



# Consolidated Financial Results for the First 3 Quarters of Fiscal 2019 [Japanese GAAP]

February 7, 2020

Name: **Tokyo Rope Manufacturing Co., Ltd.** Listing: Tokyo Stock Exchange  
 Stock code number 5981 URL: <http://www.tokyoropeco.jp/>  
 Representative: (Title) President (Name) Masaya Asano,  
 Contact: (Title) Executive Officer & General (Name) Kazunori Sato, Phone: +81-3-6366-7777  
 Manager, General Affairs Dept.

Preparation of Supplementary Explanations

of Quarterly Financial Results: February 13, 2020 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 3 Quarters (April 1– December 31, 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	
		%		%		%		%
Fiscal 2019–First 3 quarters	46,392	-0.4	-154	—	-106	—	-202	—
Fiscal 2018–First 3 quarters	46,578	1.7	294	-84.2	322	-82.8	-202	—

Note: Comprehensive income Fiscal 2019–First 3 quarters ¥ -779 million – (-%)  
 Fiscal 2018–First 3 quarters ¥ -1,128 million – (-%)

	Earnings per share (Yen)	Earnings per share (fully diluted) (Yen)
Fiscal 2019–First 3 quarters	-12.56	—
Fiscal 2018–First 3 quarters	-12.54	—

## (2) Financial position

(Millions of yen)

	Total assets	Net assets	Equity ratio
Fiscal 2019–First 3 quarters	85,890	24,810	27.1%
Fiscal 2018–Year-end	84,595	24,246	28.7%

Note: Equity capital at term-end Fiscal 2019–First 3 quarters ¥23,277 million  
 Fiscal 2018–Year-end ¥24,246 million

## 2. Cash dividends

	Cash dividends per share (yen)				
	First quarter	Second quarter	Third quarter	Year-end	Full year
Fiscal 2018	—	0.00	—	40.00	40.00
Fiscal 2019	—	0.00	—	—	—
Fiscal 2019 (est.)	—	—	—	0.00	0.00

Note: Revision of latest cash dividend forecast in review : Yes

Please refer to “Notice concerning revisions to full-year consolidated financial forecasts and projected dividends,” announced today (February 7, 2020), concerning revisions to projected dividends.

## 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	63,000	-1.5	100	-88.3	400	-56.0	200	30.4	12.41

Note: Revision of latest consolidated forecasts in review: Yes

Please refer to “Notice concerning revisions to full-year consolidated financial forecasts and projected dividends,” announced today (February 7, 2020), concerning revisions to full-year consolidated financial forecasts.

\*Notes

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

Newly consolidated — (Company name) Excluded — (Company name)

(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 3quarters	16,268,242 shares	Fiscal 2018	16,268,242 shares
2. Number of treasury shares outstanding	Fiscal 2019–1st 3quarters	159,079 shares	Fiscal 2018	145,806 shares
3. Average number of shares over period (consolidated total for quarter)	Fiscal 2019–1st 3quarters	16,115,763 shares	Fiscal 2018–1st 3quarters	16,122,546 shares

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 3Q: 146,600 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

Despite overall favorable corporate earnings and employment conditions that Japan's economy experienced in the third quarter of the consolidated fiscal year, future prospects yet remain uncertain due to the lengthening of U.S.-China trade friction, conflict between the U.S. and Iran, the spread of a novel coronavirus, and other risk factors affecting the global economy.

Given these circumstances, as the Tokyo Rope Group is now in the final fiscal year of its TCT-Focus 2020 medium-term management plan, which is being deployed based on the three key phrases: "Strengthening of Domestic Business Base," "Challenge to New Materials and Technologies," and "Overseas Business Expansion," unfortunately, it is not likely for the Group to be able to achieve the initial target of the plan, due to factors such as changing environmental conditions and delays in progress on the plan. However, the Group is taking on the remaining issues under the current medium-term management plan as it prepares to link current initiatives to the new medium-term management plan now being formulated.

The Tokyo Rope Group's total sales came to ¥46,392 million in the third quarter under review, down 0.4% year-on-year, due to a marked downturn in steel cord products, although sales of slope-related products were strong and large orders were received for industrial machinery.

In terms of profits, the Group recorded operating loss of ¥154 million (compared to operating income of ¥294 million for the year-earlier period) due to factors such as slower sales of steel cord products including fine wires used in cutting silicon wafers for solar power applications, while posting an ordinary loss of ¥106 million (compared to ordinary income of ¥322 million for the year-earlier period) and net loss attributable to owners of the parent company of ¥202 million (compared to net loss of ¥202 million for the year-earlier period).

Results by business segment of the Group were as follows:

#### Wire Rope

Owing to decreased demand for general rope products other than elevator rope, such as those used in shipbuilding, machinery, and fishery, and a slowdown in sales of wire products, segment sales totaled ¥20,547 million (down 2.5% year-on-year), while operating income was ¥868 million (down 18.9% from the year-earlier period) due to factors including increased depreciation costs accompanying strategic investment in areas such as IT systems and plant renovations.

#### Steel Cord

Total sales in the Steel Cord segment declined to ¥7,490 million, down 8.5% year-on-year, for an operating loss of ¥1,166 million (compared to a loss of ¥556 million for the year-earlier period), due to the considerable impact of decreased sales volumes for tire cords and decreased demand for fine wires used in cutting silicon wafers for solar power applications.

#### Product Development

Thanks to strong sales of slope-related products, total sales for the Product Development segment stood at ¥10,805 million, up 12.1% year-on-year. With overseas businesses, which the Group considers to be a strategic growth field, also steadily improving in performance, operating loss in this segment improved year-on-year, to ¥499 million (compared to a loss of ¥918 million for the year-earlier period).

#### Real Estate

Total sales for the real estate segment came to ¥978 million, up 9.0% year-on-year, while operating income totaled ¥264 million, up 18.3% year-on-year, thanks to the contributions such as partial renovations to retail facilities.

#### Other

While sales of industrial machinery grew, factors such as a sales decrease in oil-related products due to the unseasonably warm winter brought total sales of the Other segment to ¥6,571 million, down 3.0% year-on-year. In addition, due to an increase in costs accompanying expansion of production capacity for powdered metallic products, operating income came to ¥377 million, down 20.5% year-on-year.

## **(2) Financial Position**

### **Assets, Liabilities, and Net Assets**

Total assets of the Tokyo Rope Group at the end of the third quarter was ¥85,890 million, increased by ¥1,295 million from the end of the previous consolidated fiscal year due to increases in cash and deposits and in inventories, although investment securities decreased due to revaluation.

Total liabilities increased ¥731 million from the end of the previous consolidated fiscal year to ¥61,080 million as a result of an increase in long-term borrowings, although short-term borrowings decreased.

Net assets stood at ¥24,810 million, increased by ¥564 million compared to the end of the previous consolidated fiscal year due to the recording of net quarterly losses, payment of dividends, and a decrease in valuation difference on available-for-sale securities, although non-controlling interests increased due to capital increases by subsidiaries through third-party allocation of shares.

## **(3) Performance Forecasts**

Full-year forecasts of business performance have been revised downward in consideration of the fact that progress through the third quarter has fallen short of initial forecasts and, although growth is expected in the fourth quarter in domestic disaster-prevention businesses, some large-scale orders in product development have been delayed, and future economic prospects still remain uncertain. Likewise, dividend forecasts also have been revised downward.

## 2. Quarterly Consolidated Financial Statements

### (1) Balance Sheet

(Millions of yen, rounded down)

	Fiscal 2018 (March 31, 2019)	Fiscal 2019–First 3 quarters (December 31, 2019)
<b>ASSETS</b>		
Current assets		
Cash and bank deposits	3,331	4,181
Notes and accounts receivable	13,898	13,587
Commodities and products	6,395	6,585
Goods in process	4,603	5,348
Materials and supplies	4,370	4,742
Other	1,398	1,742
Allowance for doubtful accounts	(16)	(16)
Total current assets	33,980	36,169
Fixed assets		
Property, plant and equipment		
Buildings and structures (net)	7,763	7,711
Machinery vehicles (net)	7,695	7,177
Land	18,305	18,301
Construction in progress	978	737
Other (net)	1,466	2,235
Total property, plant and equipment	36,209	36,162
Intangibles	796	753
Investments and other assets		
Investment securities	7,555	6,843
Net defined benefit asset	158	231
Deferred tax assets	2,911	2,401
Other	3,294	3,620
Allowance for doubtful accounts	(312)	(290)
Total investments and other assets	13,608	12,805
Total fixed assets	50,614	49,721
<b>Total assets</b>	<b>84,595</b>	<b>85,890</b>

(Millions of yen, rounded down)

	Fiscal 2018 (March 31, 2019)	Fiscal 2019–First 3 quarters (December 31, 2019)
<b>LIABILITIES</b>		
Current liabilities		
Notes and accounts payable	12,301	12,453
Short-term borrowings	12,437	6,880
Accrued expenses	2,559	2,419
Reserve for employees' bonuses	833	496
Provision for loss on disaster	137	–
Other	5,708	5,964
<b>Total current liabilities</b>	<b>33,977</b>	<b>28,214</b>
Long-term liabilities		
Long-term loans	14,971	21,390
Deferred tax liabilities for land revaluation	4,183	3,926
Net defined benefit liability	4,633	4,413
Other	2,583	3,136
<b>Total long-term liabilities</b>	<b>26,371</b>	<b>32,866</b>
<b>Total liabilities</b>	<b>60,349</b>	<b>61,080</b>
<b>NET ASSETS</b>		
Shareholders' equity		
Common stock	1,000	1,000
Capital surplus	684	1,045
Retained earnings	14,036	13,827
Treasury stock	(309)	(315)
<b>Total shareholders' equity</b>	<b>15,411</b>	<b>15,558</b>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	155	(135)
Deferred gains or losses on hedges	0	0
Revaluation reserve for land	9,718	9,074
Foreign currency translation adjustment	(247)	(621)
Remeasurements of defined benefit plans	(792)	(598)
<b>Total accumulated other comprehensive income</b>	<b>8,834</b>	<b>7,719</b>
Non-controlling interests	–	1,532
<b>Total net assets</b>	<b>24,246</b>	<b>24,810</b>
<b>Total liabilities and net assets</b>	<b>84,595</b>	<b>85,890</b>

## (2) Statements of Income and Statements of Comprehensive Income

### Statements of Income

Cumulative through the third quarter of consolidated fiscal year

(Millions of yen, rounded down)

	Fiscal 2018—First 3 quarters (April 1 – December 31, 2018)	Fiscal 2019—First 3 quarters (April 1 – December 31, 2019)
Net sales	46,578	46,392
Cost of sales	37,921	38,283
Gross profit	8,656	8,108
Selling, general and administrative expenses	8,362	8,263
Operating income (loss)	294	(154)
Other income		
Interest income	13	21
Dividend income	180	173
Share of profit of entities accounted for using equity method	–	173
Other	286	185
Total other income	480	553
Other expenses		
Interest expense	211	212
Other	240	292
Total other expenses	451	505
Ordinary income (loss)	322	(106)
Extraordinary income		
Gain on change in equity	–	160
Gain on sales of investment securities	–	60
Total extraordinary income	–	221
Extraordinary losses		
Impairment loss	–	10
Loss on retirement of non-current assets	–	10
Loss on sales of investment securities	–	10
Loss on valuation of investment securities	134	0
Loss on disaster	220	–
Other	54	3
Total extraordinary losses	409	36
Income (loss) before income taxes	(86)	78
Income taxes	116	386
Profit (loss)	(202)	(307)
Profit (loss) attributable to non-controlling interests	–	(105)
Profit (loss) attributable to owners of parent	(202)	(202)

Statement of Comprehensive Income

Cumulative through the third quarter of consolidated fiscal year

(Millions of yen, rounded down)

	Fiscal 2018—First 3 quarters (April 1— December 31, 2018)	Fiscal 2019—First 3 quarters (April 1 – December 31, 2019)
Profit (loss)	(202)	(307)
Other comprehensive income		
Valuation difference on available-for-sale securities	(1,230)	(290)
Deferred gains or losses on hedges	—	0
Foreign currency translation adjustment	(83)	(218)
Remeasurements of defined benefit plans, net of tax	473	193
Share of other comprehensive income (loss) of entities accounted for using equity method	(86)	(155)
Total other comprehensive income (loss)	(926)	(471)
Comprehensive income (loss)	(1,128)	(779)
Comprehensive income attributable to		
Comprehensive income (loss) attributable to owners of the parent	(1,128)	(678)
Comprehensive income attributable to non-controlling interests	—	(100)

### **(3) Notes on Consolidated Financial Statements**

#### **Notes on Going-concern Assumptions**

None

#### **Notes in the Event of Major Changes in Shareholders' Equity**

The Company's wholly owned subsidiary Toko Steel Cord Co., Ltd. conducted capital increases through third-party allocation of shares with pay-in dates of September 30 and December 30, 2019, naming Hongduk Industrial Co., Ltd., a member of the Kiswire Group, and the Company as the recipients of allocation.

As a result, during the third quarter of the consolidated fiscal year, capital surplus increased by ¥361 million, to stand at ¥1,045 million at the end of the third quarter of the consolidated fiscal year.

#### **Application of Special Accounting Treatment**

Tax expenses are calculated by reasonably estimating the effective tax rate after application of tax effect accounting to earnings before taxes in the consolidated fiscal year that includes this third quarter and multiplying this estimated effective tax rate by earnings before taxes.

Segment Information, etc.

Segment information

Fiscal 2018—First 3 quarters (April 1– December 31, 2018)

Sales, Income (Loss) by Reporting Segment

(Millions of yen)

	Reporting Segment					Other (Note)	Total	Adjustment	Consolidated Statement of Income
	Wire Rope	Steel cord	Product development	Real estate	Total				
Net sales									
Sales to outside customers	21,083	8,183	9,636	897	39,802	6,776	46,578	–	46,578
Intersegment sales or transfers	155	123	6	–	285	678	964	(964)	–
Total	21,239	8,307	9,643	897	40,088	7,454	47,543	(964)	46,578
Segment income (loss)	1,070	(556)	(918)	223	(180)	474	294	–	294

Note: The “Other” business segment consists of businesses not included in the reporting segments, including the industrial machinery, powdered metals, and petroleum businesses.

Cumulative through the third quarter of this consolidated fiscal year (April 1 – December 31, 2019)

Sales, Income (Loss) by Reporting Segment

(Millions of yen)

	Reporting Segment					Other (Note)	Total	Adjustment	Consolidated Statement of Income
	Wire Rope	Steel cord	Product development	Real estate	Total				
Net sales									
Sales to outside customers	20,547	7,490	10,805	978	39,821	6,571	46,392	–	46,392
Intersegment sales or transfers	161	144	178	–	485	617	1,102	(1,102)	–
Total	20,708	7,635	10,983	978	40,306	7,188	47,494	(1,102)	46,392
Segment income (loss)	868	(1,166)	(499)	264	(532)	377	(154)	–	(154)

Note: The “Other” business segment consists of businesses not included in the reporting segments. It includes the Company’s industrial machinery, powdered metals, and petroleum businesses.