

Consolidated Financial Results

for the First Quarter of Fiscal 2016 [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 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 2016-First quarter (April 1– June 30, 2016)

(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 2016-First quarter	¥14,179	-3.5%	¥549	3.0%	¥204	-60.6%	¥144	-48.5%
Fiscal 2015-First quarter	14,685	-0.0	533	213.5	518	176.1	280	-32.3

Note: Comprehensive income

Fiscal 2016-1st quarter: ¥-1,175 million (–%)

Fiscal 2015-1st quarter: ¥726 million (9.9%)

	Earnings per share	Earnings per share (fully diluted)
	(Yen)	(Yen)
Fiscal 2016-First quarter	¥0.89	¥–
Fiscal 2015-First quarter	1.73	–

(2) Financial position

(Millions of yen)

	Total assets	Net assets	Equity ratio
Fiscal 2016-First quarter	¥86,555	¥22,118	23.1%
Fiscal 2015-Year-end	88,508	23,945	24.7

Note: Equity capital at term-end

Fiscal 2016-1st quarter: ¥20,033 million

Fiscal 2015: ¥21,865 million

2. Cash dividends

	Cash dividend per share (yen)				
	First quarter	Second quarter	Third quarter	Year-end	Full year
Fiscal 2015	–	¥0.00	–	¥ 4.00	¥ 4.00
Fiscal 2016	–				
Fiscal 2016 (est.)		0.00	–	40.00	40.00

(Note) Revision of latest cash dividend forecast in review: Yes

*The Company plans to implement a consolidation of its common stock at a ratio of 10 shares to 1 share, effective as of October 1, 2016. Accordingly, the effect of the share consolidation has been taken into account for the forecast figure of the year-end cash dividend per share (forecast) for the fiscal year ending March 2017. When the share consolidation is not taken into account, the year-end cash dividend per share (forecast) for the fiscal year ending March 31, 2017 will be ¥4.00 and the full-year cash dividend per share will be ¥4.00. For more details, please refer to the “Appropriate use of business forecasts; other special items” in this report.

3. Forecast for fiscal 2016 (April 1, 2016–March 31, 2017)

(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)
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	166.03

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

*For earnings per share in the full-year business forecast for the fiscal year ending March 2017, the effect of the share consolidation has been taken into account. For more details, please refer to the “Appropriate use of business forecasts; other special items” in this report.

Notes

- (1) Changes in important subsidiaries during the period (changes in specific subsidiaries due to change in scope of consolidation):
None
- (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: NoneNote: 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 2016–1st quarter: 162,682,420
Fiscal 2015: 162,682,420
 2. Number of treasury shares outstanding
Fiscal 2016–1st quarter: 60,261
Fiscal 2015: 58,822
 3. Average number of shares over period (consolidated total for quarter)
Fiscal 2016–1st quarter: 162,623,355
Fiscal 2015–1st quarter: 146,473,432

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

1. 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.
2. The share consolidation was voted for and approved at the 217th Annual Meeting of Shareholders held on June 28, 2016. Accordingly, the Company will implement a consolidation of its common stock at a ratio of 10 shares to 1 share, effective as of October 1, 2016. If the share consolidation is not taken into account, the forecast cash dividend and the performance forecast for the fiscal year ending March 31, 2017 are translated as follows:
 - (1) Forecast cash dividend per share for the fiscal year ending March 31, 2017: ¥4.00 (year-end)
 - (2) Earnings per share in the performance forecast for the fiscal year ending March 31, 2017: ¥16.60 (full-year)

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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, 2017, the Japanese economy, which had remained on course for a modest recovery, saw uncertainty expand for its future prospects, due to such factors as falling natural resource prices, the slowdown of China and other emerging economies, impacts of the Britain exiting the EU, the increasing appreciation of the yen and a drop in the Nikkei 225 stock average.

Under these circumstances, net sales of the Tokyo Rope Group totaled ¥14,179 million for the first quarter, decreasing 3.5% year-on-year due to a drop in sales volume of tire cord and decreased sales of bridge-related products in overseas markets, among other factors, despite an increase in sales of elevator rope and fiber rope.

In terms of profits, improved costs in the Wire Rope and Steel Cord segments and other factors allowed the Group to post operating income of ¥549 million, up 3.0% year-on-year, for the first quarter. However, ordinary income decreased 60.6% to ¥204 million and profit attributable to owners of parent dropped 48.5% to ¥144 million, both on a year-on-year basis, mainly due to recording of foreign exchange losses for Other expenses in accordance with the revaluation of foreign currency-denominated bonds.

Results by business segment of the Group were as follows:

Wire Rope

An increase in the sales volume of wire rope, centering on elevator rope, for overseas markets and fiber rope for the domestic market brought the total sales in the Wire Rope segment to ¥7,098 million, a year-on-year increase of 1.6%. Operating income of the segment amounted to ¥611 million, up 39.5% year-on-year, due to such factors as an increase in sales volume and improved costs through cost reductions.

Steel Cord

As sales volume of tire cord decreased in Japan, total sales in the Steel Cord segment amounted to ¥3,157 million, a year-on-year decrease of 8.6%. Operating income of the segment increased by 99.2% year-on-year to ¥241 million as a result of lower costs due to reductions in fixed costs and other expenses as well as progress made in shifting to securing orders for more profitable products in China.

Product Development

Total sales of the Product Development segment dropped 9.8% year-on-year to ¥2,030 million due to a decrease in the sales of bridge-related products in overseas markets. The segment posted operating loss of ¥479 million, in contrast to operating loss of ¥126 million for the year-earlier period, due to such factors as a decrease in sales and an increase in the selling, general and administrative expenses.

Real Estate

With an increase in the electricity sales revenue from solar power plant operations which started in June 2015, total sales of the Real Estate segment increased 6.5% year-on-year to ¥328 million. The segment posted operating income of ¥90 million, a year-on-year increase of 399.6%, thanks to the increase in sales and lower costs through reducing fixed costs, among other factors.

Other

Despite an increase in industrial machinery sales, sales related to oil products decreased in accordance with a drop in crude oil prices, causing total sales of the Other segment to decrease 7.0% year-on-year to ¥1,564 million. The segment posted operating income of ¥85 million, a year-on-year increase of 3.7%, due to the increase in industrial machinery sales.

(2) Financial Position

Assets, Liabilities and Net Assets

As of June 30, 2016, the Tokyo Rope Group had total assets of ¥86,555 million. The figure represented a decrease of ¥1,952 million from the end of the previous consolidated fiscal year (March 31, 2016), caused mainly by a decrease in accounts receivable and a decrease in investment securities through revaluation.

Total liabilities decreased ¥126 million from the end of the previous consolidated fiscal year to ¥64,436 million, as a result of a decrease in notes and accounts payable.

Net assets totaled ¥22,118 million, a decrease of ¥1,826 million compared with the end of the previous consolidated fiscal year. The decrease was due to payment of cash dividends and a decrease in the valuation difference on available-for-sale securities.

(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 2015” dated May 12, 2016.

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 quarter.

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

Changes in accounting policies

Pursuant to amendments to the Corporation Tax Act, the Company applied the Practical Solution on a Change in Depreciation Method due to Tax Reform 2016 (Practical Issue Task Force (PITF) No. 32 dated June 17, 2016), effective from the first quarter of the consolidated fiscal year ending March 2017. Accordingly, the Company changed the depreciation method for facilities attached to buildings and structures acquired on and after April 1, 2016 from the declining-balance method to the straight-line method. The change gave only minimum impacts on the operating income, ordinary income and income before income taxes for the first quarter.

(4) Additional Information

Application of the Implementation Guidance on Recoverability of Deferred Tax Assets

The Company applied the Implementation Guidance on Recoverability of Deferred Tax Assets (Accounting Standard Board of Japan Guidance No. 26 dated March 28, 2016), effective from the first quarter of the consolidated fiscal year ending March 2017.

Performance-linked and share-based remuneration plan for directors

1) Overview of the performance-linked and share-based remuneration plan for directors

Currently, remunerations for the Company's directors (excluding outside directors; the same applies hereinafter) comprise fixed remuneration and remuneration linked to short-term performance of the Company. Recognizing that it should be beneficial for the continuous growth of the Tokyo Rope Group to establish incentives for enhancing the corporate value over a medium to long term, the Company made a resolution resolved at the 217th Annual Meeting of Shareholders held on June 28, 2016 on the introduction of a performance-linked and share-based remuneration plan (hereinafter, the "Plan") for its directors as a new remuneration system linked to medium- to long-term performance.

In introducing the Plan, the Company will establish a monetary trust with its directors as beneficiaries (hereinafter, the "Trust"). Under the performance-linked remuneration system, the Trust will acquire the Company's shares, grant points to the directors in accordance with their positions and the level of achieving the targets of performance indicators in the mid-term management plan. When the directors leave office, the Company's shares will be delivered to them in accordance with the aggregate points they earned during their tenure. The period covered by the Plan will be the three years from the fiscal year ending March 31, 2017 to the fiscal year ending March 31, 2019.

- Name: Board Benefit Trust
- Trustor: Tokyo Rope Manufacturing Co., Ltd.
- Trustee: Sumitomo Mitsui Trust Bank, Limited (planned)
- Beneficiary: Directors satisfying the requirements for a beneficiary set forth in the share delivery regulations
- Trust caretaker: Appoint a third party who is not an interested party of the Company (planned)
- Type of trust: Trust of money other than monetary trust (third party beneficiary trust)
- Trust contract date: August 2016 (planned)
- Money trusting date: August 2016 (planned)
- Trust period: From August 2016 (planned) to July 2019 (planned)

2) Total number of shares planned to be acquired by directors

Up to 400,000 shares

3) Scope of persons eligible obtaining the beneficiary interest and other rights under the Plan

Directors satisfying the requirements for a beneficiary set forth in the share delivery regulations

Share consolidation, etc.

The Company resolved at its board of directors' meeting held on May 23, 2016 on partial amendments to its Articles of Incorporation with regard to the change of the share unit number (from 1,000 shares to 100 shares). The Company also proposed an agenda regarding share consolidation (consolidating every 10 shares into 1 share and changing the total number of authorized shares from 400,000,000 shares to 40,000,000 shares) to the Annual Meeting of Shareholders held on June 28, 2016. The agenda was voted on and approved. The partial amendments to the Articles of Incorporation and the share consolidation will enter into force on October 1, 2016.

3. Quarterly Consolidated Financial Statements

(1) Balance Sheets

(Millions of yen, rounded down)

	Fiscal 2015 (March 31, 2016)	Fiscal 2016–First quarter (June 30, 2016)
ASSETS		
Current assets		
Cash and bank deposits	¥ 4,604	¥ 5,553
Notes and accounts receivable	14,493	12,448
Commodities and products	5,967	6,190
Goods in process	4,681	5,129
Materials and supplies	4,054	3,977
Deferred tax assets	941	941
Other	1,909	2,222
Allowance for doubtful accounts	(25)	(22)
Total current assets	36,627	36,441
Fixed assets		
Property, plant and equipment		
Buildings and structures (net)	9,831	9,781
Machinery and vehicles (net)	6,528	6,606
Land	19,782	19,686
Construction in progress	524	233
Other (net)	1,646	1,643
Total property, plant and equipment	38,313	37,951
Intangibles	317	299
Investments and other assets		
Investment securities	7,948	6,517
Net defined benefit asset	113	115
Deferred tax assets	2,815	3,017
Other	3,031	3,038
Allowance for doubtful accounts	(679)	(842)
Total investments and other assets	13,230	11,845
Total fixed assets	51,861	50,096
Deferred assets	19	17
Total assets	88,508	86,555

(Millions of yen, rounded down)

	Fiscal 2015 (March 31, 2016)	Fiscal 2016–First quarter (June 30, 2016)
LIABILITIES		
Current liabilities		
Notes and accounts payable	¥12,190	¥11,707
Short-term borrowings	13,754	13,423
Accrued expenses	2,768	2,633
Reserve for employees' bonuses	861	1,328
Other	6,593	7,010
Total current liabilities	36,168	36,103
Long-term liabilities		
Long-term loans	15,391	15,615
Deferred tax liabilities for land revaluation	4,598	4,594
Net defined benefit liability	5,813	5,644
Other	2,591	2,480
Total long-term liabilities	28,395	28,333
Total liabilities	64,563	64,436
NET ASSETS		
Shareholders' equity		
Common stock	1,000	1,000
Capital surplus	796	796
Retained earnings	10,422	9,926
Treasury stock	(11)	(11)
Total shareholders' equity	12,207	11,711
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	641	(633)
Revaluation reserve for land	10,711	10,701
Foreign currency translation adjustment	(44)	(147)
Remeasurements of defined benefit plans	(1,649)	(1,597)
Total accumulated other comprehensive income	9,658	8,322
Non-controlling interests	2,079	2,084
Total net assets	23,945	22,118
Total liabilities and net assets	88,508	86,555

(2) Statements of Income and Statements of Comprehensive Income

1) Statements of Income

(Millions of yen, rounded down)

	Fiscal 2015–First quarter (April 1–June 30, 2015)	Fiscal 2016–First quarter (April 1–June 30, 2016)
Net sales	¥14,685	¥14,179
Cost of sales	11,698	11,085
Gross profit	2,987	3,093
Selling, general and administrative expenses	2,454	2,543
Operating income	533	549
Other income		
Interest income	9	6
Dividend income	57	76
Foreign exchange gains	208	—
Share of profit of entities accounted for using equity method	—	77
Other	50	33
Total other income	326	193
Other expenses		
Interest expense	125	84
Foreign exchange losses	—	213
Share of loss of entities accounted for using equity method	83	—
Provision of allowance for doubtful accounts	40	169
Other	92	71
Total other expenses	341	539
Ordinary income	518	204
Extraordinary income		
Gain on sales of non-current assets	—	4
Gain on sales of investment securities	—	1
Total extraordinary income	—	6
Income before income taxes	518	210
Income taxes	232	61
Profit	286	149
Profit attributable to non-controlling interests	5	5
Profit attributable to owners of parent	280	144

2) Statements of Comprehensive Income

(Millions of yen, rounded down)

	Fiscal 2015–First quarter (April 1–June 30, 2015)	Fiscal 2016–First quarter (April 1–June 30, 2016)
Profit	¥286	¥149
Other comprehensive income		
Valuation difference on available-for-sale securities	458	(1,274)
Foreign currency translation adjustment	18	(18)
Remeasurements of defined benefit plans, net of tax	42	52
Share of other comprehensive income (loss) of entities accounted for using equity method	(79)	(84)
Total other comprehensive income (loss)	440	(1,325)
Comprehensive income (loss)	726	(1,175)
Comprehensive income attributable to Comprehensive income (loss) attributable to owners of the parent	720	(1,180)
Comprehensive income attributable to non-controlling interests	5	5

(3) Notes on Consolidated Financial Statements

Notes on Going-concern Assumptions

Fiscal 2016–First quarter (April 1– June 30, 2016)

None

Notes in the Event of Major Changes in Shareholders' Equity

Fiscal 2016–First quarter (April 1– June 30, 2016)

None

Segment Information

Segment Information

Fiscal 2015–First quarter (April 1– June 30, 2015)

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	¥6,987	¥3,455	¥2,252	¥308	¥13,003	¥1,682	¥14,685	¥ —	¥14,685
Intersegment sales or transfers	40	3	80	—	124	186	310	(310)	—
Total	7,027	3,458	2,333	308	13,128	1,868	14,996	(310)	14,685
Segment income (loss)	438	121	(126)	18	451	82	533	—	533

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 2016–First quarter (April 1– June 30, 2016)

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	¥7,098	¥3,157	¥2,030	¥328	¥12,614	¥1,564	¥14,179	¥ —	¥14,179
Intersegment sales or transfers	38	7	66	—	111	150	262	(262)	—
Total	7,137	3,164	2,096	328	12,726	1,715	14,441	(262)	14,179
Segment income (loss)	611	241	(479)	90	464	85	549	—	549

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.