

Consolidated Financial Results for the First Quarter of Fiscal 2015 [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: **August 10, 2015**

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 2015-First quarter (April 1– June 30, 2015)

(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 2015–First quarter	¥14,685	-0.0%	¥533	213.5%	¥518	176.1%	¥280	-32.3%
Fiscal 2014–First quarter	14,688	-3.7	170	-25.3	187	-68.1	414	-24.0

Note: Comprehensive income

Fiscal 2015–1st quarter: ¥726 million (9.9%)

Fiscal 2014–1st quarter: ¥661 million (89.8%)

	Earnings per share	Earnings per share (fully diluted)
	(Yen)	(Yen)
Fiscal 2015–First quarter	¥1.73	¥–
Fiscal 2014–First quarter	2.86	–

(2) Financial position

(Millions of yen)

	Total assets	Net assets	Equity ratio
Fiscal 2015–First quarter	¥91,032	¥25,895	26.2%
Fiscal 2014–Year-end	87,259	22,320	23.2

Note: Equity capital at term-end

Fiscal 2015–1st quarter: ¥23,831 million

Fiscal 2014: ¥20,261 million

2. Cash dividends

	Cash dividend per share (yen)				
	First quarter	Second quarter	Third quarter	Year-end	Full year
Fiscal 2014	–	¥0.00	–	¥0.00	¥0.00
Fiscal 2015	–				
Fiscal 2015 (est.)		–	–	4.00	4.00

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

(Note) Interim dividend as of the end of the second quarter has not been determined yet.

(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 2015 (April 1, 2015–March 31, 2016)

(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	¥32,700	-4.1%	¥1,300	14.8%	¥1,150	-26.8%	¥ 850	-54.3%	¥ 5.86
Full year	73,500	0.2	4,200	6.4	3,900	-13.0	3,000	-22.3	20.66

(Note) Revision of latest consolidated forecasts in review: No

Notes

(1) Changes in significant 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 2015–1st quarter: 162,682,420

Fiscal 2014: 162,682,420

2. Number of treasury shares outstanding

Fiscal 2015–1st quarter: 2,317,438

Fiscal 2014: 17,529,456

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

Fiscal 2015–1st quarter: 146,473,432

Fiscal 2014–1st quarter: 145,180,229

Note: Based on the resolution made at the board of directors' meeting held on June 5, 2015, the Company disposed its treasury stock (15,220,000) through public offering.

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 2014	–	–	–	¥32,917.80	¥32,917.80
Fiscal 2015	–				
Fiscal 2015 (est.)		–	–	–	–

(Note) As of July 9, 2015, the Company acquired all of the class A shares outstanding and cancelled them as of the same date. Because of this, the Company will have no dividend to pay for class A shares for the fiscal year ending March 2016 and thereafter.

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1. Performance and Financial Position

(1) Consolidated Business Results

During the first quarter of the consolidated fiscal year ending March 31, 2016, the Japanese economy remained on track for a modest recovery with corporate earnings and the employment and income environments staying on an improving trend and consumer spending showing signs of picking up, despite such risks as anxiety over China's slowing economy and the government debt problem in Europe.

Under these circumstances, net sales of the Tokyo Rope Group totaled ¥14,685 million for the first quarter, remaining almost flat year-on-year, with sales increasing primarily for elevator rope and road safety equipment but decreasing for steel cord in China and oil products.

In terms of profits, improved earnings in the Steel Cord and Product Development segments allowed the Group to post operating income of ¥533 million (an increase of 213.5%) and ordinary income of ¥518 million yen (an increase of 176.1%), all on a year-on-year basis. Profit attributable to owners of parent for the first quarter was ¥280 million, decreasing 32.3% year-on-year in reaction to the extraordinary income recorded in the year-earlier quarter.

Results by business segment of the Group were as follows:

Wire Rope

Demand has remained strong for wire rope and fiber rope, leading to an increase in sales volume.

As a result, total sales in the Wire Rope segment amounted to ¥6,987 million.

Steel Cord

Sales volume of tire cord decreased in China in the face of the worsening market conditions.

Accordingly, total sales in the Steel Cord segment amounted to ¥3,455 million.

Product Development

Sales of road safety equipment and bridge-related products increased from the year-earlier quarter.

As a result, total sales in the Product Development segment amounted to ¥2,252 million.

Real Estate

Sales in the Real Estate segment remained almost flat year-on-year, totaling ¥308 million.

Other

Sales decreased in oil products, resulting in sales for the Other segment to be ¥1,682 million.

(2) Financial Position

Assets, Liabilities and Net Assets

As of June 30, 2015, the Tokyo Rope Group had total assets of ¥91,032 million. The figure represented a rise of ¥3,772 million from the end of the previous consolidated fiscal year (March 31, 2015), caused mainly by an increase in inventories and property, plant and equipment.

Total liabilities increased ¥197 million from the end of the previous consolidated fiscal year to ¥65,136 million, as the result of an increase in notes and accounts payable, despite a decrease in borrowings.

Net assets totaled ¥25,895 million, an increase of ¥3,575 million compared with the end of the previous consolidated fiscal year. The increase was due to such factors as disposal of treasury stock through public offering, on top of recording profit attributable to owners of parent.

(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 2014” dated May 13, 2015.

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 quarter.

(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 2016, the Company applied the “Accounting Standard for Business Combinations” (Accounting Standard Board of Japan (ASBJ) Statement No. 21 dated September 13, 2013), “Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No. 22 dated September 13, 2013) and “Accounting Standard for Business Divestitures” (ASBJ Statement No. 7 dated September 13, 2013), etc., and changed presentation of net income and other accounting items as well as presentation of minority interests to non-controlling interests. In order to reflect these changes in presentation, quarterly and annual consolidated financial statements have been restated for the first quarter of the previous consolidated fiscal year and the previous consolidated fiscal year.

3. Quarterly Consolidated Financial Statements

(1) Balance Sheets

(Millions of yen, rounded down)

	Fiscal 2014 (March 31, 2015)	Fiscal 2015–First quarter (June 30, 2015)
ASSETS		
Current assets		
Cash and bank deposits	¥ 4,708	¥ 8,072
Notes and accounts receivable	14,819	12,724
Commodities and products	5,383	5,881
Goods in process	3,751	4,102
Materials and supplies	3,655	3,882
Deferred tax assets	762	768
Other	1,413	2,018
Allowance for doubtful accounts	(541)	(527)
Total current assets	33,953	36,922
Fixed assets		
Property, plant and equipment		
Buildings and structures (net)	9,968	10,212
Machinery and vehicles (net)	6,548	6,526
Land	19,819	19,797
Construction in progress	525	259
Other (net)	990	1,674
Total property, plant and equipment	37,853	38,470
Intangibles	339	331
Investments and other assets		
Investment securities	10,463	10,932
Net defined benefit asset	109	110
Deferred tax assets	2,022	1,816
Other	3,957	3,946
Allowance for doubtful accounts	(1,446)	(1,502)
Total investments and other assets	15,107	15,303
Total fixed assets	53,300	54,105
Deferred assets	5	4
Total assets	87,259	91,032

(Millions of yen, rounded down)

	Fiscal 2014 (March 31, 2015)	Fiscal 2015–First quarter (June 30, 2015)
LIABILITIES		
Current liabilities		
Notes and accounts payable	¥11,712	¥11,996
Short-term borrowings	10,196	12,412
Accrued expenses	3,459	3,232
Reserve for employees' bonuses	845	1,256
Other	3,849	5,194
Total current liabilities	30,063	34,091
Long-term liabilities		
Long-term loans	20,928	17,357
Deferred tax liabilities for land revaluation	4,856	4,854
Net defined benefit liability	6,027	5,828
Other	3,063	3,004
Total long-term liabilities	34,875	31,045
Total liabilities	64,939	65,136
NET ASSETS		
Shareholders' equity		
Common stock	1,000	1,000
Capital surplus	3,781	3,864
Retained earnings	7,816	8,019
Treasury stock	(3,281)	(433)
Total shareholders' equity	9,316	12,450
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,936	2,395
Revaluation reserve for land	10,474	10,469
Foreign currency translation adjustment	120	60
Remeasurements of defined benefit plans	(1,586)	(1,544)
Total accumulated other comprehensive income	10,944	11,380
Non-controlling interests	2,058	2,064
Total net assets	22,320	25,895
Total liabilities and net assets	87,259	91,032

(2) Statements of Income and Statements of Comprehensive Income

1) Statements of Income

(Millions of yen, rounded down)

	Fiscal 2014–First quarter (April 1–June 30, 2014)	Fiscal 2015–First quarter (April 1–June 30, 2015)
Net sales	¥14,688	¥14,685
Cost of sales	12,150	11,698
Gross profit	2,537	2,987
Selling, general and administrative expenses	2,367	2,454
Operating income	170	533
Other income		
Interest income	8	9
Dividend income	64	57
Foreign exchange gains	—	208
Transfer from allowance for doubtful accounts	319	—
Other	170	50
Total other income	562	326
Other expenses		
Interest expense	285	125
Foreign exchange losses	184	—
Share of loss of entities accounted for using equity method	—	83
Other	75	132
Total other expenses	545	341
Ordinary income	187	518
Extraordinary income		
Gain on sales of investment securities	259	—
Gain on transfer of business	147	—
Other	8	—
Total extraordinary income	416	—
Income before income taxes	604	518
Income taxes	184	232
Profit	420	286
Profit attributable to non-controlling interests	5	5
Profit attributable to owners of parent	414	280

2) Statements of Comprehensive Income

(Millions of yen, rounded down)

	Fiscal 2014–First quarter (April 1–June 30, 2014)	Fiscal 2015–First quarter (April 1–June 30, 2015)
Profit	¥420	¥286
Other comprehensive income		
Valuation difference on available-for-sale securities	19	458
Foreign currency translation adjustment	154	18
Remeasurements of defined benefit plans, net of tax	133	42
Share of other comprehensive income (loss) of entities accounted for using equity method	(66)	(79)
Total other comprehensive income	241	440
Comprehensive income	661	726
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	655	720
Comprehensive income attributable to non-controlling interests	5	5

(3) Notes on Consolidated Financial Statements

Notes on Going-concern Assumptions

Fiscal 2015–First quarter (April 1– June 30, 2015)
None

Note in the Event of Major Changes in Shareholders' Equity

Fiscal 2015–First quarter (April 1–June 30, 2015)

Based on the resolution made at the board of directors' meeting held on June 5, 2015, the Company disposed its treasury stock by 15,220,000 common shares for ¥2,932 million, with June 22, 2015 set as the payment date. As a result, the treasury stock decreased by ¥2,847 million and capital surplus increased by ¥83 million in the first quarter of the consolidated fiscal year ending March 2016, with treasury stock standing at ¥433 million and capital surplus standing at 3,864 million at the end of the quarter.

Segment Information

Segment Information

Fiscal 2014–First quarter (April 1– June 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	¥6,673	¥3,975	¥1,614	¥295	¥12,559	¥2,128	¥14,688	¥ —	¥14,688
Intersegment sales or transfers	33	1	1	—	36	225	262	(262)	—
Total	6,706	3,977	1,616	295	12,595	2,354	14,950	(262)	14,688
Segment income (loss)	486	(49)	(351)	3	89	81	170	—	170

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 2015–First quarter (April 1– June 30, 2015)

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	¥6,987	¥3,455	¥2,252	¥308	¥13,003	¥1,682	¥14,685	¥ —	¥14,685
Intersegment sales or transfers	40	3	80	—	124	186	310	(310)	—
Total	7,027	3,458	2,333	308	13,128	1,868	14,996	(310)	14,685
Segment income (loss)	438	121	(126)	18	451	82	533	—	533

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.

Subsequent Event

Fiscal 2015–First quarter (April 1–June 30, 2015)

1. Acquisition and Cancellation of Class A Shares

Tokyo Rope Manufacturing made a resolution at its board of directors' meeting held on May 22, 2015 to acquire and cancel all of its class A shares to secure further continuous growth and stable shareholder returns in the future. The Company conducted the acquisition and cancellation as of July 9, 2015.

(1) Details of the acquisition of class A shares

Pursuant to the provisions of Article 459-1 of the Companies Act, the Company acquired all of its class A shares by using cash on hand, based on the regulations of its Articles of Incorporation. Major matters regarding the acquisition are as follows:

1) Type of shares to acquire:	Class A shares
2) Total number of shares to acquire:	2,500 shares
3) Consideration to shares to acquire:	Cash
4) Acquisition price per share:	¥1,232,172.10
5) Total acquisition price of shares:	¥3,080,430,250
6) Acquisition date:	July 9, 2015
7) Seller:	Japan Industrial Solutions Fund I

(2) Details of the cancellation of class A shares

The Company cancelled all the class A shares it acquired as described above. Major matters regarding the cancellation are as follows:

1) Type of shares to cancel:	Class A shares
2) Total number of shares to cancel:	2,500 shares (all of the class A shares acquired as described in (1) above)
3) Cancellation date:	July 9, 2015

2. Disposal of Treasury Stock

The Company made a resolution at its board of directors' meeting held on June 5, 2015 to dispose its treasury stock through third-party allotment, in order to meet its needs to construct a financial base that bolsters the establishment and implementation of the growth strategy under the TCT-Focus 2020, its new medium-term management plan, and to procure funds for growth by utilizing the treasury stock it holds. The Company conducted the disposal as of July 23, 2015.

Details of the disposal of treasury stock based on the resolution are as follows:

1) Type of shares:	Common shares
2) Allottee:	SMBC Nikko Securities Inc.
3) Paid-in amount per share:	¥192.68 per share
4) Number of allotted shares:	2,280,000 shares
5) Payment date:	July 23, 2015