

Consolidated Financial Results

for the First 3 Quarters of Fiscal 2017 [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 13, 2018**

Start of cash dividend payments: **—**

Supplementary quarterly materials prepared: **None**

Quarterly results information meeting held: **None**

1. Fiscal 2017 -First 3 Quarters (April 1–December 31, 2017)

(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 2017–First 3 quarters	¥45,804	-3.1%	¥1,862	-22.1%	¥1,880	-0.2%	¥1,273	-29.4%
Fiscal 2016–First 3 quarters	47,288	-1.2	2,389	-14.4	1,885	-6.5	1,802	41.8

Note: Comprehensive income

Fiscal 2017–1st 3 quarters: ¥ 2,277million (56.5%)

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

	Earnings per share	Earnings per share (fully diluted)
	(Yen)	(Yen)
Fiscal 2017–First 3 quarters	¥78.99	¥—
Fiscal 2016–First 3 quarters	110.97	—

*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 2017–First 3 quarters	¥86,424	¥27,237	29.1%
Fiscal 2016–Year-end	81,702	25,615	28.8

Note: Equity capital at term-end

Fiscal 2017–1st 3 quarters: ¥25,122 million

Fiscal 2016: ¥23,515 million

2. Cash Dividends

	Cash dividend per share (yen)				
	1st quarter	2nd quarter	3rd quarter	Year-end	Full year
Fiscal 2016	—	¥0.00	—	¥40.00	¥40.00
Fiscal 2017	—	0.00	—	—	—
Fiscal 2017 (est.)	—	—	—	40.00	40.00

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

3. Forecast for Fiscal 2017 (April 1, 2017–March 31, 2018)

(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	65,000	0.0%	3,500	0.2%	3,500	17.1%	2,600	38.1%	161.26

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):

Yes

Newly consolidated 1 (Company name: Tokyo Rope USA, Inc.) Excluded 1 (Company name: Toko Machinery Co., Ltd.)

(2) Application of special accounting treatment: Yes

(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: None

2. Other changes in accounting policies: None

3. Changes in accounting estimates: None

4. Restatements: None

(4) Shares outstanding (common stock) at term-end

1. Number of shares outstanding (including treasury stock)

Fiscal 2017–1st 3 quarters: 16,268,242

Fiscal 2016: 16,268,242

2. Number of treasury shares outstanding

Fiscal 2017–1st 3 quarters: 146,294

Fiscal 2016: 145,452

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

Fiscal 2017–1st 3 quarters: 16,122,500

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

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 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 that are deducted when calculating the number of treasury stocks outstanding at the end of Fiscal 2016 and the average number of shares over the year include shares of the Company owned by Board Benefit Trust (Fiscal 2017 3Q: 136,600 shares).

This financial report is exempt from audit procedures.

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.

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1. Performance and Financial Position

(1) Business Results

During the first three quarters of the fiscal year ending March 31, 2018, the Japanese economy remained on a moderate recovery trend, with continued improvement in corporate earnings and the employment environment. Meanwhile, the global economy, led by Western nations and China, was generally strong, although uncertainty persisted for future prospects, due to political and economic trends, geopolitical risks, among other factors.

Given these circumstances, the Tokyo Rope Group has worked to promote various measures under its mid-term management plan, "TCT-Focus 2020," which is scheduled to end in Fiscal 2019, by setting three key phrases: "Strengthening of Domestic Business Base," "Challenge to New Materials and Technologies," and "Overseas Business Expansion."

For the first three quarters of the fiscal year ending March 31, 2018, the Tokyo Rope Group posted net sales of ¥45,804 million, down 3.1% year-on-year. The decrease partially represented a repercussion of recording wire saw (solar cell production equipment) sales in the year-earlier period.

In terms of profits, the Tokyo Rope Group posted operating income of ¥1,862 million, down 22.1% year-on-year, ordinary income of ¥1,880 million, down 0.2% year-on-year, and profit attributable to owners of parent of ¥1,273 million (down 29.4% year-on-year), due to factors such as the decrease in wire saw sales.

Results by business segment of the Group were as follows:

Wire Rope

Despite decrease in the sales volume of fiber rope, an increase in the sales volume of wire rope, centering on elevator rope for domestic markets, brought the total sales in the Wire Rope segment to ¥21,054 million, up 1.2%, operating income of ¥1,404 million, down 4.9% year-on-year, due to factors such as a decrease in fiber rope.

Steel Cord

Total sales in the Steel Cord segment amounted to ¥8,236 million, down 27.8%, and operating income totaled ¥230 million, down 77.9%, both on a year-on-year basis.

Product Development

Total sales of the Product Development segment stood at ¥9,564 million, up 8.0% year-on-year, and operating loss was ¥520 million (operating loss of ¥694 million for the year-earlier period) due to an increase in product development in Japan.

Real Estate

Total sales of the Real Estate segment amounted to ¥911 million, up 7.3% year-on-year, and operating income to ¥204 million, down 19.1% year-on-year, impacted by the transfer of real estate for leasing in Kanagawa Prefecture in March 2017.

Other

An increase in sales of oil-related products brought total sales of the Other segment to ¥6,037 million, up 15.5% year-on-year, and operating income to ¥544 million, up 72.5% year-on-year due to factors such as improvements in industrial machinery.

(2) Financial Position

Assets, Liabilities and Net Assets

As of December 31, 2017, the Tokyo Rope Group had total assets of ¥86,424 million. The figure represents an increase of ¥4,722 million from the end of the previous consolidated fiscal year (March 31, 2017), resulting mainly from an increase in inventories and market valuation of investment securities, etc.

Total liabilities increased ¥3,100 million from the end of the previous consolidated fiscal year to ¥59,186 million as a result of an increase in short-term borrowings, among other factors.

Net assets rose by ¥1,622 million from the end of the previous consolidated fiscal year to ¥27,237 million due to such factors as an increase in retained earnings and an increase in 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 Fiscal 2017” dated November 10, 2017.

3. Consolidated Financial Statements

(1) Balance Sheets

(Millions of yen, rounded down)

	Fiscal 2016 (March 31, 2017)	Fiscal 2017–First 3 quarters (December 31, 2017)
ASSETS		
Current assets		
Cash and bank deposits	¥ 3,167	¥ 3,754
Notes and accounts receivable	14,314	13,516
Commodities and products	6,430	7,013
Goods in process	3,644	4,368
Materials and supplies	3,873	4,450
Deferred tax assets	631	659
Other	1,872	1,942
Allowance for doubtful accounts	(22)	(19)
Total current assets	33,911	35,686
Fixed assets		
Property, plant and equipment		
Buildings and structures (net)	6,749	7,284
Machinery and vehicles (net)	6,411	6,992
Land	18,338	18,397
Construction in progress	462	623
Other (net)	1,592	1,512
Total property, plant and equipment	33,553	34,810
Intangibles	433	623
Investments and other assets		
Investment securities	8,984	10,103
Net defined benefit asset	133	148
Deferred tax assets	2,646	2,145
Other	2,910	3,298
Allowance for doubtful accounts	(883)	(398)
Total investments and other assets	13,791	15,297
Total fixed assets	47,779	50,731
Deferred assets	11	6
Total assets	81,702	86,424

(Millions of yen, rounded down)

	Fiscal 2016 (March 31, 2017)	Fiscal 2017–First 3 quarters (December 31, 2017)
LIABILITIES		
Current liabilities		
Notes and accounts payable	¥11,793	¥12,734
Short-term borrowings	9,242	13,311
Accrued expenses	2,362	2,470
Reserve for employees' bonuses	921	458
Other	4,515	5,150
Total current liabilities	28,837	34,125
Long-term liabilities		
Long-term loans	15,730	13,780
Deferred tax liabilities for land revaluation	4,206	4,206
Net defined benefit liability	5,354	5,099
Other	1,957	1,975
Total long-term liabilities	27,249	25,061
Total liabilities	56,086	59,186
NET ASSETS		
Shareholders' equity		
Common stock	1,000	1,000
Capital surplus	796	796
Retained earnings	12,543	13,162
Treasury stock	(310)	(311)
Total shareholders' equity	14,029	14,647
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	961	1,745
Revaluation reserve for land	9,821	9,821
Foreign currency translation adjustment	79	36
Remeasurements of defined benefit plans	(1,377)	(1,129)
Total accumulated other comprehensive income	9,485	10,475
Non-controlling interests	2,100	2,115
Total net assets	25,615	27,237
Total liabilities and net assets	81,702	86,424

(2) Statements of Income and Statements of Comprehensive Income

Statements of Income

(Millions of yen, rounded down)

	Fiscal 2016–First 3 quarters (April 1–December 31, 2016)	Fiscal 2017–First 3 quarters (April 1–December 31, 2017)
Net sales	¥47,288	¥45,804
Cost of sales	36,745	36,096
Gross profit	10,542	9,708
Selling, general and administrative expenses	8,152	7,845
Operating income	2,389	1,862
Other income		
Interest income	31	16
Dividend income	159	149
Other	167	242
Total other income	358	407
Other expenses		
Interest expense	243	207
Foreign exchange losses	225	2
Provision of allowance for doubtful accounts	204	—
Other	189	179
Total other expenses	863	389
Ordinary income	1,885	1,880
Extraordinary income		
Gain on sales of non-current assets	4	—
Gain on sales of investment securities	6	—
Penalty income	686	—
Total extraordinary income	698	—
Extraordinary expenses		
Impairment loss	127	—
Other	0	—
Total extraordinary expenses	127	—
Income before income taxes	2,455	1,880
Income taxes	638	591
Profit	1,817	1,288
Profit attributable to non-controlling interests	15	15
Profit attributable to owners of parent	1,802	1,273

Statement of Comprehensive Income

(Millions of yen, rounded down)

	Fiscal 2016–First 3 quarters (April 1– December 31, 2016)	Fiscal 2017–First 3 quarters (April 1– December 31, 2017)
Profit	¥1,817	¥1,288
Other comprehensive income		
Valuation difference on available-for-sale securities	302	784
Foreign currency translation adjustment	(423)	(67)
Remeasurements of defined benefit plans, net of tax	160	247
Share of other comprehensive income (loss) of entities accounted for using equity method	(401)	24
Total other comprehensive income (loss)	(361)	989
Comprehensive income (loss)	1,455	2,277
Comprehensive income attributable to Comprehensive income (loss) attributable to owners of the parent	1,440	2,262
Comprehensive income attributable to non-controlling interests	15	15

(4) Notes on Consolidated Financial Statements

Notes on Going-concern Assumptions

None

Notes in the Event of Major Changes in Shareholders' Equity

None

Application of Special Accounting Treatment

Calculation of income taxes

We have adopted the method in which income taxes are calculated by multiplying quarterly profit before income taxes by reasonably estimating the effective tax rate subsequent to the application of tax effect accounting to the profit before income taxes for the consolidated fiscal year, including the first three quarters under review.

Segment Information

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				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.

Fiscal 2017—First 3 quarters (April 1– December 31, 2017)

Sales, Income (Loss) by Reporting Segment

	Reporting Segment					Other (Note)	Total	Adjustment	(Millions of yen)	
	Wire Rope	Steel Cord	Product Development	Real Estate	Total				Total	Consolidated statements of Income
Net sales										
Sales to outside customers	¥21,054	¥8,236	¥9,564	¥911	¥39,766	¥6,037	¥45,804	¥ —	¥45,804	
Intersegment sales or transfers	121	85	6	—	213	550	763	(763)	—	
Total	21,176	8,321	9,570	911	39,979	6,588	46,568	(763)	45,804	
Segment income (loss)	1,404	230	(520)	204	1,317	544	1,862	—	1,862	

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.