

Consolidated Financial Results for the Fiscal 2018 [Japanese GAAP]

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

Listing: **Tokyo Stock Exchange**

Stock code number: **5981**

URL: **http://www.tokyorope.co.jp**

Representative: **Masaya Asano, President**

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

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

Annual Meeting of Shareholders: **June 26, 2019**

Date of issue of Financial Report: **June 26, 2019**

Start of cash dividend payments: **June 10, 2019**

Supplementary financial materials prepared: **None**

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

1. Fiscal 2018 (April 1, 2018 – March 31, 2019)

(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 2018 | ¥63,967 | 0.7% | ¥854 | -72.4% | ¥908 | -70.8% | ¥153 | -93.9% |
| Fiscal 2017 | 63,537 | -2.2 | 3,094 | -11.4 | 3,114 | 4.2 | 2,523 | 34.0 |

Note: Comprehensive income

Fiscal 2018: ¥-914 million (—%)

Fiscal 2017: ¥3,063 million (16.9%)

| | Earnings per share | Earnings per share (fully diluted) | ROE | Ordinary income/ total assets | Operating income/ net sales |
|-------------|--------------------|------------------------------------|------|-------------------------------|-----------------------------|
| | (Yen) | (Yen) | (%) | (%) | (%) |
| Fiscal 2018 | ¥9.52 | ¥ — | 0.6% | 1.1% | 1.3% |
| Fiscal 2017 | 156.54 | — | 10.2 | 3.7 | 4.9 |

Note: Gain (Loss) on investments based on equity method

Fiscal 2018: ¥ (56) million

Fiscal 2017: ¥ 27 million

(2) Financial Position

| | (Millions of yen, rounded down) | | | |
|-------------|---------------------------------|------------|--------------|----------------------------|
| | Total assets | Net assets | Equity ratio | Net assets per share (Yen) |
| Fiscal 2018 | ¥84,595 | ¥24,246 | 28.7% | ¥1,503.87 |
| Fiscal 2017 | 86,306 | 25,781 | 29.9 | 1,599.21 |

Note: Equity capital at the year-end

Fiscal 2018: ¥ 24,246 million

Fiscal 2017: ¥ 25,781 million

(3) Cash Flows

| | (Millions of yen, rounded down) | | | |
|-------------|--------------------------------------|--------------------------------------|--------------------------------------|--|
| | Cash flows from operating activities | Cash flows from investing activities | Cash flows from financing activities | Cash and cash equivalents at end of year |
| Fiscal 2018 | ¥3,247 | ¥ (4,029) | ¥(268) | ¥3,308 |
| Fiscal 2017 | 4,202 | (3,475) | 123 | 4,352 |

2. Cash Dividends

| | Cash dividend per share (yen) | | | | | Total dividends paid (full year) (Millions of yen) | Payout ratio (consolidated) | Dividends paid/ net assets (consolidated) (%) |
|--------------------|-------------------------------|-------------|-------------|----------|-----------|---|--------------------------------|--|
| | 1st quarter | 2nd quarter | 3rd quarter | Year-end | Full year | | | |
| Fiscal 2017 | — | ¥0.00 | — | ¥40.00 | ¥40.00 | ¥650 | 25.6% | 2.6% |
| Fiscal 2018 | — | 0.00 | — | 40.00 | 40.00 | 650 | 420.4 | 2.6 |
| Fiscal 2019 (est.) | — | 0.00 | — | 40.00 | 40.00 | | 43.0 | |

3. Forecast for Fiscal 2019 (April 1, 2019–March 31, 2020)

(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 | ¥67,000 | 4.7% | ¥2,000 | 134.1% | ¥2,000 | 120.1% | ¥1,500 | 877.8% | ¥93.04 |

We have omitted the projected consolidated performance forecast for the first 2 quarters for the Tokyo Rope Group from the fiscal year ending March 31, 2020. For details on this, please refer to “1. Overview of Performance and Financial Position (4) Future Outlook”, on page 3 of the attached materials.

Notes

(1) Changes in important subsidiaries during the year (changes in specific subsidiaries due to change in scope of consolidation):

Yes

Newly consolidated 1 (Company name: Tokyo Rope International, Inc.) Excluded -

(2) 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

(3) Shares outstanding (capital stock) at the year-end

1. Number of shares outstanding (including treasury shares)

Fiscal 2018: 16,268,242

Fiscal 2017: 16,268,242

2. Number of treasury shares outstanding

Fiscal 2018: 145,806

Fiscal 2017: 146,806

3. Average number of shares over the year

Fiscal 2018: 16,122,565

Fiscal 2017: 16,122,311

This financial report is exempt from audit procedures by a certified public accountant or an auditing firm.

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 “(4) Future Outlook” on page 3 for information on preconditions underlying the above forecasts and other related information.

Contents

| | |
|---|----|
| 1. Overview of Performance and Financial Position | 2 |
| (1) Overview of Consolidated Business Results | 2 |
| (2) Overview of Financial Position during Fiscal 2018 | 3 |
| (3) Overview of Cash Flows during Fiscal 2018 | 3 |
| (4) Future Outlook | 3 |
| 2. Basic Perspective on Selection of Accounting Standards | 4 |
| 3. Consolidated Financial Statements | 5 |
| (1) Balance Sheets | 5 |
| (2) Statements of Income and Statements of Comprehensive Income | 7 |
| (3) Statements of Changes in Shareholders' Equity | 9 |
| (4) Statements of Cash Flows | 11 |
| (5) Notes on Consolidated Financial Statements | 13 |
| <i>Notes on Going-concern Assumptions</i> | 13 |
| <i>Segment Information</i> | 13 |

1. Overview of Performance and Financial Position

(1) Overview of Consolidated Business Results

The Japanese economy in this fiscal year has continued to face uncertain times due to the effects of natural disasters domestically, as the effects of the US-China trade war, and the major uncertain surrounding the UK's withdrawal from the EU internationally. However, in general, there has been a modest recovery that is supported by favorable corporate earnings and steady consumer spending.

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 New Technologies," and "Overseas Business Expansion."

In terms of the Tokyo Rope Group's sales for this fiscal year, while domestic steel cord product sales contracted, the high oil price led to increased sales of oil-related products, on top of increased sales of fiber rope, bringing sales to ¥63,977 million (up 0.7% year on year).

In terms of profitability, due to the decline in sales of saw wire for silicon wafers in solar power generation (hereafter "core wire") among other factors, operating profits fell to ¥854 million (down 72.4% year on year), while ordinary profit fell to ¥908 million (down 70.8% year on year). Meanwhile, extraordinary profits of ¥190 million due to insurance income were met with extraordinary losses of ¥220 million due to disasters, in addition ¥112 million due to losses on devaluation of securities investments, resulting in current net profits returned to shareholders in the parent company of ¥153 million (down 93.9% year on year).

Results by business segment of the Group were as follows:

Wire Rope

Fiber rope products sales increased, with the wire rope segment recording sales of ¥28,084 million (up 2.0% year on year). The increased cost of wire and various materials, however, combined with the greater depreciation costs stemming from investment in IT systems infrastructure saw operating profits fall to ¥1,523 million (down 20.3% year on year).

Steel Cord

Total sales in the Steel Cord segment amounted to ¥10,811 million (down 5.5% year on year). The reason for this is that though the quantity of wire cord products sold domestically grew, core wire sales on the domestic market decreased. Operating income amounted to a ¥939 million loss (down from an operating profit of ¥534 million year on year), due to the sales mix and an increase in costs for materials, etc.

Product Development

Total sales of the Product Development segment stood at ¥14,482 million (down 2.1% year on year), due to delays in overseas sales of disaster-prevention products. Operating income stood at a ¥737 million loss (down from a loss of ¥401 million year on year), due to increases in prior investments such as the construction of the Kitakami CFCC plant.

Real Estate

Total sales for the Real Estate segment came to ¥1,201 million (down 1.2% year on year). Operating profit came to ¥329 million (down 0.1% year on year), thus remaining largely on par with the previous year.

Other

Due to the increase in sales of oil related products stemming from the high price of oil, as well as increases in sales of precision cutting tool materials, sales in this segment grew to ¥9,387 million (up 9.7% year on year).

However, as a result of a decrease in the industrial machinery business, operating income came to ¥678 million (down 5.7% year-on-year).

(2) Overview of Financial Position during Fiscal 2018

The total assets of the Group at the end of this fiscal year come to ¥84,595 million, down ¥1,711 million from the end of the previous fiscal year, due to reevaluation of securities investments, and declines in cash and deposits, etc.

Total liabilities declined by ¥175 million to ¥60,349 million, due to a reduction in short-term borrowings, among other factors .

Net assets declined by ¥1,535 million to ¥24,246 million year on year, due to declines in valuation difference on available-for-sale securities and foreign currency translation adjustments, in addition to the decline in earned surplus arising from the payment of dividends.

(3) Overview of Cash Flows during Fiscal 2018

The Group's cash and cash equivalent balance stands at ¥3,308 million, ¥1,043 million below where it was at the end of the previous fiscal year.

Net cash provided by operating activities amounted to ¥3,247 million due to tax adjustments for the previous period and depreciation.

Net cash used in investing activities totaled ¥4,029 million due to purchases of property, plant and equipment.

Net cash provided by financing activities amounted to ¥268 million, due to the repayment of debts and the payment of dividends offsetting income from sales and leaseback transactions.

Furthermore, cash and cash equivalents increased by ¥24 million from the newly consolidated subsidiaries.

(4) Future Outlook

The Group is forecasting that in the next period sales will reach ¥67.0 billion, operating profits will reach ¥2.0 billion, ordinary profits will reach ¥2.0 billion, and dividends paid to parent company shareholders will reach ¥1.5 billion. This will constitute a significant shortfall against the goals given in the mid-term management plan, though this can be explained by delays in the development of strategic growth segments for the Group combined with volatility in the business environment for solar power products. Though current orders for solar related products are recovering, because the future business environment remains murky, as a group, the Tokyo Rope Group will continue to make progress on the fundamental competitiveness of our steel cord business. Regarding the carbon fiber composite cable (CFCC) and disaster-prevention products businesses, while growth is lagging behind initial projections, the potential of these segments as well as the Group's basic policy regarding them remain unchanged, and they are expected to spur growth for the Group going forward.

Looking at each segment separately, the wire ropes segment should see continued growth in sales of fiber rope products.

The steel cord segment is expecting an increase in sales of domestic tire cord products, as well as a recovery in sales of core wires after their stagnation this period, resulting in an improvement in profits.

The product development segment is expecting to grow sales and orders for disaster-prevention products for overseas which saw a lag in sales hitherto, as well as growth in new orders and contribution to profits by CFCC business.

The Tokyo Rope Group will continue its group-wide and integrated endeavors to further enhance its business base to enable continuous growth and social contribution in the future by steadily implementing measures stated in the TCT-Focus 2020, ending March 31, 2020.

In addition, among the Tokyo Rope Group's businesses, the product development segment tends strongly to see sales and construction concentrated heavily in the latter part of the year. As this leads the business to have a strong bias to the second half of the year, and the overseas infrastructure business receives its orders and sales, in principle, per project, it is easy for short-term distortions to arise. As a result, performance will be managed on a yearly basis, and, in order to ensure that the information provided to investors is appropriate and useful, and from Fiscal 2019, earnings forecasts will also move to a yearly basis.

2. Basic Perspective on Selection of Accounting Standards

It is the Tokyo Rope Group's policy to prepare the consolidated financial statements based on the Japanese Accounting Standards for the time being, taking into account the comparability of consolidated financial statements with other fiscal years and with other companies.

For the future, the Group intends to explore application of the International Financial Reporting Standards (IFRS) while considering factors such as the changes in its foreign shareholder ratio and the trends of domestic peer companies in terms of adoption of the IFRS.

3. Consolidated Financial Statements

(1) Balance Sheets

(Millions of yen, rounded down)

| | Fiscal 2017 (March 31, 2018) | Fiscal 2018 (March 31, 2019) |
|--|---------------------------------|---------------------------------|
| ASSETS | | |
| Current assets | | |
| Cash and bank deposits | ¥ 4,374 | 3,331 |
| Notes and accounts receivable | 14,311 | 13,898 |
| Commodities and products | 6,939 | 6,395 |
| Goods in process | 4,167 | 4,603 |
| Materials and supplies | 4,216 | 4,370 |
| Other | 1,346 | 1,398 |
| Allowance for doubtful accounts | (19) | (16) |
| Total current assets | 35,336 | 33,980 |
| Fixed assets | | |
| Property, plant and equipment | | |
| Buildings and structures (net) | 7,195 | 7,763 |
| Machinery and vehicles (net) | 6,985 | 7,695 |
| Land | 18,307 | 18,305 |
| Lease assets (net) | 990 | 867 |
| Construction in progress | 1,070 | 978 |
| Other (net) | 517 | 598 |
| Total property, plant and equipment | 35,066 | 36,209 |
| Intangibles | 626 | 796 |
| Investments and other assets | | |
| Investment securities | 9,355 | 7,555 |
| Net defined benefit asset | 154 | 158 |
| Deferred tax assets | 2,952 | 2,911 |
| Other | 3,218 | 3,294 |
| Allowance for doubtful accounts | (407) | (312) |
| Total investments and other assets | 15,272 | 13,608 |
| Total fixed assets | 50,965 | 50,614 |
| Deferred assets | 4 | — |
| Total assets | 86,306 | 84,595 |

(Millions of yen, rounded down)

| | Fiscal 2017 (March 31, 2018) | Fiscal 2018 (March 31, 2019) |
|---|---------------------------------|---------------------------------|
| LIABILITIES | | |
| Current liabilities | | |
| Notes and accounts payable | ¥12,143 | ¥12,301 |
| Short-term borrowings | 14,239 | 12,437 |
| Accrued expenses | 2,672 | 2,559 |
| Reserve for employees' bonuses | 911 | 833 |
| Other | 5,379 | 5,845 |
| Total current liabilities | 35,346 | 33,977 |
| Long-term liabilities | | |
| Long-term loans | 13,918 | 14,971 |
| Lease obligations | 288 | 215 |
| Deferred tax liabilities related to revaluation | 4,183 | 4,183 |
| Reserve for directors' retirement benefits | 218 | 156 |
| Reserve for directors' shares | 62 | 57 |
| Net defined benefit liability | 5,153 | 4,633 |
| Asset retirement obligations | 555 | 512 |
| Provision for environmental measures | 83 | 32 |
| Other | 714 | 1,609 |
| Total long-term liabilities | 25,178 | 26,371 |
| Total liabilities | 60,525 | 60,349 |
| NET ASSETS | | |
| Shareholders' equity | | |
| Capital stock | 1,000 | 1,000 |
| Capital surplus | 684 | 684 |
| Retained earnings | 14,507 | 14,036 |
| Treasury shares | (312) | (309) |
| Total shareholders' equity | 15,878 | 15,411 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 1,221 | 155 |
| Deferred gains or losses on hedges | — | 0 |
| Revaluation reserve for land | 9,718 | 9,718 |
| Foreign currency translation adjustment | 149 | (247) |
| Remeasurements of defined benefit plans | (1,187) | (792) |
| Total accumulated other comprehensive income | 9,902 | 8,834 |
| Total net assets | 25,781 | 24,246 |
| Total liabilities and net assets | 86,306 | 84,595 |

(2) Statements of Income and Statements of Comprehensive Income

Statements of Income

(Millions of yen, rounded down)

| | Fiscal 2017 (April 1, 2017 – March 31, 2018) | Fiscal 2018 (April 1, 2018 – March 31, 2019) |
|---|--|--|
| Net sales | ¥63,537 | ¥63,967 |
| Cost of sales | 49,646 | 52,018 |
| Gross profit | 13,890 | 11,949 |
| Selling, general and administrative expenses | 10,796 | 11,094 |
| Operating income | 3,094 | 854 |
| Other income | | |
| Interest income | 23 | 23 |
| Dividend income | 212 | 243 |
| Share of profit of entities accounted for using equity method | 27 | — |
| Reversal of allowance for doubtful accounts | 21 | 75 |
| Reversal of provision for environmental measures | — | 80 |
| Other | 317 | 335 |
| Total other income | 602 | 759 |
| Other expenses | | |
| Interest expense | 268 | 280 |
| Share of loss of entities accounted for using equity method | — | 56 |
| Foreign exchange losses | 65 | 97 |
| Loss on disposal of fixed assets | 69 | 32 |
| Other | 178 | 236 |
| Total other expenses | 582 | 704 |
| Ordinary income | 3,114 | 908 |
| Extraordinary income | | |
| Insurance income | — | 190 |
| Total extraordinary income | — | 190 |
| Extraordinary expenses | | |
| Loss on devaluation of investment securities | — | 112 |
| Loss from disasters | — | 220 |
| Restructuring costs | — | 54 |
| Impairment loss | 52 | — |
| Other | — | 17 |
| Total extraordinary expenses | 52 | 405 |
| Income before income taxes | 3,061 | 693 |
| Income taxes | 354 | 294 |
| Income tax adjustment | 163 | 246 |
| Total income taxes | 517 | 540 |
| Profit | 2,543 | 153 |
| Profit attributable to non-controlling interests | 20 | — |
| Profit attributable to owners of parent | 2,523 | 153 |

Statement of Comprehensive Income

(Millions of yen, rounded down)

| | Fiscal 2017 (April 1, 2017 – March 31, 2018) | Fiscal 2018 (April 1, 2018 – March 31, 2019) |
|---|--|--|
| Profit | ¥2,543 | 153 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | 260 | (1,066) |
| Deferred gains or losses on hedges | — | 0 |
| Foreign currency translation adjustment | (10) | (263) |
| Remeasurements of defined benefit plans, net of tax | 189 | 395 |
| Share of other comprehensive income (loss) of associates accounted for using equity method | 80 | (133) |
| Total other comprehensive income (loss) | 520 | (1,068) |
| Comprehensive income | 3,063 | (914) |
| Comprehensive income attributable to | | |
| Comprehensive income attributable to owners of the parent | 3,043 | (914) |
| Comprehensive income attributable to non-controlling interests | 20 | — |

(3) Statements of Changes in Shareholders' Equity

Fiscal 2017 (April 1, 2017 – March 31, 2018)

(Millions of yen, rounded down)

| | Shareholders' equity | | | | Total shareholders' equity |
|--|----------------------|-----------------|-------------------|-----------------|----------------------------|
| | Capital stock | Capital surplus | Retained earnings | Treasury shares | |
| Balance at beginning of the year | ¥1,000 | ¥796 | ¥ 12,543 | ¥(310) | ¥14,029 |
| Changes of items during the period | | | | | |
| Dividends from surplus | | | (650) | | (650) |
| Profit attributable to owners of parent | | | 2,523 | | 2,523 |
| Reversal of revaluation reserve for land | | | 103 | | 103 |
| Purchase of treasury shares | | | | (1) | (1) |
| Disposal of treasury shares | | (0) | | | (0) |
| Change in scope of consolidation | | | (13) | | (13) |
| Change in equity interests due to the acquisition of shares in consolidated subsidiaries | | (112) | | | (112) |
| Changes of items other than shareholder s' equity (net) | | | | | — |
| Total changes of items during the period | — | (112) | 1,963 | (1) | 1,848 |
| Balance at end of the year | 1,000 | 684 | 14,507 | (312) | 15,878 |

| | Accumulated other comprehensive income | | | | | | Non-controlling interests | Total net assets |
|--|---|------------------------------------|------------------------------|---|---|--|---------------------------|------------------|
| | Valuation difference on available-for-sale securities | Deferred gains or losses on hedges | Revaluation reserve for land | Foreign currency translation adjustment | Remeasurements of defined benefit plans | Total accumulated other comprehensive income | | |
| Balance at beginning of the year | ¥961 | ¥— | ¥9,821 | ¥79 | ¥(1,377) | ¥9,485 | ¥2,100 | ¥25,615 |
| Changes of items during the period | | | | | | | | |
| Dividends from surplus | | | | | | | | (650) |
| Profit attributable to owners of parent | | | | | | | | 2,523 |
| Reversal of revaluation reserve for land | | | | | | | | 103 |
| Purchase of treasury shares | | | | | | | | (1) |
| Disposal of treasury shares | | | | | | | | (0) |
| Change in scope of consolidation | | | | | | | | (13) |
| Change in equity interests due to the acquisition of shares in consolidated subsidiaries | | | | | | | (2,120) | (2,232) |
| Changes of items other than shareholder s' equity (net) | 260 | — | (103) | 69 | 189 | 416 | 20 | 437 |
| Total changes of items during the period | 260 | — | (103) | 69 | 189 | 416 | (2,100) | 165 |
| Balance at end of the year | 1,221 | — | 9,718 | 149 | (1,187) | 9,902 | — | 25,781 |

Fiscal 2018 (April 1, 2018 – March 31, 2019)

(Millions of yen, rounded down)

| | Shareholders' equity | | | | Total shareholders' equity |
|--|----------------------|-----------------|-------------------|-----------------|----------------------------|
| | Capital stock | Capital surplus | Retained earnings | Treasury shares | |
| Balance at beginning of the year | ¥1,000 | ¥684 | ¥14,507 | ¥(312) | ¥15,878 |
| Changes of items during the period | | | | | |
| Dividends from surplus | | | (650) | | (650) |
| Profit attributable to owners of parent | | | 153 | | 153 |
| Reversal of revaluation reserve for land | | | 0 | | 0 |
| Purchase of treasury shares | | | | 4 | 4 |
| Disposal of treasury shares | | 0 | | (1) | (1) |
| Change in scope of consolidation | | | 26 | | 26 |
| Change in equity interests due to the acquisition of shares in consolidated subsidiaries | | | | | — |
| Changes of items other than shareholder s' equity (net) | | | | | — |
| Total changes of items during the period | — | 0 | (470) | 3 | (467) |
| Balance at end of the year | 1,000 | 684 | 14,036 | (309) | 15,411 |

| | Accumulated other comprehensive income | | | | | | Non-controlling interests | Total net assets |
|--|---|------------------------------------|------------------------------|---|---|--|---------------------------|------------------|
| | Valuation difference on available-for-sale securities | Deferred gains or losses on hedges | Revaluation reserve for land | Foreign currency translation adjustment | Remeasurements of defined benefit plans | Total accumulated other comprehensive income | | |
| Balance at beginning of the year | ¥1,221 | ¥— | ¥9,718 | ¥149 | ¥(1,187) | ¥9,902 | ¥— | ¥25,781 |
| Changes of items during the period | | | | | | | | |
| Dividends from surplus | | | | | | | | (650) |
| Profit attributable to owners of parent | | | | | | | | 153 |
| Reversal of revaluation reserve for land | | | | | | | | 0 |
| Purchase of treasury shares | | | | | | | | 4 |
| Disposal of treasury shares | | | | | | | | (1) |
| Change in scope of consolidation | | | | | | | | 26 |
| Change in equity interests due to the acquisition of shares in consolidated subsidiaries | | | | | | | | — |
| Changes of items other than shareholder s' equity (net) | (1,066) | 0 | (0) | (397) | 395 | (1,068) | — | (1,068) |
| Total changes of items during the period | (1,066) | 0 | (0) | (397) | 395 | (1,068) | — | (1,535) |
| Balance at end of the year | 155 | 0 | 9,718 | (247) | (792) | 8,834 | — | 24,246 |

(4) Statements of Cash Flows

(Millions of yen, rounded down)

| | Fiscal 2017 (April 1, 2017 – March 31, 2018) | Fiscal 2018 (April 1, 2018 – March 31, 2019) |
|---|--|--|
| Operating activities | | |
| Income before income taxes | ¥3,061 | ¥693 |
| Depreciation | 2,078 | 2,309 |
| Impairment loss | 52 | — |
| Increase (decrease) in allowance for doubtful accounts | (23) | (98) |
| Increase (decrease) in reserve for employees' bonuses | (10) | (81) |
| Increase (decrease) in reserve for directors' retirement benefits | 33 | 30 |
| Increase (decrease) in reserve for directors' shares | 32 | (4) |
| Increase (decrease) in net defined benefit liability | 59 | 31 |
| Interest and dividend income | (235) | (266) |
| Insurance income | — | (190) |
| Interest expense | 268 | 280 |
| Equity in (earning) losses of affiliates | (27) | 56 |
| Loss from disasters | — | 220 |
| (Gain) loss on sales investments securities | — | 112 |
| Restructuring costs | — | 54 |
| Other extraordinary loss (income) | — | 17 |
| (Increase) decrease in notes and accounts receivable | (519) | 405 |
| (Increase) decrease in inventories | (1,114) | (123) |
| Net (increase) decrease in other assets | (182) | (90) |
| Increase (decrease) in notes and accounts payable | 1,230 | 606 |
| Increase (decrease) in advances received | 5 | (214) |
| Net increase (decrease) in accrued consumption tax | (109) | 59 |
| Net increase (decrease) in other liabilities | 147 | (86) |
| Subtotal | 4,746 | 3,723 |
| Interest and dividends received | 256 | 299 |
| Insurance income received | — | 190 |
| Interest paid | (255) | (291) |
| Disaster loss payment | — | (53) |
| Payments for directors' retirement benefits | (5) | (92) |
| Restructuring costs paid | — | (54) |
| Income tax paid | (540) | (474) |
| Net cash provided by operating activities | 4,202 | 3,247 |
| Investing activities | | |
| Purchases of investment securities | (17) | (16) |
| Proceeds from sales of investment securities | — | 14 |
| Purchase of shares of subsidiaries and associates | (21) | — |
| Loans extended | (179) | (41) |
| Proceeds from loans recovered | 203 | 55 |
| Purchases of property, plant and equipment | (2,978) | (3,440) |
| Proceeds from sales of property, plant and equipment | 142 | 9 |
| Payment for investments in affiliates | (388) | (122) |
| Other | (237) | (488) |
| Net cash used in investing activities | (3,475) | (4,029) |

(Millions of yen, rounded down)

| | Fiscal 2017 (April 1, 2017 – March 31, 2018) | Fiscal 2018 (April 1, 2018– March 31, 2019) |
|--|--|---|
| Financing activities | | |
| Income from sales and leaseback transactions | ¥— | ¥1,225 |
| Net increase (decrease) in short-term borrowings | 5,329 | (3,691) |
| Proceeds from long-term borrowings | 300 | 5,300 |
| Repayment of long-term borrowings | (2,411) | (2,346) |
| Cash dividends paid | (647) | (647) |
| Proceeds from sales of treasury shares | 1 | 4 |
| Purchase of treasury shares | (3) | (1) |
| Repayments of lease obligations | (212) | (111) |
| Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation | (2,232) | — |
| Net cash used in financing activities | 123 | (268) |
| Effect of exchange rate change on cash and cash equivalents | 24 | (17) |
| Net increase (decrease) in cash and cash equivalents | 874 | (1,068) |
| Cash and cash equivalents at beginning of the year | 3,144 | 4,352 |
| Increase in cash and cash equivalents due to inclusions in consolidation | 332 | 24 |
| Cash and cash equivalents at end of the year | 4,352 | 3,308 |

(5) Notes on Consolidated Financial Statements

Notes on Going-concern Assumptions

None

Segment Information

Segment Information

1) Overview of Reporting Segments

The Company's reporting segments are subject to regular examination, so that the Board of Directors can appropriately allocate business resources and evaluate business performances. Financial information separated according to specific segment is available.

In its head office, the Tokyo Rope Group has established business departments for each product/service line. Those departments are responsible for formulating comprehensive domestic and overseas strategies and advancing the activities of their respective businesses.

Accordingly, the Group has classified its operations into four product- and service-specific segments, each based on a business department. Those segments are: "Wire Rope," "Steel Cord," "Product Development," and "Real Estate."

| Segment | Main products |
|---------------------|---|
| Wire Rope | Wire rope, other wire products, fiber rope, nets |
| Steel Cord | Steel cord for tire use, saw wire |
| Product Development | Road safety equipment, long-bridge cables, bridge design and construction, metallic fiber, carbon fiber composite cable (CFCC®) |
| Real Estate | Real estate rental services, electricity sales from solar power generation |

2) Calculation Method of Sales, Income (Loss), Assets, Liabilities and Other Items by Reporting Segment

The accounting methods for the business segments reported are basically the same as the one stated under "Major basic items for preparing consolidated financial statements."

Income under reporting segments are calculated based on operating income. Internal return and amounts of transfer between segments are calculated based on the prevailing market price.

3) Sales, Income (Loss), Assets, Liabilities and Other Items by Reporting Segment

Fiscal 2017 (April 1, 2017 – March 31, 2018)

(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 | ¥27,531 | ¥11,436 | ¥14,799 | ¥1,215 | ¥54,983 | ¥8,553 | ¥63,537 | ¥ - | ¥63,537 |
| Intersegment sales or transfers | 151 | 123 | 8 | - | 284 | 774 | 1,058 | (1,058) | - |
| Total | 27,682 | 11,560 | 14,808 | 1,215 | 55,267 | 9,327 | 64,595 | (1,058) | 63,537 |
| Segment income (loss) | 1,912 | 534 | (401) | 329 | 2,375 | 719 | 3,094 | - | 3,094 |
| Segment assets | 41,414 | 12,919 | 17,638 | 5,683 | 77,655 | 5,966 | 83,621 | 2,684 | 86,306 |
| Other items | | | | | | | | | |
| Depreciation | 1,186 | 123 | 454 | 94 | 1,859 | 219 | 2,078 | - | 2,078 |
| Investment in affiliates accounted for by equity method | 473 | - | 1,735 | - | 2,209 | - | 2,209 | - | 2,209 |
| Increase in Property, plant and equipment and Intangibles | 1,095 | 244 | 1,488 | 134 | 2,962 | 272 | 3,235 | - | 3,235 |

Note1: "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.

Note2: Adjustments are as follows.

Adjustments in segment assets come to ¥2,684 million, which is included in the ¥2,885 million for the whole company, without being distributed to individual reporting segments. The Group's total asset amount includes the Group's operating surplus capital (cash in deposits) and long-term investment capital (investments in securities).

Fiscal 2018 (April 1, 2018 – March 31, 2019)

(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 | ¥28,084 | ¥10,811 | ¥14,482 | ¥1,201 | ¥54,579 | ¥9,387 | ¥63,967 | ¥ - | ¥63,967 |
| Intersegment sales or transfers | 205 | 159 | 11 | - | 376 | 776 | 1,153 | (1,153) | - |
| Total | 28,290 | 10,971 | 14,494 | 1,201 | 54,956 | 10,164 | 65,120 | (1,153) | 63,967 |
| Segment income (loss) | 1,523 | (939) | (737) | 329 | 175 | 678 | 854 | - | 854 |
| Segment assets | 39,315 | 12,074 | 19,691 | 5,734 | 76,815 | 5,895 | 82,710 | 1,885 | 84,595 |
| Other items | | | | | | | | | |
| Depreciation | 1,316 | 150 | 524 | 94 | 2,085 | 224 | 2,309 | - | 2,309 |
| Investment in affiliates accounted for by equity method | 262 | - | 1,724 | - | 1,986 | - | 1,986 | - | 1,986 |
| Increase in Property, plant and equipment and Intangibles | 1,408 | 406 | 1,708 | 198 | 3,722 | 141 | 3,863 | - | 3,863 |

Note1: "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.

Note2: Adjustments are as follows.

Adjustments in segment assets come to ¥1,885 million, which is included in the ¥2,233 million for the whole company, without being distributed to individual reporting segments. The Group's total asset amount includes the Group's operating surplus capital (cash in deposits) and long-term investment capital (investments in securities).