

Consolidated Financial Results

for the First Quarter of Fiscal 2017 [Japanese GAAP]

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

Listing: **Tokyo Stock Exchange**

Stock code number: **5981**

URL: <http://www.tokyoropeco.jp>

Representative: **Hiroaki Nakamura, President**

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

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

Preparation of Supplementary Explanations of Quarterly Financial Results: **August 10, 2017**

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 2017-First quarter (April 1– June 30, 2017)

(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 2017–First quarter	¥14,263	0.6%	¥438	-20.2%	¥482	136.2%	¥327	126.8%
Fiscal 2016–First quarter	14,179	-3.5	549	3.0	204	-60.6	144	-48.5

Note: Comprehensive income

Fiscal 2017–1st quarter: ¥257 million (–%)

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

	Earnings per share	Earnings per share (fully diluted)
	(Yen)	(Yen)
Fiscal 2017–First quarter	¥20.33	¥-
Fiscal 2016–First quarter	8.89	-

*The Company implemented a consolidation of its common stock at a ratio of 10 shares to 1 share, effective as of October 1, 2016. In line with the share consolidation, earnings per share are calculated assuming that the consolidation of common stock was implemented at the beginning of the previous fiscal year.

(2) Financial position

(Millions of yen)

	Total assets	Net assets	Equity ratio
Fiscal 2017–First quarter	¥83,411	¥25,217	27.7%
Fiscal 2016–Year-end	81,702	25,615	28.8

Note: Equity capital at term-end

Fiscal 2017–1st quarter: ¥23,112 million

Fiscal 2016: ¥23,515 million

2. Cash dividends

	Cash dividend per share (yen)				
	First quarter	Second quarter	Third quarter	Year-end	Full year
Fiscal 2016	-	¥0.00	-	¥ 40.00	¥ 40.00
Fiscal 2017	-				
Fiscal 2017 (est.)		0.00	-	40.00	40.00

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

3. Forecast for fiscal 2017 (April 1, 2017–March 31, 2018)

(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	¥30,500	-5.1%	¥1,300	-22.8%	¥1,200	-2.8%	¥ 900	11.0%	¥ 55.82
Full year	66,000	1.5	3,800	8.8	3,700	23.8	2,700	43.4	167.46

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):
Yes

Newly consolidated 1 (Company name: Tokyo Rope USA, Inc.) Excluded -

(2) Application of special accounting treatment: Yes

Note: This note refers to the adoption of special accounting treatment pertaining to the preparation of quarterly consolidated financial statements.

(3) Changes in accounting policies; changes in accounting estimates; restatements:

1. Changes in accounting policies resulting from the revision of the accounting standards and other regulations: None
2. Other changes in accounting policies: None
3. Changes in accounting estimates: None
4. Restatements: None

(4) Shares outstanding (common stock) at term-end

1. Number of shares outstanding (including treasury stock)

Fiscal 2017–1st quarter: 16,268,242

Fiscal 2016: 16,268,242

2. Number of treasury shares outstanding

Fiscal 2017–1st quarter: 145,803

Fiscal 2016: 145,452

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

Fiscal 2017–1st quarter: 16,122,653

Fiscal 2016–1st quarter: 16,262,335

Note: The Company implemented a consolidation of its common stock at a ratio of 10 shares to 1 share, effective as of October 1, 2016. In line with the share consolidation, the number of shares outstanding, number of treasury shares outstanding and average number of shares over period is calculated assuming that the consolidation of common stock was implemented at the beginning of the previous fiscal year.

Note: Treasury stocks that are deducted when calculating the number of treasury stocks outstanding at the end of Fiscal 2016 and the average number of shares over the year include shares of the Company owned by Board Benefit Trust (Fiscal 2017 1Q: 137,500 shares).

This financial report is exempt from audit procedures.

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.

Contents

1. Performance and Financial Position	2
(1) Business Results	2
(2) Financial Position	3
(3) Performance Forecasts	3
2. Quarterly Consolidated Financial Statements	4
(1) Balance Sheets	4
(2) Statements of Income and Statements of Comprehensive Income	6
(3) Notes on Consolidated Financial Statements	8
<i>Notes on Going-concern Assumptions</i>	8
<i>Note in the Event of Major Changes in Shareholders' Equity</i>	8
<i>Application of Special Accounting Treatment</i>	8
<i>Segment Information</i>	8

1. Performance and Financial Position

(1) Business Results

During the first quarter of the consolidated fiscal year ending March 31, 2018, the Japanese economy has seen uncertainty in its future prospects partly due to concerns over trends in overseas politics and economy, while remaining on course for a modest recovery as evidenced by factors such as improvements in corporate earnings and employment environment.

Given these circumstances, the Tokyo Rope Group has worked to promote various measures under its mid-term management plan, "TCT-Focus 2020," which is to be concluded in Fiscal 2019, by setting three key phrases: "Strengthening of Domestic Business Base," "Challenge to New Materials and Technologies," and "Overseas Business Expansion."

As a result, net sales of the Tokyo Rope Group totaled ¥14,263 million for the first quarter under review, increasing 0.6% year-on-year, due to increases in domestic product development and other factors, despite decrease in the Steel Cord segment.

In terms of profits, the Group posted operating income of ¥438 million, down 20.2% year-on-year, mainly due to decrease in the Steel Cord segment. However, ordinary income stood at ¥482 million, up 136.2% year-on-year, and profit attributable to owners of parent was ¥327 million, up 126.8% year-on-year, mainly due to decrease in foreign exchange losses for other expenses.

Results by business segment of the Group were as follows:

Wire Rope

Despite decrease in the sales volume of fiber rope, an increase in the sales volume of wire rope, centering on elevator rope for domestic markets, brought the total sales in the Wire Rope segment to ¥7,231 million, up 1.9% year-on-year. Operating income of the segment slightly decreased to ¥596 million, down 2.3% year-on-year, due to factors such as a decrease in fiber rope.

Steel Cord

Total sales in the Steel Cord segment amounted to ¥2,652 million, down 16.0% year-on-year, and operating income totaled ¥60 million, down 75.1% year-on-year, due to decrease in sales volume of fine wire in Japan and of tire cord in China.

Product Development

Total sales of the Product Development segment stood at ¥2,326 million, up 14.6% year-on-year, and operating loss was ¥399 million (operating loss of ¥479 million for the year-earlier period) due to an increase in product development in Japan.

Real Estate

Total sales of the Real Estate segment amounted to ¥323 million, down 1.6% year-on-year, and operating income to ¥89 million, down 1.9% year-on-year, impacted by the transfer of real estate for leasing in Kanagawa Prefecture in March 2017.

Other

An increase in sales of oil-related products brought total sales of the Other segment to ¥1,730 million, up 10.6% year-on-year, and operating income to ¥91 million, up 7.5% year-on-year.

(2) Financial Position

Assets, Liabilities and Net Assets

As of June 30, 2017, the Tokyo Rope Group had total assets of ¥83,411 million. The figure represents an increase of ¥1,708 million from the end of the previous consolidated fiscal year (March 31, 2017), resulting mainly from an increase in inventories and fixed assets.

Total liabilities increased ¥2,107 million yen from the end of the previous consolidated fiscal year to ¥58,193 million as a result of an increase in short-term borrowings.

Net assets totaled ¥25,217 million, a decrease of ¥398 million compared with the end of the previous consolidated fiscal year. The decrease was due to payment of cash dividends, a decrease in foreign currency translation adjustment and other factors.

(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 2016” dated May 12, 2017.

3. Quarterly Consolidated Financial Statements

(1) Balance Sheets

(Millions of yen, rounded down)

	Fiscal 2016 (March 31, 2017)	Fiscal 2017–First quarter (June 30, 2017)
ASSETS		
Current assets		
Cash and bank deposits	¥ 3,167	¥ 4,000
Notes and accounts receivable	14,314	13,009
Commodities and products	6,430	6,385
Goods in process	3,644	4,085
Materials and supplies	3,873	4,347
Deferred tax assets	631	633
Other	1,872	2,015
Allowance for doubtful accounts	(22)	(18)
Total current assets	33,911	34,458
Fixed assets		
Property, plant and equipment		
Buildings and structures (net)	6,749	6,805
Machinery and vehicles (net)	6,411	7,080
Land	18,338	18,338
Construction in progress	462	283
Other (net)	1,592	1,576
Total property, plant and equipment	33,553	34,084
Intangibles	433	533
Investments and other assets		
Investment securities	8,984	9,139
Net defined benefit asset	133	136
Deferred tax assets	2,646	2,563
Other	2,910	2,899
Allowance for doubtful accounts	(883)	(414)
Total investments and other assets	13,791	14,324
Total fixed assets	47,779	48,942
Deferred assets	11	9
Total assets	81,702	83,411

(Millions of yen, rounded down)

	Fiscal 2016 (March 31, 2017)	Fiscal 2017–First quarter (June 30, 2017)
LIABILITIES		
Current liabilities		
Notes and accounts payable	¥11,793	¥11,784
Short-term borrowings	9,242	11,075
Accrued expenses	2,362	2,687
Reserve for employees' bonuses	921	1,339
Other	4,515	4,438
Total current liabilities	28,837	31,325
Long-term liabilities		
Long-term loans	15,730	15,268
Deferred tax liabilities for land revaluation	4,206	4,206
Net defined benefit liability	5,354	5,250
Other	1,957	2,142
Total long-term liabilities	27,249	26,867
Total liabilities	56,086	58,193
NET ASSETS		
Shareholders' equity		
Common stock	1,000	1,000
Capital surplus	796	796
Retained earnings	12,543	12,216
Treasury stock	(310)	(311)
Total shareholders' equity	14,029	13,702
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	961	1,077
Revaluation reserve for land	9,821	9,821
Foreign currency translation adjustment	79	(185)
Remeasurements of defined benefit plans	(1,377)	(1,303)
Total accumulated other comprehensive income	9,485	9,410
Non-controlling interests	2,100	2,105
Total net assets	25,615	25,217
Total liabilities and net assets	81,702	83,411

(2) Statements of Income and Statements of Comprehensive Income

1) Statements of Income

(Millions of yen, rounded down)

	Fiscal 2016–First quarter (April 1–June 30, 2016)	Fiscal 2017–First quarter (April 1–June 30, 2017)
Net sales	¥14,179	¥14,263
Cost of sales	11,085	11,248
Gross profit	3,093	3,014
Selling, general and administrative expenses	2,543	2,575
Operating income	549	438
Other income		
Interest income	6	10
Dividend income	76	70
Share of profit of entities accounted for using equity method	77	29
Other	33	51
Total other income	193	162
Other expenses		
Interest expense	84	67
Foreign exchange losses	213	12
Provision of allowance for doubtful accounts	169	—
Other	71	39
Total other expenses	539	118
Ordinary income	204	482
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	210	482
Income taxes	61	150
Profit	149	332
Profit attributable to non-controlling interests	5	5
Profit attributable to owners of parent	144	327

2) Statements of Comprehensive Income

(Millions of yen, rounded down)

	Fiscal 2016–First quarter (April 1–June 30, 2016)	Fiscal 2017–First quarter (April 1–June 30, 2017)
Profit	¥149	¥332
Other comprehensive income		
Valuation difference on available-for-sale securities	(1,274)	116
Foreign currency translation adjustment	(18)	(194)
Remeasurements of defined benefit plans, net of tax	52	73
Share of other comprehensive income (loss) of entities accounted for using equity method	(84)	(70)
Total other comprehensive income (loss)	(1,325)	(75)
Comprehensive income (loss)	(1,175)	257
Comprehensive income attributable to Comprehensive income (loss) attributable to owners of the parent	(1,180)	252
Comprehensive income attributable to non-controlling interests	5	5

(3) Notes on Consolidated Financial Statements

Notes on Going-concern Assumptions

None

Notes in the Event of Major Changes in Shareholders' Equity

None

Application of Special Accounting Treatment

Calculation of income taxes

We have adopted the method in which income taxes are calculated by multiplying quarterly profit before income taxes by reasonably estimating the effective tax rate subsequent to the application of tax effect accounting to the profit before income taxes for the consolidated fiscal year, including the first quarter under review.

Segment Information

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

Sales, Income (Loss) by Reporting Segment

	Reporting Segment					Other (Note)	Total	Adjustment	(Millions of yen)	
	Wire Rope	Steel Cord	Product Development	Real Estate	Total				Consolidated statements of Income	
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.

Fiscal 2017–First quarter (April 1– June 30, 2017)

Sales, Income (Loss) by Reporting Segment

	Reporting Segment					Other (Note)	Total	Adjustment	(Millions of yen)	
	Wire Rope	Steel Cord	Product Development	Real Estate	Total				Consolidated statements of Income	
Net sales										
Sales to outside customers	¥7,231	¥2,652	¥2,326	¥323	¥12,533	¥1,730	¥14,263	¥ —	¥14,263	
Intersegment sales or transfers	41	11	60	—	113	156	270	(270)	—	
Total	7,272	2,664	2,386	323	12,646	1,886	14,533	(270)	14,263	
Segment income (loss)	596	60	(399)	89	347	91	438	—	438	

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.