

Consolidated Financial Results

for the First 3 Quarters of Fiscal 2016 [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 10, 2017**

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 2016 -First 3 Quarters (April 1–December 31, 2016)

(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 2016–First 3 quarters	¥47,288	-1.2%	¥2,389	-14.4%	¥1,885	-6.5%	¥1,802	41.8%
Fiscal 2015–First 3 quarters	47,870	-10.6	2,790	8.2	2,017	-39.3	1,271	-63.6

Note: Comprehensive income

Fiscal 2016–1st 3 quarters: ¥1,455 million (170.0%)

Fiscal 2015–1st 3 quarters: ¥539 million (-88.7%)

	Earnings per share	Earnings per share (fully diluted)
	(Yen)	(Yen)
Fiscal 2016–First 3 quarters	¥110.97	¥ —
Fiscal 2015–First 3 quarters	79.02	78.53

*The Company implemented a consolidation of its common stock at a ratio of 10 shares to 1 share, effective as of October 1, 2016. In line with the share consolidation, earnings per share are calculated assuming that the consolidation of common stock was implemented at the beginning of the previous fiscal year.

(2) Financial Position

(Millions of yen, rounded down)

	Total assets	Net assets	Equity ratio
Fiscal 2016–First 3 quarters	¥85,302	¥24,451	26.2%
Fiscal 2015–Year-end	88,508	23,945	24.7

Note: Equity capital at term-end

Fiscal 2016–First 3 quarters: ¥22,356 million

Fiscal 2015: ¥21,865 million

2. Cash Dividends

	Cash dividend per share (yen)				
	1st quarter	2nd quarter	3rd quarter	Year-end	Full year
Fiscal 2015	—	¥0.00	—	¥4.00	¥4.00
Fiscal 2016	—	0.00	—		
Fiscal 2016 (est.)				40.00	40.00

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

*The Company implemented a consolidation of its common stock at a ratio of 10 shares to 1 share, effective October 1, 2016. Accordingly, the effect of the share consolidation has been taken into account for the forecast figure of the year-end cash dividend per share (forecast) for the fiscal year ending March 2017. When the share consolidation is not taken into account, the year-end cash dividend per share (forecast) for the fiscal year ending March 31, 2017 will be ¥4.00 and the full-year cash dividend per share will be ¥4.00. For details, please refer to the “Appropriate use of business forecasts; other special items” in this report.

3. Forecast for Fiscal 2016 (April 1, 2016–March 31, 2017)

(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	66,000	1.1%	4,400	2.2%	3,800	25.7%	2,700	1.0%	166.03

Note: Revision of latest consolidated forecasts in review: No

*For earnings per share in the full-year business forecast for the fiscal year ending March 2017, the effect of the share consolidation has been taken into account. For more details, please refer to the “Appropriate use of business forecasts; other special items” in this report.

Notes

(1) Changes in important subsidiaries during the period (changes in specific subsidiaries due to change in scope of consolidation):
None

(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 2016–1st 3 quarters: 16,268,242

Fiscal 2015: 16,268,242

2. Number of treasury shares outstanding

Fiscal 2016–1st 3 quarters: 145,284

Fiscal 2015: 58,822

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

Fiscal 2016–1st 3 quarters: 16,244,368

Fiscal 2015–1st 3 quarters: 15,706,634

Note: The Company implemented a consolidation of its common stock at a ratio of 10 shares to 1 share, effective as of October 1, 2016. In line with the share consolidation, the number of shares outstanding, number of treasury shares outstanding and average number of shares over period is calculated assuming that the consolidation of common stock was implemented at the beginning of the previous fiscal year.

Note: Treasury stocks include shares of the Company owned by Board Benefit Trust (Fiscal 2016 3Q: 137,500 shares).

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 been completed.

Appropriate use of business forecasts; other special items

1. 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.

2. The share consolidation was voted for and approved at the 217th Annual Meeting of Shareholders held on June 28, 2016. Accordingly, the Company will implement a consolidation of its common stock at a ratio of 10 shares to 1 share, effective as of October 1, 2016. If the share consolidation is not taken into account, the forecast cash dividend and the performance forecast for the fiscal year ending March 31, 2017 are translated as follows:。

(1) Forecast cash dividend per share for the fiscal year ending March 31, 2017: ¥4.00 (year-end)

(2) Earnings per share in the performance forecast for the fiscal year ending March 31, 2017: ¥16.60 (full-year)

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1. Performance and Financial Position

(1) Consolidated Business Results

During the first three quarters of the fiscal year ending March 31, 2017, the Japanese economy saw uncertainty expand for its future prospects due to such factors as the slowdown of China and other emerging economies, the impacts of economic policies of the new U.S. administration and fluctuations in foreign exchange market and resource prices despite mild recovery trend seen in some parts backed by ongoing improvements of employment and income environment.

Under these circumstances, net sales of the Tokyo Rope Group decreased 1.2% year-on-year to ¥47,288 million for the first 3 quarters due to the decrease in overseas sales of the Product Development segment, impact of the strong yen and other factors, despite sales of wire saw (equipment for solar cell production).

In terms of profits, the Group posted operating income of ¥2,389 million, down 14.4% year-on-year, and ordinary income of ¥1,885 million, down 6.5% year-on-year, due to factors such as a decrease in the Product Development segment and an increase in sales, general and administrative expenses. However, profit attributable to owners of parent increased to ¥1,802 million, up 41.8% year-on-year, as a result of recording penalty income from overseas transactions of wire saws as extraordinary income.

Results by business segment of the Group were as follows:

Wire Rope

Although sales volume of wire rope, centering on elevator rope, for overseas markets and fiber rope for the domestic market increased, sales volume of wire rope for the domestic market decreased. As a result, total sales in the Wire Rope segment amounted to ¥20,809 million (down 3.2% year-on-year), and operating income totaled ¥1,467 million (up 3.8% year-on-year) due to such factors as improved costs through cost reductions.

Steel Cord

Total sales in the Steel Cord segment amounted to ¥1,407 million (up 14.3% year-on-year) and operating income totaled ¥1,039 million (up 102.0% year-on-year) due to sales of wire saw despite the decrease in sales volume of tire cord.

Product Development

As overseas sales decreased, total sales of the Product Development segment amounted to ¥8,858 million (down 11.8% year-on-year), and operating loss totaled ¥694 million (operating gain of ¥473 million for the year-earlier period) due to such factors as a decrease in sales and an increase in selling, general and administrative expenses including R&D expenses.

Real Estate

With an increase in the electricity sales revenue from solar power plant operations which started in June 2015, total sales of the Real Estate segment amounted to ¥982 million (up 3.8% year-on-year). The segment posted operating income totaling ¥252 million (up 319.5% year-on-year) due to lowered costs through reducing fixed costs and such.

Other

Sales of the Other segment stood at ¥5,229 million, down 3.3% year-on-year, and operating income at ¥315 million, down 1.4% year-on-year, due to decrease in sales related to oil products.

(2) Financial Position

Assets, Liabilities and Net Assets

Total assets at the end of the first three quarters of the fiscal year ending March 31, 2017 for the Tokyo Rope Group was ¥85,302 million yen, a decrease of ¥3,205 million yen from the end of the previous fiscal year,

primarily due to a decrease in current assets such as cash and bank deposits.

Total liabilities decreased ¥3,712 million from the end of the previous fiscal year to ¥60,850 million as a result of a decrease in current liabilities and other advances received, etc.

Net assets increased ¥506 million from the end of the previous fiscal year to ¥24,451 million due to an increase in retained earnings despite a decrease in foreign currency translation adjustment.

(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 2015” dated May 12, 2016.

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 3 quarters.

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

Changes in accounting policies

Pursuant to amendments to the Corporation Tax Act, the Company applied the Practical Solution on a Change in Depreciation Method due to Tax Reform 2016 (Practical Issue Task Force (PITF) No. 32 dated June 17, 2016), effective from the first quarter of the consolidated fiscal year ending March 2017. Accordingly, the Company changed the depreciation method for facilities attached to buildings and structures acquired on and after April 1, 2016 from the declining-balance method to the straight-line method.

The change gave only minimum impacts on the operating income, ordinary income and income before income taxes for the first 3 quarters.

(4) Additional Information

Application of the Implementation Guidance on Recoverability of Deferred Tax Assets

The Company applied the Implementation Guidance on Recoverability of Deferred Tax Assets (Accounting Standard Board of Japan Guidance No. 26 dated March 28, 2016), effective from the first quarter of the consolidated fiscal year ending March 2017.

Performance-linked and share-based remuneration plan for directors

Currently, remunerations for the Company’s directors (excluding outside directors; the same applies hereinafter) comprise fixed remuneration and remuneration linked to short-term performance of the Company. Recognizing that it should be beneficial for the continuous growth of the Tokyo Rope Group to establish incentives for enhancing the corporate value over a medium to long term, the Company introduced a performance-linked and share-based remuneration plan (hereinafter, the “Plan”) for its directors and executive directors (hereinafter, the “Directors, etc.”) as a new remuneration system linked to medium- to long-term performance.

Accounting treatment of the trust agreement complies with “Practical Solution on Transactions of Delivering the Company’s Own Stock to Employees etc. through Trusts” (PITF No.30, March 26, 2015).

1) Overview of the performance-linked and share-based remuneration plan for Directors, etc.

Under the Plan, the Company establishes a trust which provides funds for acquiring shares of the Company, with the Directors, etc. satisfying the requirements for a beneficiary as beneficiaries. The trust will acquire

shares of the Company and grant points to the Directors, etc. in accordance with their positions and the level of achievement with respect to the targets of performance indicators in the mid-term management plan. When the Directors, etc. leave office, shares of the Company will be delivered in accordance with the aggregate points earned by the Directors, etc. during their tenure. The period covered by the Plan will be the three years from the fiscal year ending March 31, 2017 to the fiscal year ending March 31, 2019.

2) Remaining Shares of the Company in Board Benefit Trust

The remaining shares of the Company in the trust are recorded as treasury stock in net assets at the trust book value. The book value and the amount of the treasury stock at the end of the first three quarters of the fiscal year ending March 31, 2017 are ¥295 million and 137,500 shares, respectively.

3. Consolidated Financial Statements

(1) Balance Sheets

(Millions of yen, rounded down)

	Fiscal 2015 (March 31, 2016)	Fiscal 2016–First 3 quarters (December 31, 2016)
ASSETS		
Current assets		
Cash and bank deposits	¥ 4,604	¥ 2,998
Notes and accounts receivable	14,493	13,634
Commodities and products	5,967	6,266
Goods in process	4,681	3,972
Materials and supplies	4,054	4,452
Deferred tax assets	941	941
Other	1,909	2,056
Allowance for doubtful accounts	(25)	(23)
Total current assets	36,627	34,300
Fixed assets		
Property, plant and equipment		
Buildings and structures (net)	9,831	9,472
Machinery and vehicles (net)	6,528	6,087
Land	19,782	19,611
Construction in progress	524	293
Other (net)	1,646	1,621
Total property, plant and equipment	38,313	37,086
Intangibles	317	339
Investments and other assets		
Investment securities	7,948	8,872
Net defined benefit asset	113	126
Deferred tax assets	2,815	2,631
Other	3,031	2,774
Allowance for doubtful accounts	(679)	(840)
Total investments and other assets	13,230	13,563
Total fixed assets	51,861	50,989
Deferred assets	19	13
Total assets	88,508	85,302

(Millions of yen, rounded down)

	Fiscal 2015 (March 31, 2016)	Fiscal 2016–First 3 quarters (December 31, 2016)
LIABILITIES		
Current liabilities		
Notes and accounts payable	¥12,190	¥12,230
Short-term borrowings	13,754	11,788
Accrued expenses	2,768	2,493
Reserve for employees' bonuses	861	476
Other	6,593	4,637
Total current liabilities	36,168	31,625
Long-term liabilities		
Long-term loans	15,391	16,991
Deferred tax liabilities for land revaluation	4,598	4,571
Net defined benefit liability	5,813	5,405
Other	2,591	2,256
Total long-term liabilities	28,395	29,224
Total liabilities	64,563	60,850
NET ASSETS		
Shareholders' equity		
Common stock	1,000	1,000
Capital surplus	796	796
Retained earnings	10,422	11,636
Treasury stock	(11)	(310)
Total shareholders' equity	12,207	13,123
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	641	944
Revaluation reserve for land	10,711	10,648
Foreign currency translation adjustment	(44)	(869)
Remeasurements of defined benefit plans	(1,649)	(1,489)
Total accumulated other comprehensive income	9,658	9,233
Non-controlling interests	2,079	2,095
Total net assets	23,945	24,451
Total liabilities and net assets	88,508	85,302

(2) Statements of Income and Statements of Comprehensive Income

Statements of Income

(Millions of yen, rounded down)

	Fiscal 2015–First 3 quarters (April 1–December 31, 2015)	Fiscal 2016–First 3 quarters (April 1–December 31, 2016)
Net sales	¥47,870	¥47,288
Cost of sales	37,692	36,745
Gross profit	10,178	10,542
Selling, general and administrative expenses	7,388	8,152
Operating income	2,790	2,389
Other income		
Interest income	17	31
Dividend income	133	159
Other	168	167
Total other income	319	358
Other expenses		
Interest expense	345	243
Foreign exchange losses	259	225
Provision of allowance for doubtful accounts	54	204
Other	432	189
Total other expenses	1,092	863
Ordinary income	2,017	1,885
Extraordinary income		
Gain on sales of non-current assets	4	4
Gain on sales of investment securities	10	6
Penalty income	—	686
Other	3	—
Total extraordinary income	18	698
Extraordinary expenses		
Impairment loss	—	127
Other	—	0
Total extraordinary expenses	—	127
Income before income taxes	2,035	2,455
Income taxes	746	638
Profit	1,288	1,817
Profit attributable to non-controlling interests	17	15
Profit attributable to owners of parent	1,271	1,802

Statement of Comprehensive Income

(Millions of yen, rounded down)

	Fiscal 2015–First 3 quarters (April 1– December 31, 2015)	Fiscal 2016–First 3 quarters (April 1–December 31, 2016)
Profit	¥1,288	¥1,817
Other comprehensive income		
Valuation difference on available-for-sale securities	(652)	302
Foreign currency translation adjustment	111	(423)
Remeasurements of defined benefit plans, net of tax	122	160
Share of other comprehensive income (loss) of entities accounted for using equity method	(331)	(401)
Total other comprehensive income (loss)	(749)	(361)
Comprehensive income (loss)	539	1,455
Comprehensive income attributable to Comprehensive income (loss) attributable to owners of the parent	521	1,440
Comprehensive income attributable to non-controlling interests	17	15

(3) Notes on Consolidated Financial Statements

Notes on Going-concern Assumptions

Fiscal 2016–First 3 quarters (April 1– December 31, 2016)

None

Notes in the Event of Major Changes in Shareholders' Equity

Fiscal 2016–First 3 quarters (April 1– December 31, 2016)

In line with the introduction of the performance-linked and share-based remuneration plan for Directors, etc. and the acquisition of shares of the Company by the trust in the first three quarters of the fiscal year ending March 31, 2017, the Company saw an increase in treasury stocks by ¥295 million to total ¥310 million at the end of the first three quarters of the fiscal year ending March 31, 2017.

Segment Information

Segment Information

Fiscal 2015–First 3 quarters (April 1– December 31, 2015)

Sales, Income (Loss) by Reporting Segment

	Reporting Segment					Other (Note)	Total	Adjustment	(Millions of yen)
	Wire Rope	Steel Cord	Product Development	Real Estate	Total				Consolidated statements of Income
Net sales									
Sales to outside customers	¥21,496	¥9,982	¥10,038	¥946	¥42,463	¥5,406	¥47,870	¥ —	¥47,870
Intersegment sales or transfers	130	42	244	—	417	620	1,038	(1,038)	—
Total	21,626	10,025	10,283	946	42,881	6,027	48,909	(1,038)	47,870
Segment income (loss)	1,422	514	473	60	2,470	320	2,790	—	2,790

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 2016–First 3 quarters (April 1– December 31, 2016)

Sales, Income (Loss) by Reporting Segment

	Reporting Segment					Other (Note)	Total	Adjustment	(Millions of yen)
	Wire Rope	Steel Cord	Product Development	Real Estate	Total				Consolidated statements of Income
Net sales									
Sales to outside customers	¥20,809	¥11,407	¥8,858	¥982	¥42,058	¥5,229	¥47,288	¥ —	¥47,288
Intersegment sales or transfers	127	43	191	—	362	503	866	(866)	—
Total	20,937	11,450	9,050	982	42,421	5,733	48,154	(866)	47,288
Segment income (loss)	1,476	1,039	(694)	252	2,074	315	2,389	—	2,389

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.