

November 9, 2015

Consolidated Financial Results for the First 2 Quarters of Fiscal 2015 [Japanese GAAP]

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

Listing: **Tokyo Stock Exchange**

Stock code number: **5981**

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

Representative: **Hiroaki Nakamura, President**

Contact: **Kazunori Sato, Executive Officer & General Manager, General Affairs Dept.**

Phone: **+81-3-6366-7777**

Preparation of Supplementary Explanations of Quarterly Financial Results: **November 11, 2015**

Start of cash dividend payments: **–**

Supplementary quarterly materials prepared: **Yes**

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

1. Fiscal 2015–First 2 Quarters (April 1–September 30, 2015)

(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 2015–First 2 quarters	¥31,036	-9.0%	¥1,507	33.1%	¥1,041	-33.7%	¥ 615	-66.9%
Fiscal 2014–First 2 quarters	34,106	7.5	1,132	21.5	1,570	152.4	1,860	144.8

Note: Comprehensive income

Fiscal 2015–1st 2 quarters: ¥126 million (-95.3%)

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

	Earnings per share	Earnings per share (fully diluted)
	(Yen)	(Yen)
Fiscal 2015–First 2 quarters	¥ 3.79	¥ –
Fiscal 2014–First 2 quarters	12.64	11.55

(2) Financial Position

(Millions of yen, rounded down)

	Total assets	Net assets	Equity ratio
Fiscal 2015–First 2 quarters	¥88,958	¥22,651	23.1%
Fiscal 2014–Year-end	87,259	22,320	23.2

Note: Equity capital at term-end

Fiscal 2015–1st 2 quarters: ¥20,581 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	–	0.00			
Fiscal 2015 (est.)			–	4.00	4.00

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

(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, 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	¥73,500	0.2%	¥4,200	6.4%	¥3,900	-13.0%	¥3,000	-22.3%	¥18.93

(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):
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 2 quarters: 162,682,420

Fiscal 2014: 162,682,420

2. Number of treasury shares outstanding

Fiscal 2015–1st 2 quarters: 49,278

Fiscal 2014: 17,529,456

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

Fiscal 2015–1st 2 quarters: 154,283,212

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

Note: Based on the resolution made at the board of directors' meeting held on June 5, 2015, the Company disposed 15,220,000 shares of its treasury stock through public offering and 2,280,000 shares of its treasury stock through third-party allotment.

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 two quarters of the consolidated fiscal year ending March 31, 2016, the future prospects of the Japanese economy remain in a state of uncertainty due to factors such as increased concern over the slowdown of the Chinese economy despite the modest recovery trend with the improvement of corporate earnings, continued weak yen and the impact from low crude oil prices.

Under these circumstances, net sales of the Tokyo Rope Group decreased 9.0% year-on-year to ¥31,036 million for the first two quarters due to the repercussions of recording sales for overseas projects in the same period of previous fiscal year in the Product Development segment and decreased sales of oil-related products in accordance with lower crude oil prices and other factors.

In terms of profits, improved earnings in the Steel Cord and Product Development segments allowed the Group to post operating income of ¥1,507 million (an increase of 33.1%), ordinary income of ¥1,041 million (a decrease of 33.7%), mainly due to the impact of losses from foreign exchange in accordance with the revaluation of claims on foreign currency denominated basis, and profit attributable to owners of parent company of ¥615 million (a decrease of 66.9%), all on a year-on-year basis.

Results by business segment of the Group were as follows:

Wire Rope

Domestic sales of wire rope as well as sales of elevator rope from Vietnam factory and fiber rope have become strong. However, in regard to wire products, mainly project opportunity use decreased.

As a result, total sales in the Wire Rope segment amounted to ¥14,267 million, a year-on-year increase of 4.1%.

Steel Cord

In the face of the worsening market conditions, sales volume of tire cord decreased in China and Japan, and sales volume of tire cord decreased year-on-year.

As a result, total sales in the Steel Cord segment amounted to ¥6,711 million, a year-on-year decrease of 8.5%.

Product Development

Orders and sales have increased, centering on domestic road-related products. However, due to the repercussions of recording sales for overseas projects in the same period of previous fiscal year, total sales in the Product Development segment amounted to ¥6,101 million, a year-on-year decrease of 25.3%.

Real Estate

With contributions from the electricity sales revenues from the solar power plant operations which started this June in Hachinohe, Aomori Prefecture, total sales amounted to ¥632 million, a year-on-year increase of 11.7%.

Other

Sales decreased mainly in oil-related products, resulting in sales for the Other segment to be ¥3,323 million, a year-on-year decrease of 23.4%.

(2) Financial Position

Assets, Liabilities and Net Assets

Total assets at the end of the first two quarters of the consolidated fiscal year ending March 31, 2016 for the Tokyo Rope Group were ¥88,958 million yen, an increase of ¥1,699 million yen from the end of the previous consolidated fiscal year, mainly due to an increase in inventories.

Total liabilities increased ¥1,367 million yen from the end of the previous consolidated fiscal year to ¥66,307 million as a result of an increase in current liabilities such as advances received, despite a decrease in borrowings.

Net assets totaled ¥22,651 million, an increase of ¥331 million compared with the end of the previous consolidated fiscal year. These figures reflect such factors as the disposition of treasury stock and the recording of profit attributable to owners of parent, despite acquisition and cancellation of class A shares and decreases in the difference of securities valuation.

Cash Flows

At September 30, 2015, cash and cash equivalents totaled ¥4,825 million, up ¥175 million from March 31, 2015.

Net cash provided by operating activities amounted to ¥2,759 million. The main factors were recording of income before income taxes, decrease in notes and accounts receivable, increase in notes and accounts payable and increase in advances received, which offset increase in inventories.

Net cash used in investing activities totaled ¥1,312 million, mainly due to purchases of fixed assets and other factors.

Net cash used in financing activities was ¥903 million, due to decrease in borrowings and other factors.

(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) Changes in Important 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 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 2 quarters 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 2 quarters (September 30, 2015)
ASSETS		
Current assets		
Cash and bank deposits	¥ 4,708	¥ 4,859
Notes and accounts receivable	14,819	13,663
Commodities and products	5,383	5,849
Goods in process	3,751	4,788
Materials and supplies	3,655	3,933
Deferred tax assets	762	764
Other	1,413	2,511
Allowance for doubtful accounts	(541)	(555)
Total current assets	33,953	35,815
Fixed assets		
Property, plant and equipment		
Buildings and structures (net)	9,968	10,134
Machinery and vehicles (net)	6,548	6,572
Land	19,819	19,797
Construction in progress	525	318
Other (net)	990	1,665
Total property, plant and equipment	37,853	38,488
Intangibles	339	331
Investments and other assets		
Investment securities	10,463	9,477
Net defined benefit asset	109	111
Deferred tax assets	2,022	2,264
Other	3,957	3,979
Allowance for doubtful accounts	(1,446)	(1,513)
Total investments and other assets	15,107	14,318
Total fixed assets	53,300	53,139
Deferred assets	5	3
Total assets	87,259	88,958

(Millions of yen, rounded down)

	Fiscal 2014 (March 31, 2015)	Fiscal 2015–First 2 quarters (September 30, 2015)
LIABILITIES		
Current liabilities		
Notes and accounts payable	¥11,712	¥12,716
Short-term borrowings	10,196	28,096
Accrued expenses	3,459	3,209
Reserve for employees' bonuses	845	802
Other	3,849	6,073
Total current liabilities	30,063	50,896
Long-term liabilities		
Long-term loans	20,928	2,056
Deferred tax liabilities for land revaluation	4,856	4,854
Net defined benefit liability	6,027	5,723
Other	3,063	2,776
Total long-term liabilities	34,875	15,410
Total liabilities	64,939	66,307
NET ASSETS		
Shareholders' equity		
Common stock	1,000	1,000
Capital surplus	3,781	796
Retained earnings	7,816	8,354
Treasury stock	(3,281)	(9)
Total shareholders' equity	9,316	10,141
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,936	1,426
Revaluation reserve for land	10,474	10,469
Foreign currency translation adjustment	120	49
Remeasurements of defined benefit plans	(1,586)	(1,505)
Total accumulated other comprehensive income	10,944	10,439
Non-controlling interests	2,058	2,070
Total net assets	22,320	22,651
Total liabilities and net assets	87,259	88,958

(2) Statements of Income and Statements of Comprehensive Income

1) Statements of Income

(Millions of yen, rounded down)

	Fiscal 2014–First 2 quarters (April 1–September 30, 2014)	Fiscal 2015–First 2 quarters (April 1–September 30, 2015)
Net sales	¥34,106	¥31,036
Cost of sales	28,003	24,619
Gross profit	6,103	6,416
Selling, general and administrative expenses	4,970	4,909
Operating income	1,132	1,507
Other income		
Interest income	15	14
Dividend income	100	105
Foreign exchange gains	368	—
Reversal of allowance for doubtful accounts	362	—
Other	380	110
Total other income	1,226	230
Other expenses		
Interest expense	437	244
Foreign exchange losses	—	166
Financing expenses	134	—
Other	217	286
Total other expenses	789	697
Ordinary income	1,570	1,041
Extraordinary income		
Gain on sales of investment securities	260	10
Gain on transfer of business	147	—
Other	8	—
Total extraordinary income	417	10
Income before income taxes	1,987	1,051
Income taxes	114	424
Profit	1,872	626
Profit attributable to non-controlling interests	11	11
Profit attributable to owners of parent	1,860	615

2) Statement of Comprehensive Income

(Millions of yen, rounded down)

	Fiscal 2014—First 2 quarters (April 1–September 30, 2014)	Fiscal 2015—First 2 quarters (April 1–September 30, 2015)
Profit	¥1,872	¥626
Other comprehensive income		
Valuation difference on available-for-sale securities	466	(509)
Foreign currency translation adjustment	175	(28)
Remeasurements of defined benefit plans, net of tax	249	80
Share of other comprehensive income (loss) of entities accounted for using equity method	(86)	(42)
Total other comprehensive income (loss)	804	(500)
Comprehensive income	2,677	126
Comprehensive income attributable to Comprehensive income attributable to owners of the parent	2,665	114
Comprehensive income attributable to non-controlling interests	11	11

(3) Statements of Cash Flows

(Millions of yen, rounded down)

	Fiscal 2014–First 2 quarters (April 1–September 30, 2014)	Fiscal 2015–First 2 quarters (April 1–September 30, 2015)
Operating activities		
Income before income taxes	¥1,987	¥1,051
Depreciation	886	1,044
Increase (decrease) in reserve for employees' bonuses	(116)	(43)
Increase (decrease) in net defined benefit liability	(143)	(198)
Interest expense	437	244
Interest and dividend income	(116)	(120)
(Gain) loss on sales investments securities	(260)	(10)
(Increase) decrease in notes and accounts receivable	4,031	1,199
(Increase) decrease in inventories	600	(1,745)
Increase (decrease) in notes and accounts payable	(783)	2,133
Increase (decrease) in advances received	(266)	1,194
Other	(1,030)	(1,629)
Subtotal	5,225	3,120
Interest and dividends received	113	122
Interest paid	(437)	(245)
Directors' retirement bonuses paid	(73)	(21)
Income tax paid	(281)	(216)
Net cash provided by operating activities	4,547	2,759
Investing activities		
Purchases of investment securities	(577)	(9)
Proceeds from sales of investment securities	830	14
Payments of loans receivable	(101)	(50)
Collection of loans receivable	42	92
Purchases of property, plant and equipment	(644)	(1,333)
Proceeds from sales of property, plant and equipment	309	24
Other	(27)	(50)
Net cash used in investing activities	(169)	(1,312)
Financing activities		
Net increase (decrease) in short-term borrowings	945	2,955
Proceeds from long-term borrowings	1,000	500
Repayment of long-term borrowings	(3,750)	(4,450)
Cash dividends paid	(2)	(82)
Proceeds from disposal of treasury stock	0	3,371
Purchase of treasury stock	(2)	(3,084)
Repayments of lease obligations	(296)	(112)
Proceeds from issuance of common shares	2,500	—
Net cash provided by (used in) financing activities	394	(903)
Effect of exchange rate changes on cash and cash equivalents	23	(368)
Net increase (decrease) in cash and cash equivalents	4,796	175
Cash and cash equivalents at beginning of term	2,172	4,649
Cash and cash equivalents at end of term	6,968	4,825

(4) Notes on Consolidated Financial Statements

Notes on Going-concern Assumptions

Fiscal 2015–First 2 quarters (April 1– September 30, 2015)

None

Notes in the Event of Major Changes in Shareholders' Equity

Fiscal 2015– First 2 quarters (April 1– September 30, 2015)

(1) Acquisition and cancellation of class A shares

1) Acquisition of Class A Shares

The Company acquired 2,500 class A shares as of July 9, 2015, based on the resolution at its board of directors' meeting held on May 22, 2015.

Amount of increase in treasury stock	¥3,080,430,250
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2) Cancellation of class A shares

The Company cancelled all class A shares acquired as described in 1) above.

Amount of decrease in treasury stock	¥3,080,430,250
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Amount of decrease in capital surplus	¥3,080,430,250
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(2) Disposal of treasury stock related to common shares

1) Disposal of treasury stock through public offering

The Company disposed the treasury stock through public offerings with June 22, 2015 as the payment date, based on the resolution at its board of directors' meeting held on June 5, 2015.

Total number of shares	15,220,000 shares
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Amount of decrease in treasury stock	¥2,849,525,472
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Amount of increase in capital surplus	¥83,064,128
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2) Disposal of treasury stock through third-party allotment

The Company disposed the treasury stock through third-party allotment with July 23, 2015 as the payment date, based on the resolution at its board of directors' meeting held on June 5, 2015.

Total number of shares	2,280,000 shares
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Amount of decrease in treasury stock	¥427,003,636
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Amount of increase in capital surplus	¥12,306,764
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As a result, mainly due to disposition of treasury stock described above, the treasury stock decreased by ¥3,272 million and capital surplus decreased by ¥2,985 million in the first two quarters of the consolidated fiscal year ending March 2016, with treasury stock standing at ¥9 million and capital surplus standing at ¥796 million at the end of the quarter.

Segment Information, Etc.

Segment Information

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.

Fiscal 2015–First 2 quarters (April 1–September 30, 2015)

Sales, Income 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	¥14,267	¥6,711	¥6,101	¥632	¥27,712	¥3,323	¥31,036	¥ —	¥31,036
Intersegment sales or transfers	84	33	164	—	282	433	715	(715)	—
Total	14,352	6,744	6,265	632	27,995	3,757	31,752	(715)	31,036
Segment income	890	275	127	35	1,329	177	1,507	—	1,507

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.