

# Consolidated Financial Results

## for the First 2 Quarters of Fiscal 2017 [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: **November 13, 2017**

Start of cash dividend payments: **—**

Supplementary quarterly materials prepared: **Yes**

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

### 1. Fiscal 2017 -First 2 Quarters (April 1–September 30, 2017)

#### (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 2017–First 2 quarters	¥29,448	-8.4%	¥990	-41.2%	¥1,059	-14.3%	¥744	-8.2%
Fiscal 2016–First 2 quarters	32,141	3.6	1,684	11.7	1,235	18.6	810	31.7

Note: Comprehensive income

Fiscal 2017–1st 2 quarters: ¥ 1,186million (–%)

Fiscal 2016–1st 2 quarters: ¥ -307million (–%)

	Earnings per share	Earnings per share (fully diluted)
	(Yen)	(Yen)
Fiscal 2017–First 2 quarters	¥46.16	¥ –
Fiscal 2016–First 2 quarters	49.84	–

\*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, rounded down)

	Total assets	Net assets	Equity ratio
Fiscal 2017–First 2 quarters	¥84,745	¥26,147	28.4%
Fiscal 2016–Year-end	81,702	25,615	28.8

Note: Equity capital at term-end

Fiscal 2017–First 2 quarters: ¥24,036 million

Fiscal 2016: ¥23,515 million

### 2. Cash Dividends

	Cash dividend per share (yen)				
	1st quarter	2nd quarter	3rd quarter	Year-end	Full year
Fiscal 2016	—	¥0.00	—	¥40.00	¥40.00
Fiscal 2017	—	0.00	—	—	—
Fiscal 2017 (est.)	—	—	—	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, 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)
Full year	65,000	0.0%	3,500	0.2%	3,500	17.1%	2,600	38.1%	161.26

Note: Revision of latest consolidated forecasts in review: Yes

#### 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 1 (Company name: Toko Machinery Co., Ltd.)

(2) Application of special accounting treatment: Yes

(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 2 quarters: 16,268,242

Fiscal 2016: 16,268,242

2. Number of treasury shares outstanding

Fiscal 2017–1st 2 quarters: 145,875

Fiscal 2016: 145,452

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

Fiscal 2017–1st 2 quarters: 16,122,605

Fiscal 2016–1st 2 quarters: 16,262,199

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 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 2Q: 136,600 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.

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## **1. Performance and Financial Position**

### **(1) Business Results**

During the first two quarters of the fiscal year ending March 31, 2018, the Japanese economy remained on a moderate recovery trend, with corporate earnings and the employment environment continuing to improve, although uncertainty persisted for future prospects due to overseas political and economic trends and geopolitical risks, among other factors.

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

As it did so, the Tokyo Rope Group posted net sales of ¥29,448 million, down 8.4% year-on-year. The decrease partly represented a repercussion of recording wire saw (solar cell production equipment) sales in the year-earlier period, and was due to a decrease in the sales volume of steel cord products, among other reasons.

In terms of profits, the Group posted operating income of ¥990 million (down 41.2%) and ordinary income of ¥1,059 million (down 14.3%), with profit attributable to owners of parent standing at ¥744 million (down 8.2%), all on a year-on-year basis. The decrease was mainly caused by a drop in sales of wire saw and steel cord products.

Results by business segment of the Group were as follows:

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

Despite an increase in the sales volume of wire rope, centering on elevator rope, for domestic markets, a decrease in the sales volume of fiber rope brought the total sales in the Wire Rope segment to ¥14,163 million, down 0.3%, and operating income to ¥1,006 million, down 7.2%, both on a year-on-year basis.

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

Total sales in the Steel Cord segment amounted to ¥5,361 million, down 37.5% year-on-year, and operating income totaled ¥50 million, down 94.0% year-on-year, reflecting a repercussion of recording wire saw sales in the year-earlier period and due to a decrease in the sales volume of steel cord products.

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

Total sales of the Product Development segment stood at ¥5,858 million, up 9.6% year-on-year, due to an increase in product development sales in Japan, and operating loss was ¥455 million (operating loss of ¥607 million for the year-earlier period).

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

Total sales of the Real Estate segment amounted to ¥620 million, down 6.1% year-on-year, and operating income to ¥144 million, down 17.2% 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 products brought total sales of the Other segment to ¥3,444 million, up 3.1% year-on-year, and operating income to ¥244 million, up 26.5% year-on-year.

## (2) Financial Position

### *Assets, Liabilities and Net Assets*

As of September 30, 2017, the Tokyo Rope Group had total assets of ¥84,745 million. The figure represents an increase of ¥3,042 million from the end of the previous consolidated fiscal year (March 31, 2017), resulting mainly from an increase in inventories and fixed assets, etc.

Total liabilities increased ¥2,511 million from the end of the previous consolidated fiscal year to ¥58,598 million as a result of an increase in short-term borrowings, among other factors.

Net assets rose by ¥531 million from the end of the previous consolidated fiscal year to ¥26,147 million due to such factors as an increase in retained earnings and an increase in valuation difference on available-for-sale securities.

### *Cash Flow*

As of September 30, 2017, cash and cash equivalents totaled ¥4,481 million, up ¥1,336 million from March 31, 2017.

Net cash provided by operating activities amounted to ¥1,708 million. The main factors were recording of income before income taxes and a decrease in notes and accounts receivable.

Net cash used in investing activities totaled ¥ 1,844 million, mainly due to purchases of property, plants, and equipment, etc.

Net cash provided by financing activities was ¥ 1,301 million, mainly due to an increase in borrowings, etc.

## (3) Performance Forecasts

For the first two quarters of the consolidated fiscal year ending March 31, 2018, both revenues and profits fell below the forecast figures announced on May 12, 2017. This was mainly because sales in the Steel Cord segment decreased more than anticipated and order reception of disaster prevention products for overseas market by the Product Development segment falling short of the plan.

In consideration of these circumstances, the Company has revised its performance forecasts for the entire consolidated fiscal year, which it announced on May 12, 2017, to the following figures.

Furthermore, the Company has made no revision to the cash dividend forecast for the fiscal year ending March 2018 (¥40 per share).

	(Millions of yen, except per share data)				
	Net sales	Operating income	Ordinary income	Profit attributable to owners of parent	Earnings per share (Yen)
Previously announced forecast (A)	¥66,000	¥3,800	¥3,700	¥2,700	¥167.46
Revised forecast (B)	65,000	3,500	3,500	2,600	161.26
Change (B-A)	-1,000	-300	-200	-100	—
Rate of change (%)	-1.5%	-7.9%	-5.4%	-3.7%	—
(Reference) Actual results for the previous fiscal year	64,993	3,492	2,989	1,882	116.12

Note: The above performance forecasts are based on the information the Company has obtained to date and on certain assumptions that the Company has determined to be reasonable. The actual performance may significantly differ from the forecasts due to a variety of factors.

### 3. Consolidated Financial Statements

#### (1) Balance Sheets

(Millions of yen, rounded down)

	Fiscal 2016 (March 31, 2017)	Fiscal 2017–First 2 quarters (September 30, 2017)
<b>ASSETS</b>		
Current assets		
Cash and bank deposits	¥ 3,167	¥ 4,503
Notes and accounts receivable	14,314	12,932
Commodities and products	6,430	6,570
Goods in process	3,644	4,201
Materials and supplies	3,873	4,332
Deferred tax assets	631	662
Other	1,872	1,748
Allowance for doubtful accounts	(22)	(17)
<b>Total current assets</b>	<b>33,911</b>	<b>34,934</b>
Fixed assets		
Property, plant and equipment		
Buildings and structures (net)	6,749	7,282
Machinery and vehicles (net)	6,411	7,025
Land	18,338	18,397
Construction in progress	462	416
Other (net)	1,592	1,557
<b>Total property, plant and equipment</b>	<b>33,553</b>	<b>34,678</b>
Intangibles	433	542
Investments and other assets		
Investment securities	8,984	9,493
Net defined benefit asset	133	141
Deferred tax assets	2,646	2,378
Other	2,910	2,979
Allowance for doubtful accounts	(883)	(411)
<b>Total investments and other assets</b>	<b>13,791</b>	<b>14,581</b>
<b>Total fixed assets</b>	<b>47,779</b>	<b>49,802</b>
Deferred assets	11	8
<b>Total assets</b>	<b>81,702</b>	<b>84,745</b>

(Millions of yen, rounded down)

	Fiscal 2016 (March 31, 2017)	Fiscal 2017–First 2 quarters (September 30, 2017)
<b>LIABILITIES</b>		
Current liabilities		
Notes and accounts payable	¥11,793	¥12,090
Short-term borrowings	9,242	12,772
Accrued expenses	2,362	2,541
Reserve for employees' bonuses	921	888
Other	4,515	4,723
Total current liabilities	28,837	33,016
Long-term liabilities		
Long-term loans	15,730	14,241
Deferred tax liabilities for land revaluation	4,206	4,206
Net defined benefit liability	5,354	5,161
Other	1,957	1,972
Total long-term liabilities	27,249	25,581
Total liabilities	56,086	58,598
<b>NET ASSETS</b>		
Shareholders' equity		
Common stock	1,000	1,000
Capital surplus	796	796
Retained earnings	12,543	12,633
Treasury stock	(310)	(310)
Total shareholders' equity	14,029	14,118
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	961	1,307
Revaluation reserve for land	9,821	9,821
Foreign currency translation adjustment	79	0
Remeasurements of defined benefit plans	(1,377)	(1,211)
Total accumulated other comprehensive income	9,485	9,917
Non-controlling interests	2,100	2,110
Total net assets	25,615	26,147
<b>Total liabilities and net assets</b>	<b>81,702</b>	<b>84,745</b>

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

### Statements of Income

(Millions of yen, rounded down)

	Fiscal 2016–First 2 quarters (April 1–September 30, 2016)	Fiscal 2017–First 2 quarters (April 1–September 30, 2017)
Net sales	¥32,141	¥29,448
Cost of sales	24,893	23,308
Gross profit	7,247	6,140
Selling, general and administrative expenses	5,563	5,150
Operating income	1,684	990
Other income		
Interest income	11	12
Dividend income	138	115
Other	111	212
Total other income	260	339
Other expenses		
Interest expense	162	135
Foreign exchange losses	283	3
Other	264	131
Total other expenses	710	271
Ordinary income	1,235	1,059
Extraordinary income		
Gain on sales of non-current assets	4	—
Gain on sales of investment securities	6	—
Total extraordinary income	11	—
Extraordinary expenses		
Impairment loss	123	—
Loss on valuation of investment securities	0	—
Total extraordinary expenses	123	—
Income before income taxes	1,122	1,059
Income taxes	302	304
Profit	820	754
Profit attributable to non-controlling interests	10	10
Profit attributable to owners of parent	810	744

## Statement of Comprehensive Income

(Millions of yen, rounded down)

	Fiscal 2016–First 2 quarters (April 1– September 30, 2016)	Fiscal 2017–First 2 quarters (April 1– September 30, 2017)
Profit	¥820	¥754
Other comprehensive income		
Valuation difference on available-for-sale securities	(535)	346
Foreign currency translation adjustment	(359)	(55)
Remeasurements of defined benefit plans, net of tax	106	165
Share of other comprehensive income (loss) of entities accounted for using equity method	(339)	(23)
Total other comprehensive income (loss)	(1,128)	432
Comprehensive income (loss)	(307)	1,186
Comprehensive income attributable to Comprehensive income (loss) attributable to owners of the parent	(318)	1,176
Comprehensive income attributable to non-controlling interests	10	10

### (3) Statements of Cash Flows

(Millions of yen, rounded down)

	Fiscal 2016–First 2 quarters (April 1–September 30, 2016)	Fiscal 2017–First 2 quarters (April 1–September 30, 2017)
Operating activities		
Income before income taxes	¥1,122	¥1,059
Depreciation	961	998
Increase (decrease) in reserve for employees' bonuses	(2)	(33)
Increase (decrease) in reserve for directors' shares	—	7
Increase (decrease) in net defined benefit liability	(157)	40
Interest expense	162	135
Interest and dividend income	(149)	(127)
(Gain) loss on sales investments securities	(6)	—
(Increase) decrease in notes and accounts receivable	302	833
(Increase) decrease in inventories	817	(1,071)
Increase (decrease) in notes and accounts payable	(534)	240
Increase (decrease) in advances received	(1,130)	354
Other	(662)	(339)
Subtotal	721	2,096
Interest and dividends received	146	146
Interest paid	(165)	(133)
Directors' retirement bonuses paid	(9)	(5)
Income tax paid	(190)	(394)
Net cash provided by operating activities	503	1,708
Investing activities		
Purchases of investment securities	(343)	(9)
Proceeds from sales of investment securities	16	—
Payments of loans receivable	(276)	(342)
Collection of loans receivable	52	177
Purchases of property, plant and equipment	(660)	(1,506)
Proceeds from sales of property, plant and equipment	101	17
Other	(49)	(181)
Net cash used in investing activities	(1,159)	(1,844)
Financing activities		
Net increase (decrease) in short-term borrowings	(1,874)	3,072
Proceeds from long-term borrowings	3,000	—
Repayment of long-term borrowings	(1,175)	(988)
Cash dividends paid	(645)	(646)
Proceeds from disposal of treasury stock	0	1
Purchase of treasury stock	(1)	(2)
Repayments of lease obligations	(137)	(136)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(90)	—
Net cash provided by (used in) financing activities	(923)	1,301
Effect of exchange rate changes on cash and cash equivalents	668	69
Net increase (decrease) in cash and cash equivalents	(910)	1,235
Cash and cash equivalents at beginning of term	4,569	3,144
Increase in cash and cash equivalents from newly consolidated subsidiary	—	100
Cash and cash equivalents at end of term	3,659	4,481

#### (4) 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 2 quarters (April 1– September 30, 2016)

Sales, Income (Loss) by Reporting Segment

	Reporting Segment					Other (Note)	Total	Adjustment	Consolidated statements of Income
	Wire Rope	Steel Cord	Product Development	Real Estate	Total				
Net sales									
Sales to outside customers	¥14,212	¥8,583	¥5,344	¥661	¥28,801	¥3,339	¥32,141	¥ —	¥32,141
Intersegment sales or transfers	72	27	129	—	229	341	570	(570)	—
Total	14,284	8,610	5,474	661	29,030	3,681	32,712	(570)	32,141
Segment income (loss)	1,084	840	(607)	174	1,491	193	1,684	—	1,684

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 2 quarters (April 1– September 30, 2017)

Sales, Income (Loss) by Reporting Segment

	Reporting Segment					Other (Note)	Total	Adjustment	Consolidated statements of Income
	Wire Rope	Steel Cord	Product Development	Real Estate	Total				
Net sales									
Sales to outside customers	¥14,163	¥5,361	¥5,858	¥620	¥26,004	¥3,444	¥29,448	¥ —	¥29,448
Intersegment sales or transfers	72	44	3	—	120	358	479	(479)	—
Total	14,236	5,406	5,861	620	26,124	3,803	29,928	(479)	29,448
Segment income (loss)	1,006	50	(455)	144	745	244	990	—	990

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.