

Consolidated Financial Results for the First 3 Quarters of Fiscal 2014 [Japanese GAAP]

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

Listing: **Tokyo Stock Exchange**

Stock code number: **5981**

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Preparation of Supplementary Explanations of Quarterly Financial Results: **February 10, 2015**

Start of cash dividend payments: **–**

Supplementary quarterly materials prepared: **None**

Quarterly results information meeting held: **None**

1. Fiscal 2014–First 3 quarters (April 1– December 31, 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	
	(Yen)	(% change from previous year)	(Yen)	(% change)	(Yen)	(% change)	(Yen)	(% change)
Fiscal 2014–First 3 quarters	¥53,532	6.5%	¥2,578	8.5%	¥3,323	16.9%	¥3,495	1.7%
Fiscal 2013–First 3 quarters	50,248	7.6	2,375	–	2,844	–	3,437	–

Note: Comprehensive income

Fiscal 2014–1st 3 quarters: ¥4,784 million (66.9%)

Fiscal 2013–1st 3 quarters: ¥2,867 million (–%)

	Net income per share	Net income per share
	(Yen)	(fully diluted) (Yen)
Fiscal 2014–First 3 quarters	¥23.70	¥21.67
Fiscal 2013–First 3 quarters	23.67	–

(2) Financial position

(Millions of yen)

	Total assets	Net assets	Equity ratio
Fiscal 2014–First 3 quarters	¥90,029	¥20,571	20.6%
Fiscal 2013–Year-end	86,938	13,261	12.9

Note: Equity capital at term-end

Fiscal 2014–1st 3 quarters: ¥18,517 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, except per share data; 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: No

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 3 quarters: 162,682,420

Fiscal 2013: 162,682,420

2. Number of treasury shares outstanding

Fiscal 2014–1st 3 quarters: 17,525,223

Fiscal 2013: 17,501,818

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

Fiscal 2014–1st 3 quarters: 145,174,018

Fiscal 2013–1st 3 quarters: 145,200,191

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 three quarters of the consolidated fiscal year ending March 31, 2015, the Japanese economy continued to show a modest recovery trend, backed by the ongoing implementation of the economic policy by the government and monetary easing policy by the Bank of Japan. The outlook still remained to be opaque, however, with the drop in consumer spending after the consumption tax rate hike lasting longer than expected as well as with the economic slowdown in emerging countries.

Under these circumstances, net sales of the Tokyo Rope Group increased 6.5% year-on-year to ¥53,532 million for the first three quarters. The increase was due to recording of sales for overseas projects in the Product Development segment, among other factors.

In terms of profits, the Group recorded a year-on-year increase of 8.5% in operating income to ¥2,578 million, 16.9% in ordinary income to ¥3,323 million and 1.7% in net income to ¥3,495 million, mainly due to improved earnings in the Steel Cord segment.

Results by business segment of the Group were as follows:

Wire Rope

Demand has continued to be strong for wire rope, primarily for elevators both in Japan and overseas markets, remaining almost at the same level as in the previous year. 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 ¥20,557 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 ¥11,261 million.

Product Development

Although sales of road safety equipment in Japan failed to increase year-on-year, the bridge-related products recorded sales for overseas project opportunities.

As a result, total sales in the Product Development segment amounted to ¥13,918 million.

Real Estate

Sales in the Real Estate segment remained almost flat year-on-year, totaling ¥864 million.

Other

Sales grew strongly in oil products, powder metallurgy products and industrial machinery (automatic weighing machines and packaging machines), respectively, resulting in sales for the Other segment to be ¥6,929 million.

(2) Financial Position

Assets, Liabilities and Net Assets

As of December 31, 2014, the Tokyo Rope Group had total assets of ¥90,029 million. The figure represents an increase of ¥3,090 million from the end of the previous consolidated fiscal year (March 31, 2014), due mainly to an increase in cash and bank deposits and other investment securities.

Total liabilities decreased ¥4,219 million from the end of the previous consolidated fiscal year to ¥69,458 million, due to such factors as a decrease in borrowings, etc.

Net assets totaled ¥20,571 million, an increase of ¥7,309 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.

(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 First 2 Quarters of Fiscal 2014” dated November 10, 2014.

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 3 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 3 quarters 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 3 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 3 quarters (December 31, 2014)
ASSETS		
Current assets		
Cash and bank deposits	¥ 2,242	¥ 6,077
Notes and accounts receivable	17,533	15,351
Commodities and products	5,623	5,566
Goods in process	4,360	4,698
Materials and supplies	4,053	3,764
Deferred tax assets	1,152	1,150
Other	1,394	1,624
Allowance for doubtful accounts	(369)	(231)
Total current assets	35,990	38,002
Fixed assets		
Property, plant and equipment		
Buildings and structures (net)	9,815	9,760
Machinery and vehicles (net)	4,528	6,268
Land	19,862	19,819
Construction in progress	1,323	248
Other (net)	1,287	956
Total property, plant and equipment	36,817	37,052
Intangibles	323	326
Investments and other assets		
Investment securities	8,423	9,823
Net defined benefit asset	138	120
Deferred tax assets	2,823	2,249
Other	4,156	4,032
Allowance for doubtful accounts	(1,752)	(1,584)
Total investments and other assets	13,788	14,640
Total fixed assets	50,929	52,020
Deferred assets	19	6
Total assets	86,938	90,029

(Millions of yen, rounded down)

	Fiscal 2013 (March 31, 2014)	Fiscal 2014—First 3 quarters (December 31, 2014)
LIABILITIES		
Current liabilities		
Notes and accounts payable	¥13,300	¥12,746
Short-term borrowings	12,714	13,767
Accrued expenses	3,974	4,046
Reserve for employees' bonuses	810	422
Other	4,228	3,965
Total current liabilities	35,027	34,948
Long-term liabilities		
Long-term loans	23,702	20,404
Deferred tax liabilities due to revaluation	5,326	5,326
Reserve for employees' retirement benefits	6,481	5,815
Other	3,138	2,963
Total long-term liabilities	38,649	34,510
Total liabilities	73,677	69,458
NET ASSETS		
Shareholders' equity		
Common stock	15,074	1,000
Capital surplus	8,574	3,781
Retained earnings	(17,406)	7,490
Treasury stock	(3,276)	(3,280)
Total shareholders' equity	2,965	8,991
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	600	1,404
Revaluation reserve for land	10,009	10,004
Foreign currency translation adjustment	(644)	(548)
Remeasurements of defined benefit plans	(1,704)	(1,334)
Total accumulated other comprehensive income	8,260	9,526
Minority interests	2,035	2,053
Total net assets	13,261	20,571
Total liabilities and net assets	86,938	90,029

(2) Statements of Income and Statements of Comprehensive Income

Statements of Income

(Millions of yen, rounded down)

	Fiscal 2013—First 3 quarters (April 1–December 31, 2013)	Fiscal 2014—First 3 quarters (April 1–December 31, 2014)
Net sales	¥50,248	¥53,532
Cost of sales	40,639	43,487
Gross profit	9,608	10,044
Selling, general and administrative expenses	7,232	7,466
Operating income	2,375	2,578
Other income		
Interest income	22	20
Dividend income	239	118
Foreign exchange gains	1,163	1,163
Reversal of allowance for doubtful accounts	202	296
Other	320	427
Total other income	1,949	2,026
Other expenses		
Interest expense	654	655
Financing expenses	579	154
Other	246	471
Total other expenses	1,480	1,281
Ordinary income	2,844	3,323
Extraordinary income		
Gain on sales of investment securities	856	260
Gain on transfer of business	—	147
Other	—	8
Total extraordinary income	856	417
Extraordinary expenses		
Loss on valuation of golf club membership	1	—
Total extraordinary expenses	1	—
Income before income taxes	3,698	3,740
Income taxes	243	227
Income before minority interests	3,455	3,513
Minority interests in income	17	17
Net income	3,437	3,495

Statements of Comprehensive Income

(Millions of yen, rounded down)

	Fiscal 2013—First 3 quarters (April 1–December 31, 2013)	Fiscal 2014—First 3 quarters (April 1–December 31, 2014)
Income before minority interests	¥3,455	¥3,513
Other comprehensive income		
Valuation difference on available-for-sale securities	122	804
Foreign currency translation adjustment	(947)	6
Remeasurements of defined benefit plans, net of tax	—	370
Share of other comprehensive income of associates accounted for using equity method	237	90
Total other comprehensive income (loss)	(588)	1,271
Comprehensive income	2,867	4,784
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	2,849	4,767
Comprehensive income attributable to minority interests	17	17

(3) Notes on Consolidated Financial Statements

Notes on Going-concern Assumptions

Fiscal 2014–First 3 quarters (April 1– December 31, 2014)

None

Note in the Event of Major Changes in Shareholders' Equity

Fiscal 2014– First 3 quarters (April 1– December 31, 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 3 quarters (April 1– December 31, 2013)

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	¥21,303	¥12,048	¥9,578	¥884	¥43,814	¥6,434	¥50,248	¥ —	¥50,248
Intersegment sales or transfers	159	188	202	—	551	825	1,377	(1,377)	—
Total	21,463	12,236	9,781	884	44,365	7,259	51,625	(1,377)	50,248
Segment income (loss)	1,351	(394)	856	282	2,096	279	2,375	—	2,375

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 3 quarters (April 1– December 31, 2014)

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	¥20,557	¥11,261	¥13,918	¥864	¥46,602	¥6,929	¥53,532	¥ —	¥53,532
Intersegment sales or transfers	171	52	242	—	467	825	1,292	(1,292)	—
Total	20,729	11,314	14,161	864	47,069	7,755	54,824	(1,292)	53,532
Segment income (loss)	1,275	593	407	(27)	2,249	329	2,578	—	2,578

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.