

Consolidated Financial Results

for the First 3 Quarters of Fiscal 2018 [Japanese GAAP]

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

Listing: **Tokyo Stock Exchange**

Stock code number: **5981**

URL: **http://www.tokyoropeco.jp**

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Preparation of Supplementary Explanations of Quarterly Financial Results: **February 13, 2019**

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 2018-First 3 Quarters (April 1– December 31, 2018)

(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 2018–First 3 quarters	¥46,578	1.7%	¥294	-84.2%	¥322	-82.8%	¥ -202	—%
Fiscal 2017–First 3 quarters	45,804	-3.1	1,862	-22.1	1,880	-0.2	1,273	-29.4

Note: Comprehensive income

Fiscal 2018–1st 3 quarters: ¥ -1,128 million (—%)

Fiscal 2017–1st 3 quarters: ¥2,277 million (56.5%)

	Earnings per share	Earnings per share (fully diluted)
	(Yen)	(Yen)
Fiscal 2018–First 3 quarters	¥ -12.54	—
Fiscal 2017–First 3 quarters	78.99	—

(2) Financial position

(Millions of yen)

	Total assets	Net assets	Equity ratio
Fiscal 2018–First 3 quarters	¥86,179	¥24,032	27.9%
Fiscal 2017–Year-end	86,306	25,781	29.9

Note: Equity capital at term-end

Fiscal 2018–1st 3 quarters: ¥24,032 million

Fiscal 2017: ¥25,781 million

2. Cash dividends

Cash dividend per share (yen)

	First quarter	Second quarter	Third quarter	Year-end	Full year
Fiscal 2017	—	¥0.00	—	¥ 40.00	¥ 40.00
Fiscal 2018	—	0.00	—		
Fiscal 2018 (est.)				40.00	40.00

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

3. Forecast for Fiscal 2018 (April 1, 2018–March 31, 2019)

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

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Earnings per share (Yen)
Full year	¥65,000	2.3%	¥ 1,500	-51.5%	¥1,500	-51.8%	¥600	-76.2%	¥36.88

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 International, 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 2018–1st 3quarters: 16,268,242

Fiscal 2017: 16,268,242

2. Number of treasury shares outstanding

Fiscal 2018–1st 3quarters: 145,519

Fiscal 2017: 146,806

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

Fiscal 2018–1st 3quarters: 16,122,546

Fiscal 2017–1st 3quarters: 16,122,500

Note: Treasury stocks that are deducted when calculating the number of treasury stocks outstanding at the end of Fiscal 2017 and the average number of shares over the year include shares of the Company owned by Board Benefit Trust (Fiscal 2018 3Q: 134,300 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

In the third quarter of the consolidated fiscal year, the Japanese economy continued to expand gradually, buoyed by continued strong corporate earnings and firm consumer spending, despite concerns over a series of natural disasters and movements in trade issues. The world economy also remains steady, especially in the United States, but concerns over trade friction emanating from the United States, the emergence of economic slowdown in China, and other issues are leading to increasing uncertainty about the future.

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."

The Tokyo Rope Group's total sales came to ¥46,578 million in the third quarter under review, up 1.7% year-on-year, due to increases in the sales value of petroleum-related products spurred by the rise in crude oil prices, and despite a decrease in sales of steel cord products domestically.

In terms of profits, the Group posted operating income of ¥294 million (a decline of 84.2% from the year-earlier period) and ordinary income of ¥322 million (a decline of 82.8% from the year-earlier period). This was a result mainly of a decrease in domestic sales of saw wire for silicon wafers in solar power generation (hereafter "core wire"). In addition, the Group also recorded an extraordinary loss of ¥220 million due to disasters and a loss on valuation of investment securities of ¥134 million, resulting in a net quarterly loss attributable to owners of the parent company of ¥202 million (compared to net income of ¥1,273 million for the year-earlier period).

Results by business segment of the Group were as follows:

Wire Rope

While fiber product income grew, sales volume of elevator rope declined due to relaxation of replacement demand domestically, with the net result that sales remained nearly unchanged from the year-earlier period. Segment profit declined, however, due to factors including an increase in depreciation and amortization expenses accompanying IT system investments. Segment sales totaled ¥21,083 million, a 0.1% increase year-on-year, while operating income stood at ¥1,070 million, down 23.7% year-on-year.

Steel Cord

Total sales in the Steel Cord segment declined to ¥8,183 million, down 0.6% year-on-year, due to decreased sales of core wire despite an increase in the sales volume of tire cord in Japan. The segment recorded an operating loss of ¥556 million (compared to a profit of ¥230 million in the year-earlier period), due to the sales mix and an increase in costs for materials, etc.

Product Development

Total sales for the Product Development segment stood at ¥9,636 million, up 0.8% year-on-year, as a result of an increase in domestic safety facility products and bridge-related products. However, due to worsening of the sales mix and increased upfront investment in strategic growth businesses such as CFCC products and overseas safety facility products, the operating loss was ¥918 million (compared to a loss of ¥520 million in the year-earlier period).

Real Estate

Total sales for the real estate segment came to ¥897 million, down 1.5% year-on-year, while operating income totaled ¥223 million, up 9.7% year-on-year, as the segment remained overall robust.

Other

With the rise in crude oil prices, a sales increase in oil-related products brought total sales of the Other segment to ¥6,776 million, up 12.2% year-on-year. However, as a result of a decrease in the industrial machinery business, operating income came to ¥474 million, down 12.8% year-on-year.

(2) Financial Position

Assets, Liabilities and Net Assets

Despite an increase in inventory assets and construction in progress, total assets at the end of the third quarter consolidated accounting period decreased by ¥127 million from the end of the previous consolidated fiscal year to ¥86,179 million, as the result of a decrease in cash and deposits, accounts receivable, and investment securities due to revaluation.

Total liabilities increased ¥1,621 million from the end of the previous consolidated fiscal year to ¥62,146 million as a result of an increase in accounts payable and long-term borrowing.

Net assets stood at ¥24,032 million, a decrease of ¥1,749 million compared to the end of the previous consolidated fiscal year, due to a decline in valuation difference on available-for-sale securities and the recording of a net quarterly loss attributable to owners of the parent company.

(3) Performance Forecasts

The Tokyo Rope Group has made no revision to its full-year projected results forecast released on October 29, 2018.

3. Quarterly Consolidated Financial Statements

(1) Balance Sheets

(Millions of yen, rounded down)

	Fiscal 2017 (March 31, 2018)	Fiscal 2018—First 3 quarters (December 31, 2018)
ASSETS		
Current assets		
Cash and bank deposits	¥ 4,374	¥ 3,645
Notes and accounts receivable	14,311	13,786
Commodities and products	6,939	6,840
Goods in process	4,167	4,828
Materials and supplies	4,216	4,639
Other	1,346	1,869
Allowance for doubtful accounts	(19)	(14)
Total current assets	35,336	35,593
Fixed assets		
Property, plant and equipment		
Buildings and structures (net)	7,195	7,134
Machinery and vehicles (net)	6,985	6,974
Land	18,307	18,307
Construction in progress	1,070	2,274
Other (net)	1,507	1,460
Total property, plant and equipment	35,066	36,151
Intangibles	626	823
Investments and other assets		
Investment securities	9,355	7,386
Net defined benefit asset	154	158
Deferred tax assets	2,952	3,196
Other	3,218	3,245
Allowance for doubtful accounts	(407)	(377)
Total investments and other assets	15,272	13,610
Total fixed assets	50,965	50,585
Deferred assets	4	—
Total assets	86,306	86,179

(Millions of yen, rounded down)

	Fiscal 2017 (March 31, 2018)	Fiscal 2018—First 3 quarters (December 31, 2018)
LIABILITIES		
Current liabilities		
Notes and accounts payable	¥12,143	¥12,806
Short-term borrowings	14,239	14,379
Accrued expenses	2,672	2,460
Reserve for employees' bonuses	911	465
Other	5,379	6,170
Total current liabilities	35,346	36,281
Long-term liabilities		
Long-term loans	13,918	15,433
Deferred tax liabilities for land revaluation	4,183	4,183
Net defined benefit liability	5,153	4,535
Other	1,923	1,713
Total long-term liabilities	25,178	25,864
Total liabilities	60,525	62,146
NET ASSETS		
Shareholders' equity		
Common stock	1,000	1,000
Capital surplus	684	684
Retained earnings	14,507	13,681
Treasury stock	(312)	(309)
Total shareholders' equity	15,878	15,056
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,221	(8)
Revaluation reserve for land	9,718	9,718
Foreign currency translation adjustment	149	(20)
Remeasurements of defined benefit plans	(1,187)	(713)
Total accumulated other comprehensive income	9,902	8,975
Total net assets	25,781	24,032
Total liabilities and net assets	86,306	86,179

(2) Statements of Income and Statements of Comprehensive Income

1) Statements of Income

(Millions of yen, rounded down)

	Fiscal 2017–First 3 quarters (April 1–December 31, 2017)	Fiscal 2018–First 3 quarters (April 1–December 31, 2018)
Net sales	¥45,804	¥46,578
Cost of sales	36,096	37,921
Gross profit	9,708	8,656
Selling, general and administrative expenses	7,845	8,362
Operating income	1,862	294
Other income		
Interest income	16	13
Dividend income	149	180
Other	242	286
Total other income	407	480
Other expenses		
Interest expense	207	211
Other	182	240
Total other expenses	389	451
Ordinary income	1,880	322
Extraordinary expenses		
Loss on devaluation of investment securities	—	134
Loss from disasters	—	220
Other	—	54
Total extraordinary expenses	—	409
Income (loss) before income taxes	1,880	(86)
Income taxes	591	116
Profit (loss)	1,288	(202)
Profit attributable to non-controlling interests	15	—
Profit (loss) attributable to owners of parent	1,273	(202)

2) Statements of Comprehensive Income

	(Millions of yen, rounded down)	
	Fiscal 2017–First 3 quarters (April 1–December 31, 2017)	Fiscal 2018–First 3 quarters (April 1–December 31, 2018)
Profit (loss)	¥1,288	¥(202)
Other comprehensive income		
Valuation difference on available-for-sale securities	784	(1,230)
Foreign currency translation adjustment	(67)	(83)
Remeasurements of defined benefit plans, net of tax	247	473
Share of other comprehensive income (loss) of entities accounted for using equity method	24	(86)
Total other comprehensive income (loss)	989	(926)
Comprehensive income (loss)	2,277	(1,128)
Comprehensive income attributable to Comprehensive income (loss) attributable to owners of the parent	2,262	(1,128)
Comprehensive income attributable to non-controlling interests	15	—

(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

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 3 quarters under review.

Additional Information

The "Partial Revision of Accounting Standards Relating to Deferred Tax Accounting" (Corporate Accounting Standard No. 28, February 16th 2018) has been applied from the beginning of the first quarter consolidated accounting period. Deferred tax assets are displayed under the Investments and Other Assets section, and deferred tax liabilities are displayed in the Fixed Liabilities section.

Segment Information

Fiscal 2017—First 3 quarters (April 1—December 31, 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	¥21,054	¥8,236	¥9,564	¥911	¥39,766	¥6,037	¥45,804	¥ —	¥45,804
Intersegment sales or transfers	121	85	6	—	213	550	763	(763)	—
Total	21,176	8,321	9,570	911	39,979	6,588	46,568	(763)	45,804
Segment income (loss)	1,404	230	(520)	204	1,317	544	1,862	—	1,862

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 2018—First 3 quarters (April 1—December 31, 2018)

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	¥21,083	¥8,183	¥9,636	¥897	¥39,802	¥6,776	¥46,578	¥ —	¥46,578
Intersegment sales or transfers	155	123	6	—	285	678	964	(964)	—
Total	21,239	8,307	9,643	897	40,088	7,454	47,543	(964)	46,578
Segment income (loss)	1,070	(556)	(918)	223	(180)	474	294	—	294

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.