

August 9, 2019

Consolidated Financial Results for the First Quarter of Fiscal 2019 [Japanese GAAP]

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

Listing: **Tokyo Stock Exchange**

Stock code number: **5981**

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

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Preparation of Supplementary Explanations of Quarterly Financial Results: **August 9, 2019**

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 2019-First quarter (April 1– June 30, 2019)

(1) Results of operations

(Millions of yen, except per share data; percentage figures denote year-on-year change)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
		(% change)		(% change)		(% change)		(% change)
Fiscal 2019–First quarter	¥14,682	2.6%	¥ -186	—%	¥ -101	—%	¥ -97	—%
Fiscal 2018–First quarter	14,312	0.3	28	-93.6	79	-83.5	-55	—

Note: Comprehensive income

Fiscal 2019–1st quarter: ¥ -252 million (—%)

Fiscal 2018–1st quarter: ¥ -305 million (—%)

	Earnings per share	Earnings per share (fully diluted)
	(Yen)	(Yen)
Fiscal 2019–First quarter	¥ -6.07	—
Fiscal 2018–First quarter	-3.45	—

(2) Financial position

(Millions of yen)

	Total assets	Net assets	Equity ratio
Fiscal 2019–First quarter	¥84,583	¥23,343	27.6%
Fiscal 2018–Year-end	84,595	24,246	28.7

Note: Equity capital at term-end

Fiscal 2019–1st quarter: ¥23,343 million

Fiscal 2018: ¥24,246 million

2. Cash dividends

Cash dividend per share (yen)

	First quarter	Second quarter	Third quarter	Year-end	Full year
Fiscal 2018	—	¥0.00	—	¥ 40.00	¥ 40.00
Fiscal 2019	—				
Fiscal 2019(est.)		0.00	—	40.00	40.00

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

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

(Millions of yen, except per share data; percentage figures denote year-on-year change)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Earnings per share (Yen)
Full year	67,000	4.7	2,000	134.1	2,000	120.1	1,500	877.8	93.04

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

Newly consolidated - Excluded -

(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: 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 2019–1st quarter: 16,268,242

Fiscal 2018: 16,268,242

2. Number of treasury shares outstanding

Fiscal 2019–1st quarter: 145,942

Fiscal 2018: 145,806

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

Fiscal 2019–1st quarter: 16,122,400

Fiscal 2018–1st quarter: 16,121,547

Note: Treasury stocks that are deducted when calculating the number of treasury stocks outstanding at the end of Fiscal 2018 and the average number of shares over the year include shares of the Company owned by Board Benefit Trust (Fiscal 2019 1Q: 134,300 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

In the first quarter of the consolidated fiscal year, the Japanese economy was buoyed by strong corporate earnings and improvement in the employment environment, but looking at the global economy, the impact of the long-term trade friction between the United States and China is a major concern.

Given these circumstances, the Tokyo Rope Group is approaching the final year of the “TCT-Focus 2020” mid-term management plan that has been deployed under the three key phrases of “Strengthening of Domestic Business Base,” “Challenge to New Materials and Technologies,” and “Overseas Business Expansion,” but unfortunately it will be difficult to achieve the initial targets due to environmental changes, delayed progress, and other factors. However, the issues remaining from the current mid-term management plan are being addressed for the next mid-term management plan.

The Tokyo Rope Group’s total sales came to ¥14,682 million in the first quarter under review, up 2.6% year-on-year, due to large orders for industrial equipment and favorable sales of elevator rope.

In terms of profits, the Group posted an operating loss of ¥186 million, down from an operating income of ¥28 million year-on-year, and an ordinary loss of ¥101 million, down from an ordinary profit of ¥79 million year-on-year. This was a result of factors including a decrease in sales of saw wire for silicon wafers in solar power generation. In addition, the Group also recorded extraordinary gains and losses, such as a gain on the sale of investment securities of ¥60 million, resulting in a net quarterly loss attributable to owners of the parent of ¥97 million (compared to a net loss of ¥55 million for the year-earlier period).

Results by business segment of the Group were as follows:

Wire Rope

Demand for elevator rope and other domestic wire rope was good as a result of preparations for the Tokyo Olympics and redevelopment of high-rise buildings in the Tokyo Metropolitan area. As a result, segment sales totaled ¥6,959 million, up 1.7% year-on-year, while operating income stood at ¥334 million, down 25.3% year-on-year, due to increased depreciation accompanying domestic plant rationalization investment among other factors.

Steel Cord

Total sales in the steel Cord segment amounted to ¥2,588 million, down 9.9% year-on-year, and an operation loss of ¥322 million, compared to an operating loss of ¥111 million for the year-earlier period, due to a drop in the sales volume of tire cord in China and declining demand in China for saw wire for silicon wafers in solar power generation.

Product Development

Total sales of the Product Development segment stood at ¥2,310 million, up 5.2% year-on-year, due to receiving a large order for disaster prevention products overseas and a strong performance in domestic bridge-related products. The operating loss was ¥452 million (compared to a loss of ¥498 million in the year-earlier period).

Real Estate

Total sales were strong for the Real Estate segment and came to ¥320 million, up 6.5% year-on-year, while operating income totaled ¥43 million, down 40.2% year-on-year, due to an increase in the operating expenses of commercial facilities.

Other

In increase in industrial equipment related sales brought total sales for the Other segment to ¥2,503 million, up 19.3% year-on-year, and the operating income came to ¥210 million, up 78.5% year-on-year.

(2) Financial Position

Assets, Liabilities and Net Assets

As of June 30, 2019, the Tokyo Rope Group had total assets of ¥84,583 million. Despite increases in cash and inventory assets, the figure represents a decrease of ¥11 million from the end of the previous consolidated fiscal year, attributable to a decline in investment securities due to outstanding sales accounts and revaluation.

Total liabilities increased ¥890 million from the end of the previous consolidated fiscal year to ¥61,240 million as a result of a decrease in long-term borrowings and an increase in short-term borrowings.

Net assets stood at ¥23,343 million, a decrease of ¥902 million compared to the end of the previous consolidated fiscal year. The decrease was a result of the payment of cash dividends and a decrease in the valuation difference on available-for-sales securities.

(3) Performance Forecasts

There were no revisions to the forecasts announced on May 13, 2019.

3. Quarterly Consolidated Financial Statements

(1) Balance Sheets

(Millions of yen, rounded down)

	Fiscal 2018 (March 31, 2019)	Fiscal 2019–First quarter (June 30, 2019)
ASSETS		
Current assets		
Cash and bank deposits	¥ 3,331	¥3,985
Notes and accounts receivable	13,898	12,669
Commodities and products	6,395	6,515
Goods in process	4,603	4,678
Materials and supplies	4,370	4,967
Other	1,398	1,645
Allowance for doubtful accounts	(16)	(19)
Total current assets	33,980	34,442
Fixed assets		
Property, plant and equipment		
Buildings and structures (net)	7,763	7,811
Machinery and vehicles (net)	7,695	8,042
Land	18,305	18,304
Construction in progress	978	791
Other (net)	1,466	1,361
Total property, plant and equipment	36,209	36,312
Intangibles	796	807
Investments and other assets		
Investment securities	7,555	6,674
Net defined benefit asset	158	178
Deferred tax assets	2,911	3,012
Other	3,294	3,491
Allowance for doubtful accounts	(312)	(335)
Total investments and other assets	13,608	13,021
Total fixed assets	50,614	50,141
Total assets	84,595	84,583

(Millions of yen, rounded down)

	Fiscal 2018 (March 31, 2019)	Fiscal 2019–First quarter (June 30, 2019)
LIABILITIES		
Current liabilities		
Notes and accounts payable	¥12,301	¥12,150
Short-term borrowings	12,437	13,438
Accrued expenses	2,559	2,640
Reserve for employees' bonuses	833	1,236
Other	5,845	6,065
Total current liabilities	33,977	35,531
Long-term liabilities		
Long-term loans	14,971	14,510
Deferred tax liabilities for land revaluation	4,183	4,183
Net defined benefit liability	4,633	4,579
Other	2,583	2,436
Total long-term liabilities	26,371	25,708
Total liabilities	60,349	61,240
NET ASSETS		
Shareholders' equity		
Common stock	1,000	1,000
Capital surplus	684	684
Retained earnings	14,036	13,288
Treasury stock	(309)	(309)
Total shareholders' equity	15,411	14,663
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	155	(131)
Deferred gains or losses on hedges	0	—
Revaluation reserve for land	9,718	9,718
Foreign currency translation adjustment	(247)	(179)
Remeasurements of defined benefit plans	(792)	(727)
Total accumulated other comprehensive income	8,834	8,680
Total net assets	24,246	23,343
Total liabilities and net assets	84,595	84,583

(2) Statements of Income and Statements of Comprehensive Income

1) Statements of Income

(Millions of yen, rounded down)

	Fiscal 2018–First quarter (April 1–June 30, 2018)	Fiscal 2019–First quarter (April 1–June 30, 2019)
Net sales	¥14,312	¥14,682
Cost of sales	11,599	12,164
Gross profit	2,713	2,518
Selling, general and administrative expenses	2,685	2,704
Operating income (loss)	28	(186)
Other income		
Interest income	4	10
Dividend income	78	90
Share of profit of entities accounted for using equity method	(21)	61
Other	107	50
Total other income	168	213
Other expenses		
Interest expense	71	67
Foreign exchange losses	9	—
Other	35	61
Total other expenses	117	128
Ordinary Income (loss)	79	(101)
Extraordinary income		
Gain on sales of investment securities	—	60
Total extraordinary income	—	60
Extraordinary loss		
Impairment loss	—	10
Loss on sales of securities	—	10
Loss on valuation of securities	109	0
Total extraordinary loss	109	21
Net (loss) before income taxes	(30)	(62)
Income taxes	25	35
Profit (loss)	(55)	(97)
Profit (loss) attributable to owners of parent	(55)	(97)

2) Statements of Comprehensive Income

(Millions of yen, rounded down)

	Fiscal 2018—First quarter (April 1–June 30, 2018)	Fiscal 2019—First quarter (April 1–June 30, 2019)
Profit (loss)	¥(55)	¥(97)
Other comprehensive income		
Valuation difference on available-for-sale securities	(134)	(286)
Deferred gains or losses on hedges	—	(0)
Foreign currency translation adjustment	(367)	32
Remeasurements of defined benefit plans, net of tax	292	64
Share of other comprehensive income (loss) of entities accounted for using equity method	(40)	35
Total other comprehensive income (loss)	(249)	(154)
Comprehensive income (loss)	(305)	(252)
Comprehensive income (loss) attributable to owners of the parent	(305)	(252)

(3) 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

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 quarter under review.

Segment Information

Fiscal 2018—First quarter (April 1– June 30, 2018)

Sales, Income (Loss) by Reporting Segment

	Reporting Segment					Other (Note)	Total	Adjustment	Consolidated statements of Income
	Wire Rope	Steel Cord	Product Development	Real Estate	Total				
Net sales									
Sales to outside customers	¥6,844	¥2,873	¥2,196	¥300	¥12,214	¥2,098	¥14,312	¥ —	¥14,312
Intersegment sales or transfers	42	28	1	—	72	182	254	(254)	—
Total	6,886	2,901	2,198	300	12,286	2,280	14,567	(254)	14,312
Segment income (loss)	447	(111)	(498)	73	(89)	117	28	—	28

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 2019—First quarter (April 1– June 30, 2019)

Sales, Income (Loss) by Reporting Segment

	Reporting Segment					Other (Note)	Total	Adjustment	Consolidated statements of Income
	Wire Rope	Steel Cord	Product Development	Real Estate	Total				
Net sales									
Sales to outside customers	¥6,959	¥2,588	¥2,310	¥320	¥12,178	¥2,503	¥14,682	¥ —	¥14,682
Intersegment sales or transfers	40	42	2	—	85	179	265	(265)	—
Total	6,999	2,631	2,313	320	12,264	2,683	14,948	(265)	14,682
Segment income (loss)	334	(322)	(452)	43	(396)	210	(186)	—	(186)

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: Segment profit or segment (loss) is reconciled with the operating loss of the quarterly consolidated statement of income.