revaluation reserve for land	469	251
Foreign currency translation adjustment	497	163
Remeasurements of defined benefit plans, net of tax	117	(63)
Share of other comprehensive income (loss) of associates accounted for using equity method	267	(328)
Total other comprehensive income (loss)	2,689	(1,272)
Comprehensive income	6,534	1,422
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	6,511	1,400
Comprehensive income attributable to non-controlling interests	22	21

### (3) Statements of Changes in Shareholders' Equity

Fiscal 2014 (April 1, 2014 – March 31, 2015)

(Millions of yen, rounded down)

	Shareholders' equity				Total shareholders' equity
	Capital stock	Capital surplus	Retained earnings	Treasury shares	
Balance at beginning of the year	¥15,074	¥ 8,574	¥(17,406)	¥(3,276)	¥2,965
Cumulative effects of changes in accounting policies			29		29
Restated balance	15,074	8,574	(17,377)	(3,276)	2,994
Changes of items during the period					
Dividends from surplus					-
Issuance of new shares	1,250	1,250			2,500
Capital reduction	(15,324)	15,324			-
Deficit disposition		(21,366)	21,366		-
Profit attributable to owners of parent			3,822		3,822
Reversal of revaluation reserve for land			5		5
Purchase of treasury shares				(5)	(5)
Disposal of treasury shares		(0)		0	0
Change of scope of consolidation			0		0
Changes of items other than shareholder s' equity (net)					-
Total changes of items during the period	(14,074)	(4,792)	25,194	(5)	6,322
Balance at end of the year	1,000	3,781	7,816	(3,281)	9,316

	Accumulated other comprehensive income				Total accumulated other comprehensive income	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans			
Balance at beginning of the year	¥ 600	¥10,009	¥(644)	¥(1,704)	¥ 8,260	¥2,035	¥13,261
Cumulative effects of changes in accounting policies					-		29
Restated balance	600	10,009	(644)	(1,704)	8,260	2,035	13,290
Changes of items during the period							
Dividends from surplus							-
Issuance of new shares							2,500
Capital reduction							-
Deficit disposition							-
Profit attributable to owners of parent							3,822
Reversal of revaluation reserve for land							5
Purchase of treasury shares							(5)
Disposal of treasury shares							0
Change of scope of consolidation							0
Changes of items other than shareholder s' equity (net)	1,336	464	765	117	2,684	22	2,707
Total changes of items during the period	1,336	464	765	117	2,684	22	9,029
Balance at end of the year	1,936	10,474	120	(1,586)	10,944	2,058	22,320

Fiscal 2015 (April 1, 2015 – March 31, 2016)

(Millions of yen, rounded down)

	Shareholders' equity				Total shareholders' equity
	Capital stock	Capital surplus	Retained earnings	Treasury shares	
Balance at beginning of the year	¥1,000	¥3,781	¥ 7,816	¥(3,281)	¥ 9,316
Cumulative effects of changes in accounting policies					-
Restated balance	1,000	3,781	7,816	(3,281)	9,316
Changes of items during the period					
Dividends from surplus			(82)		(82)
Profit attributable to owners of parent			2,673		2,673
Reversal of revaluation reserve for land			13		13
Purchase of treasury shares				(3,087)	(3,087)
Disposal of treasury shares		95		3,277	3,372
Retirement of treasury shares		(3,080)		3,080	-
Changes of items other than shareholder s' equity (net)					-
Total changes of items during the period	-	(2,985)	2,605	3,270	2,890
Balance at end of the year	1,000	796	10,422	(11)	12,207

	Accumulated other comprehensive income				Total accumulated other comprehensive income	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans			
Balance at beginning of the year	¥1,936	¥10,474	¥120	¥(1,586)	¥10,944	¥2,058	¥22,320
Cumulative effects of changes in accounting policies							-
Restated balance	1,936	10,474	120	(1,586)	10,944	2,058	22,320
Changes of items during the period							
Dividends from surplus							(82)
Profit attributable to owners of parent							2,673
Reversal of revaluation reserve for land							13
Purchase of treasury shares							(3,087)
Disposal of treasury shares							3,372
Retirement of treasury shares							-
Changes of items other than shareholder s' equity (net)	(1,295)	237	(165)	(63)	(1,286)	21	(1,265)
Total changes of items during the period	(1,295)	237	(165)	(63)	(1,286)	21	1,625
Balance at end of the year	641	10,711	(44)	(1,649)	9,658	2,079	23,945

#### (4) Statements of Cash Flows

(Millions of yen, rounded down)

	Fiscal 2014 (April 1, 2014 – March 31, 2015)	Fiscal 2015 (April 1, 2015 – March 31, 2016)
Operating activities		
Income before income taxes	¥4,599	¥2,809
Depreciation	2,002	2,144
Increase (decrease) in allowance for doubtful accounts	93	(520)
Increase (decrease) in reserve for employees' bonuses	34	16
Increase (decrease) in reserve for directors' retirement benefits	39	30
Increase (decrease) in net defined benefit liability	(228)	(323)
Interest and dividend income	(197)	(207)
Interest expense	821	437
Equity in (earning) losses of affiliates	(129)	210
(Gain) loss on sales investments securities	(260)	(31)
Business structure improvement expenses	-	251
Loss on liquidation of subsidiaries and associates	209	-
Other extraordinary loss (income)	44	(7)
(Increase) decrease in notes and accounts receivable	3,273	258
(Increase) decrease in inventories	1,600	(1,976)
Net (increase) decrease in other assets	(1,000)	(205)
Increase (decrease) in notes and accounts payable	(1,288)	1,989
Increase (decrease) in advances received	(717)	1,295
Net increase (decrease) in accrued consumption tax	146	(142)
Net increase (decrease) in other liabilities	(200)	(944)
Subtotal	8,842	5,084
Interest and dividends received	242	240
Interest paid	(820)	(440)
Payments for directors' retirement benefits	(73)	(46)
Payments for business structure improvement expenses	-	(239)
Income tax paid	(347)	(359)
Net cash provided by operating activities	7,844	4,240
Investing activities		
Purchases of investment securities	(587)	(17)
Proceeds from sales of investment securities	830	56
Purchase of shares of subsidiaries and associates	-	(12)
Loans extended	(168)	(85)
Proceeds from loans recovered	163	134
Purchases of property, plant and equipment	(2,152)	(2,108)
Proceeds from sales of property, plant and equipment	245	61
Other	(75)	(194)
Net cash used in investing activities	(1,744)	(2,166)



(Millions of yen, rounded down)

	Fiscal 2014 (April 1, 2014 – March 31, 2015)	Fiscal 2015 (April 1, 2015 – March 31, 2016)
Financing activities		
Net increase (decrease) in short-term borrowings	¥(3,453)	¥3,790
Proceeds from long-term borrowings	2,500	15,500
Repayment of long-term borrowings	(4,500)	(21,284)
Cash dividends paid	(2)	(82)
Proceeds from sales of treasury shares	0	3,371
Purchase of treasury shares	(5)	(3,086)
Repayments of lease obligations	(563)	(295)
Proceeds from issuance of common shares	2,500	-
Net cash used in financing activities	(3,525)	(2,087)
Effect of exchange rate change on cash and cash equivalents	(57)	(65)
Net increase (decrease) in cash and cash equivalents	2,516	(79)
Cash and cash equivalents at beginning of the year	2,172	4,649
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	(38)	-
Cash and cash equivalents at end of the year	4,649	4,569

## (5) Segment Information

### 1) Overview of Reporting Segments

The Company's reporting segments are subject to regular examination, so that the Board of Directors can appropriately allocate business resources and evaluate business performances. Financial information separated according to specific segment is available.

In its head office, the Tokyo Rope Group has established business departments for each product/service line. Those departments are responsible for formulating comprehensive domestic and overseas strategies and advancing the activities of their respective businesses.

Accordingly, the Group has classified its operations into four product- and service-specific segments, each based on a business department. Those segments are: "Wire Rope," "Steel Cord," "Product Development," and "Real Estate."

Segment	Main products
Wire Rope	Wire rope, other wire products, fiber rope, nets
Steel Cord	Steel cord for tire use, saw wire, wire saw
Product Development	Road safety equipment, long-bridge cables, bridge design and construction, metallic fiber, carbon fiber composite cable (CFCC®)
Real Estate	Real estate rental services

### 2) Calculation Method of Sales, Income (Loss), Assets, Liabilities and Other Items by Reporting Segment

The accounting methods for the business segments reported are basically the same as the one stated under "Major basic items for preparing consolidated financial statements."

Income under reporting segments are calculated based on operating income. Internal return and amounts of transfer between segments are calculated based on the prevailing market price.

### 3) Sales, Income (Loss), Assets, Liabilities and Other Items by Reporting Segment

Fiscal 2014 (April 1, 2014 – March 31, 2015)

	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	¥28,100	¥15,090	¥19,789	¥1,143	¥64,124	¥9,191	¥73,315	¥ -	¥73,315
Intersegment sales or transfers	232	97	325	-	654	1,070	1,724	(1,724)	-
Total	28,332	15,187	20,114	1,143	64,778	10,261	75,040	(1,724)	73,315
Segment income (loss)	1,834	582	1,075	(43)	3,448	499	3,948	-	3,948
Segment assets	41,236	13,637	14,280	9,850	79,005	4,739	83,744	3,515	87,259
Other items									
Depreciation	1,191	57	214	384	1,848	154	2,002	-	2,002
Investment in affiliates accounted for by equity method	1,328	-	1,651	-	2,979	-	2,979	-	2,979
Increase in Property, plant and equipment and Intangibles	1,604	233	327	600	2,766	123	2,890	-	2,890

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 (April 1, 2015 – March 31, 2016)

	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	¥28,788	¥13,038	¥14,898	¥1,272	¥57,997	¥7,284	¥65,281	¥ -	¥65,281
Intersegment sales or transfers	183	200	316	-	700	809	1,510	(1,510)	-
Total	28,972	13,238	15,215	1,272	58,698	8,093	66,792	(1,510)	65,281
Segment income	2,284	777	658	125	3,845	458	4,303	-	4,303
Segment assets	41,566	16,684	13,576	9,781	81,609	4,713	86,322	2,186	88,508
Other items									
Depreciation	1,269	78	230	419	1,997	147	2,144	-	2,144
Investment in affiliates accounted for by equity method	766	-	1,640	-	2,407	-	2,407	-	2,407
Increase in Property, plant and equipment and Intangibles	1,049	291	384	712	2,437	240	2,677	-	2,677

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.