

November 10, 2014

Consolidated Financial Results for the First 2 Quarters of Fiscal 2014 [Japanese GAAP]

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

Listing: **Tokyo Stock Exchange**

Stock code number: **5981**

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

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Preparation of Supplementary Explanations of Quarterly Financial Results: **November 12, 2014**

Start of cash dividend payments: **-**

Supplementary quarterly materials prepared: **Yes**

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

1. Fiscal 2014-First 2 Quarters (April 1–September 30, 2014)

(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		Net income	
		(% change from previous year)		(% change)		(% change)		(% change)
Fiscal 2014–First 2 quarters	¥34,106	7.5%	¥1,132	21.5%	¥1,570	152.4%	¥1,860	144.8%
Fiscal 2013–First 2 quarters	31,728	2.8	932	-	622	-	760	-

Note: Comprehensive income

Fiscal 2014–1st 2 quarters: ¥2,677 million (668.0%)

Fiscal 2013–1st 2 quarters: ¥348 million (-%)

	Net income per share	Net income per share (fully diluted)
	(Yen)	(Yen)
Fiscal 2014–First 2 quarters	¥12.64	¥11.55
Fiscal 2013–First 2 quarters	5.23	-

(2) Financial Position

(Millions of yen, rounded down)

	Total assets	Net assets	Equity ratio
Fiscal 2014–First 2 quarters	¥88,473	¥18,466	18.6%
Fiscal 2013–Year-end	86,938	13,261	12.9

Note: Equity capital at term-end

Fiscal 2014–1st 2 quarters: ¥16,418 million

Fiscal 2013: ¥11,225 million

2. Cash Dividends

	Cash dividend per share (yen)				
	First quarter	Second quarter	Third quarter	Year-end	Full year
Fiscal 2013	-	¥0.00	-	¥0.00	¥0.00
Fiscal 2014	-	0.00			
Fiscal 2014 (est.)			-	-	-

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

(Note) At present, the cash dividend forecast for fiscal 2014 is undecided.

(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 2014 (April 1, 2014–March 31, 2015)

(Millions of yen, rounded down; percentage figures denote year-on-year change)

	Net sales		Operating income		Ordinary income		Net income		Net income per share (Yen)
Full year	¥75,000	5.8%	¥3,700	9.2%	¥3,600	1.6%	¥3,700	-22.0%	¥24.92

(Note) Revision of latest consolidated forecasts in review: Yes

Notes

(1) Significant changes in subsidiaries during the period (changes in specific subsidiaries due to change in scope of consolidation):

None

Note: This refers to the existence of changes to specific subsidiaries due to changes in the scope of consolidation in the period under review.

(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: None

Note: 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 2014–1st 2 quarters: 162,682,420

Fiscal 2013: 162,682,420

2. Number of treasury shares outstanding

Fiscal 2014–1st 2 quarters: 17,513,651

Fiscal 2013: 17,501,818

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

Fiscal 2014–1st 2 quarters: 145,177,164

Fiscal 2013–1st 2 quarters: 145,201,981

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

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.

(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 2013	–	–	–	–	–
Fiscal 2014	–	¥0.00			
Fiscal 2014 (est.)			–	¥32,917.80	¥32,917.80

(Note) For the fiscal year ending March 2015, the Company plans to deliver preferred dividends of ¥82 million to the 2,500 Class A Shares as year-end dividends, in accordance with its Articles of Incorporation.

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1. Performance and Financial Position

(1) Consolidated Business Results

During the first two quarters of the consolidated fiscal year ending March 31, 2015, the Japanese economy continued to show a modest recovery trend, given the increasingly weaker yen and higher stock prices backed by the monetary easing policy by the government and the Bank of Japan, along with signs of pickup in capital investment in the corporate sector, although consumer spending showed a downward trend after the consumption tax rate hike impacted by the reactionary drop against the rush demand before the hike.

Under these circumstances, net sales of the Tokyo Rope Group increased 7.5% year-on-year to ¥34,106 million for the first two quarters. The increase was due to growth in sales of the Product Development segment in accordance with the recording of sales for overseas projects ahead of schedule, among other factors.

In terms of profits, the Group posted operating income of ¥1,132 million, a year-on-year increase of 21.5% mainly due to improved earnings in the Steel Cord segment and the Wire Rope segment, and ordinary income of ¥1,570 million, up 152.4% from the year-earlier period due to the impact of foreign exchange gains and other factors on top of the increase in operating income. The Group recorded net income of ¥1,860 million for the quarter under review, an increase of 144.8% compared with the period a year ago.

Results by business segment of the Group were as follows:

Wire Rope

Demand has remained strong for wire rope, primarily for elevators both in Japan and overseas markets. Fiber rope also enjoyed solid demand. However, demand for wire products decreased mainly for project opportunities and telecommunication use.

As a result, total sales in the Wire Rope segment amounted to ¥13,700 million.

Steel Cord

Although sales in the industry machinery area (tire molding equipment) decreased year-on-year, sales volume of tire cord, the main product of this segment, increased from business operations both in Japan and China.

Accordingly, total sales in the Steel Cord segment amounted to ¥7,331 million.

Product Development

In the bridge-related products, sales were recorded ahead of schedule for overseas project opportunities which had been planned for the latter half of the fiscal year. Sales of road safety equipment failed to increase year-on-year, although order reception for the product steadily increased.

As a result, total sales in the Product Development segment amounted to ¥8,168 million.

Real Estate

Sales in the Real Estate segment remained almost flat year-on-year, totaling ¥565 million.

Other

Sales grew strongly in oil products and powder metallurgy products, resulting in sales for the Other segment to be ¥4,340 million.

(2) Financial Position

Assets, Liabilities and Net Assets

As of September 30, 2014, the Tokyo Rope Group had total assets of ¥88,473 million. The figure represents an increase of ¥1,534 million from the end of the previous consolidated fiscal year (March 31, 2014), due mainly to an increase in cash and bank deposits through collection of notes and accounts receivable and receiving payment on July 8, 2014 for the class A shares the Company issued.

Total liabilities decreased ¥3,670 million from the end of the previous consolidated fiscal year to ¥70,007 million, due to such factors as a decrease in borrowings and accounts payable.

Net assets totaled ¥18,466 million, an increase of ¥5,204 million compared with the end of the previous consolidated fiscal year. The increase was due to such factors as receiving payment on July 8, 2014 for the class A shares the Company issued, recording of net income for the quarter under review and an increase in the valuation difference on available-for-sale securities.

Cash Flows

At September 30, 2014, cash and cash equivalents totaled ¥6,968 million, up ¥4,796 million from March 31, 2014.

Net cash provided by operating activities amounted to ¥4,547 million, due mainly to collection of notes and accounts receivable.

Net cash used in investing activities totaled ¥169 million as a result of purchases of fixed assets and sales of investment securities and other factors.

Net cash provided by financing activities was ¥394 million, due mainly to receiving payment on July 8, 2014 for the class A shares the Company issued and a decrease in borrowings.

(3) Performance Forecasts

With regard to the business environment in the second half of the consolidated fiscal year, it is expected that orders will remain strong in general. However, the outlook is unpredictable due to such factors as the raw material and fuel prices rising mainly as a result of the depreciating yen and the concentration of construction work on road safety facilities in the second half of the fiscal year falling behind schedule due to the impact of bad weather, etc.

Taking into account the business environment stated above and the operating results for the first two quarters, the Tokyo Rope Group has revised its forecast of the full-year operating results for the fiscal year ending March 2015 released in the “Consolidated Financial Results for the First Quarter of Fiscal 2014” dated August 7, 2014, revising ordinary income and net income upward while keeping net sales and operating income unchanged.

2. Summary (Other) Information

(1) Significant Changes in 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 2 quarters.

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

(Changes in accounting policies)

Effective from the first quarter of the consolidated fiscal year ending March 2015, the Company applied the “Accounting Standard for Retirement Benefits” (Accounting Standard Board of Japan (ASBJ) Statement No. 26 dated May 17, 2012 and the Guidance on Accounting Standard for Retirement Benefits (ASBJ) Guidance No. 25 dated May 17, 2012) pursuant to the provisions depicted in the main clause of Item 35 of the Accounting Standard for Retirement Benefits and in the main clause of Item 67 of the Guidance on Accounting Standard for Retirement Benefits. Accordingly, the Company modified the calculation method for retirement benefit obligations and current service costs, changed the method of attributing expected retirement benefit to periods from the straight-line basis to the benefit formula basis, and also changed the method to calculate the discount rate.

Upon applying the Accounting Standard for Retirement Benefits, etc., the Company added or deducted the amounts arising from the modification of the calculation method for retirement benefit obligations and the current service costs to and from retained earnings at the beginning of the first quarter of the consolidated fiscal year ending March 2015, pursuant to the transitional measures set forth in Item 37 of Accounting Standard for Retirement Benefits.

As a result, the obligations related to retirement benefits decreased by ¥39 million while retained earnings increased by ¥29 million for the quarter under review, with minimum impact given on operating income, ordinary income and income before income taxes for the first 2 quarters of the consolidated fiscal year ending March 31, 2015.

3. Quarterly Consolidated Financial Statements

(1) Balance Sheets

(Millions of yen, rounded down)

	Fiscal 2013 (March 31, 2014)	Fiscal 2014—First 2 quarters (September 30, 2014)
ASSETS		
Current assets		
Cash and bank deposits	¥ 2,242	¥ 7,048
Notes and accounts receivable	17,533	14,019
Commodities and products	5,623	5,222
Goods in process	4,360	4,824
Materials and supplies	4,053	3,633
Deferred tax assets	1,152	1,151
Other	1,394	1,631
Allowance for doubtful accounts	(369)	(211)
Total current assets	35,990	37,319
Fixed assets		
Property, plant and equipment		
Buildings and structures (net)	9,815	9,577
Machinery and vehicles (net)	4,528	6,047
Land	19,862	19,821
Construction in progress	1,323	282
Other (net)	1,287	1,004
Total property, plant and equipment	36,817	36,733
Intangibles	323	316
Investments and other assets		
Investment securities	8,423	9,198
Net defined benefit asset	138	114
Deferred tax assets	2,823	2,474
Other	4,156	3,814
Allowance for doubtful accounts	(1,752)	(1,515)
Total investments and other assets	13,788	14,086
Total fixed assets	50,929	51,136
Deferred assets	19	17
Total assets	86,938	88,473

(Millions of yen, rounded down)

	Fiscal 2013 (March 31, 2014)	Fiscal 2014–First 2 quarters (September 30, 2014)
LIABILITIES		
Current liabilities		
Notes and accounts payable	¥13,300	¥12,744
Short-term borrowings	12,714	13,743
Accrued expenses	3,974	4,115
Reserve for employees' bonuses	810	693
Other	4,228	3,622
Total current liabilities	35,027	34,920
Long-term liabilities		
Long-term loans	23,702	20,825
Deferred tax liabilities for land revaluation	5,326	5,326
Net defined benefit liability	6,481	5,967
Other	3,138	2,968
Total long-term liabilities	38,649	35,087
Total liabilities	73,677	70,007
NET ASSETS		
Shareholders' equity		
Common stock	15,074	1,000
Capital surplus	8,574	3,781
Retained earnings	(17,406)	5,850
Treasury stock	(3,276)	(3,278)
Total shareholders' equity	2,965	7,353
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	600	1,066
Revaluation reserve for land	10,009	10,009
Foreign currency translation adjustment	(644)	(556)
Remeasurements of defined benefit plans	(1,704)	(1,454)
Total accumulated other comprehensive income	8,260	9,065
Minority interests	2,035	2,047
Total net assets	13,261	18,466
Total liabilities and net assets	86,938	88,473

(2) Statements of Income and Statements of Comprehensive Income

1) Statements of Income

(Millions of yen, rounded down)

	Fiscal 2013—First 2 quarters (April 1—September 30, 2013)	Fiscal 2014—First 2 quarters (April 1—September 30, 2014)
Net sales	¥31,728	¥34,106
Cost of sales	26,041	28,003
Gross profit	5,687	6,103
Selling, general and administrative expenses	4,754	4,970
Operating income	932	1,132
Other income		
Interest income	37	15
Dividend income	215	100
Foreign exchange gains	132	368
Reversal of allowance for doubtful accounts	234	362
Other	222	380
Total other income	843	1,226
Other expenses		
Interest expense	437	437
Financing expenses	579	134
Other	136	217
Total other expenses	1,153	789
Ordinary income	622	1,570
Extraordinary income		
Gain on sales of investment securities	267	260
Gain on transfer of business	—	147
Other	—	8
Total extraordinary income	267	417
Extraordinary expenses		
Loss on valuation of golf club membership	1	—
Total extraordinary expenses	1	—
Income before income taxes	887	1,987
Income taxes	115	114
Income before minority interests	772	1,872
Minority interests in income	12	11
Net income	760	1,860

2) Statement of Comprehensive Income

(Millions of yen, rounded down)

	Fiscal 2013—First 2 quarters (April 1—September 30, 2013)	Fiscal 2014—First 2 quarters (April 1—September 30, 2014)
Income before minority interests	¥772	¥1,872
Other comprehensive income		
Valuation difference on available-for-sale securities	273	466
Foreign currency translation adjustment	(982)	175
Remeasurements of defined benefit plans, net of tax	—	249
Share of other comprehensive income of associates accounted for using equity method	285	(86)
Total other comprehensive income (loss)	(423)	804
Comprehensive income	348	2,677
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	336	2,665
Comprehensive income attributable to minority interests	12	11

(3) Statements of Cash Flows

(Millions of yen, rounded down)

	Fiscal 2013–First 2 quarters (April 1–September 30, 2013)	Fiscal 2014–First 2 quarters (April 1–September 30, 2014)
Operating activities		
Income before income taxes	¥ 887	¥1,987
Depreciation	831	886
Increase (decrease) in reserve for employees' bonuses	(110)	(116)
Increase (decrease) in reserve for employees' retirement bonuses	(133)	—
Increase (decrease) in net defined benefit liability	—	(143)
Interest expense	437	437
Interest and dividend income	(252)	(116)
(Gain) loss on sales investments securities	(267)	(260)
(Increase) decrease in notes and accounts receivable	2,211	4,031
(Increase) decrease in inventories	(1,214)	600
Increase (decrease) in notes and accounts payable	(1,519)	(783)
Increase (decrease) in advances received	560	(266)
Other	(670)	(1,030)
Subtotal	759	5,225
Interest and dividends received	284	113
Interest paid	(432)	(437)
Directors' retirement bonuses paid	(92)	(73)
Income tax paid	(228)	(281)
Net cash provided by operating activities	290	4,547
Investing activities		
Purchases of investment securities	(492)	(577)
Proceeds from sales of investment securities	802	830
Payments of loans receivable	(109)	(101)
Collection of loans receivable	53	42
Purchases of property, plant and equipment	(1,824)	(644)
Proceeds from sales of property, plant and equipment	14	309
Other	(48)	(27)
Net cash used in investing activities	(1,605)	(169)
Financing activities		
Net increase (decrease) in short-term borrowings	(13,319)	945
Proceeds from long-term borrowings	19,372	1,000
Repayment of long-term borrowings	(5,835)	(3,750)
Cash dividends paid	(2)	(2)
Proceeds from disposal of treasury stock	0	0
Purchase of treasury stock	(1)	(2)
Repayments of lease obligations	(293)	(296)
Proceeds from issuance of common shares	—	2,500
Net cash provided by (used in) financing activities	(81)	394
Effect of exchange rate changes on cash and cash equivalents	(724)	23
Net increase (decrease) in cash and cash equivalents	(2,120)	4,796
Cash and cash equivalents at beginning of term	5,463	2,172
Increase in cash and cash equivalents due to inclusions in consolidation	309	—
Cash and cash equivalents at end of term	3,652	6,968

(4) Notes on Consolidated Financial Statements

Notes on Going-concern Assumptions

Fiscal 2014–First 2 quarters (April 1– September 30, 2014)

None

Note in the Event of Major Changes in Shareholders' Equity

Fiscal 2014– First 2 quarters (April 1– September 30, 2014)

The Company made the following transfers in accordance with the completion of payment on July 8, 2014 for the class A shares it issued.

1. Amount of increases in capital stock and legal capital surplus

Increase in capital stock ¥1,250,000,000

Increase in legal capital surplus ¥1,250,000,000

2. Amount of decreases in capital stock and legal capital surplus, and amount of increase in other capital surplus

Decrease in capital stock ¥15,324,167,611

Decrease in legal capital surplus ¥6,539,508,899

Increase in other capital surplus ¥21,863,676,510

3. Amount of decrease in other capital surplus and amount of increase in retained earnings brought forward

Decrease in other capital surplus ¥21,366,871,798

Increase in retained earnings brought forward ¥21,366,871,798

Segment Information, Etc.

Segment Information

Fiscal 2013–First 2 quarters (April 1–September 30, 2013)

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	¥13,970	¥ 7,922	¥5,284	¥590	¥27,767	¥3,961	¥31,728	¥ —	¥31,728
Intersegment sales or transfers	106	22	103	—	232	356	589	(589)	—
Total	14,076	7,945	5,387	590	27,999	4,318	32,318	(589)	31,728
Segment income (loss)	832	(485)	254	188	790	142	932	—	932

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 2014–First 2 quarters (April 1–September 30, 2014)

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	¥13,700	¥7,331	¥8,168	¥565	¥29,766	¥4,340	¥34,106	¥ —	¥34,106
Intersegment sales or transfers	120	49	158	—	328	579	907	(907)	—
Total	13,820	7,381	8,327	565	30,094	4,919	35,014	(907)	34,106
Segment income (loss)	904	228	(140)	(22)	969	163	1,132	—	1,132

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.