

November 9, 2011

# Consolidated Financial Results for the First 2 Quarters of Fiscal 2011 [Japanese GAAP]

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

Listing: **Tokyo Stock Exchange, Osaka Securities Exchange**

Stock code number: **5981**

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Preparation of Supplementary Explanations of Quarterly Financial Results: **November 11, 2011**

Start of cash dividend payments: **-**

Supplementary quarterly materials prepared: **None**

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

## 1. Fiscal 2011-First 2 quarters (April 1–September 30, 2011)

### (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		Net income	
	(Yen)	(% change from previous year)	(Yen)	(% change)	(Yen)	(% change)	(Yen)	(% change)
Fiscal 2011–First 2 quarters	¥35,965	+9.6%	¥1,205	41.8%	¥976	76.0%	¥126	-
Fiscal 2010–First 2 quarters	32,802	+3.7	850	-	555	-	-483	-

Note: Comprehensive income

Fiscal 2011–1st 2 quarters: ¥-113 million (-%)

Fiscal 2010–1st 2 quarters: ¥-777 million (-%)

	Net income per share	Net income per share (fully diluted)
	(Yen)	(Yen)
Fiscal 2011–First 2 quarters	¥0.87	¥0.87
Fiscal 2010–First 2 quarters	-3.31	-

### (2) Financial position

(Millions of yen, except per share data, rounded down)

	Total assets	Net assets	Equity ratio
	Fiscal 2011–First 2 quarters	¥111,972	¥42,386
Fiscal 2010–Year-end	104,937	42,915	38.2

Note: Equity capital at term-end

Fiscal 2011–1st 2 quarters: ¥39,400 million

Fiscal 2010: ¥40,110 million

## 2. Cash dividends

	Cash dividend per share (yen)				
	First quarter	Second quarter	Third quarter	Year-end	Full year
Fiscal 2010	-	¥0.00	-	¥2.50	¥2.50
Fiscal 2011	-	0.00	-	-	-
Fiscal 2011 (est.)	-	-	-	2.50	2.50

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

### 3. Forecast for fiscal 2010 (April 1, 2010–March 31, 2011)

(Millions of yen, rounded down; percentage figures denote year-on-year change)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
Full year	¥75,000	4.3%	¥2,500	-27.8%	¥2,100	-31.2%	¥800	4.5%	¥5.51

(Note) Revision of latest consolidated forecasts in review: Yes

### 4. Other

(1) Significant changes in subsidiaries during the period (changes in specific subsidiaries due to change in scope of consolidation):

None

Note: This refers to the existence of changes to specific subsidiaries due to changes in the scope of consolidation in the period under review.

(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

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 2011–1st 2 quarters: 162,682,420

Fiscal 2010: 162,682,420

2. Number of treasury shares outstanding

Fiscal 2011–1st 2 quarters: 17,458,310

Fiscal 2010: 17,536,571

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

Fiscal 2011–1st 2 quarters: 145,199,325

Fiscal 2010–1st 2 quarters: 146,086,965

#### 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 not been completed.

#### 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) Consolidated Business Results

During the first two quarters of the consolidated fiscal year, ending March 31, 2012 under review, the business environment surrounding the Tokyo Rope Group produced increasing uncertainty. Despite the recovery of production activity, which plunged temporarily in the wake of the Great East Japan Earthquake, business anxiety was driven by multiple concerns, including Europe's financial crisis, the ongoing appreciation of the yen and restrictions on the supply of electric power.

Given these circumstances, the Tokyo Rope Group reported consolidated net sales of ¥35,965 million, up 9.6% from the same period of the previous fiscal year. Although sales of tire cord contracted sharply, reflecting the negative impact of the earthquake, total sales were higher because of the growth in wire saw sales.

With respect to earnings, boosted by the growth in net sales, operating income amounted to ¥1,205 million, up 41.8% from the corresponding period in the previous year, and ordinary income totaled ¥976 million, 76.0% higher than in the same period one year earlier. For the period, the Group reported net income of ¥126 million, compared with a loss of ¥483 million in the corresponding period of the previous consolidated fiscal year. Included in this result was an extraordinary expense of ¥829 million for compensatory repair cost related to product development segment

Results for each of the Group's business segments were as follows:

#### Wire Rope

Domestic sales volumes of rope and wire dipped slightly year-on-year, while rope for export increased. We also reported an increase in sales volume of fiber rope, especially in marine-related products.

As a result, total sales in the Wire Rope segment amounted to ¥13,548 million.

#### Steel Cord

Sales volumes of tire cord in Japan declined compared with the same period one year ago under the impact of the Great East Japan Earthquake. Sales of saw wire related to solar power generation also fell in Japan year-on-year, showing a pattern similar to that for tire cord, but exhibited steady growth in China. In addition, the number of wire saw sold also rose compared with the same period of the previous consolidated fiscal year.

Accordingly, total sales in the Steel Cord segment amounted to ¥13,525 million.

#### Product Development

Orders for road safety equipment exceeded the volume in the corresponding period one year ago but sales in this period edged down year-on-year, and sales in the Product Development segment amounted to ¥4,367 million.

#### Real Estate

Sales in the Real Estate segment were slightly lower than in the same period one year-ago, slipping to ¥585 million.

#### Other

Sales powder metallurgy products and oil products both expanded, and sales totaled ¥3,937 million.

## **(2) Financial Position**

### **1) Assets, Liabilities and Net Assets**

At September 30, 2011, the Tokyo Rope Group had total assets of ¥111,972 million, up ¥7,034 million from March 31, 2011. This was mainly due to increases in inventories and property, plant and equipment.

Total liabilities increased ¥7,563 million compared with the end of the previous consolidated fiscal year to ¥69,585 million, due mainly to an increase in borrowings.

Net assets declined ¥529 million, to ¥42,386 million. This was due mainly to a decrease in valuation difference on available-for-sale securities and the payment of cash dividends.

### **2) Cash Flows**

Cash and cash equivalents on September 30, 2011 totaled ¥3,314 million, down ¥166 million from March 31, 2011.

Net cash used in operating activities amounted to ¥3,678 million, which mainly reflected an increase in notes and accounts receivable and an increase in inventories.

Net cash used in investing activities totaled ¥3,078 million, mainly due to purchases of fixed assets.

Net cash provided by financing activities was ¥6,014 million, due mainly to increases in borrowings.

## **(3) Performance Forecasts**

Performance in the second half of the consolidated fiscal year is forecast to fall below the levels envisaged in the Group's previous forecast. In addition to a slump in demand in the solar power generation business originating in Europe's financial crisis, earnings for the Steel Cord segment are deteriorating rapidly because of intensified competition in the saw wire market in China.

For its projected results for the fiscal year ending March 2012, based on its operating results for the interim period and the outlook for the second half the Tokyo Rope Group has revised its full-year projected results forecast released in the "Consolidated Financial Results for the fiscal period ended March 2011" dated May 11, 2011.

## **2. Summary (Other) Information**

### **(1) Significant Changes in 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 2 quarters.

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

Not applicable

#### **(Additional Information)**

For the accounting changes and error corrections made in after the beginning of the year ending March 31, 2012, we have applied the "Accounting Standard for Accounting Changes and Error Corrections" (ASBJ Statement No.24 of December 4, 2009) and the "Guidance on Accounting Standard for Accounting Changes and Error Corrections" (ASBJ Guidance No.24 of December 4, 2009).

### 3. Quarterly Consolidated Financial Statements

#### (1) Balance Sheets

(Millions of yen, rounded down)

	Fiscal 2010 (March 31, 2011)	Fiscal 2011–First 2 quarters (September 30, 2011)
<b>ASSETS</b>		
Current assets		
Cash and bank deposits	¥ 3,515	¥ 3,343
Notes and accounts receivable	16,778	18,289
Commodities and products	4,365	5,433
Goods in process	8,439	10,651
Materials and supplies	3,634	4,273
Other	3,455	3,993
Allowance for doubtful accounts	(36)	(38)
<b>Total current assets</b>	<b>40,152</b>	<b>45,948</b>
Fixed assets		
Property, plant and equipment		
Buildings and structures (net)	8,973	9,083
Machinery and vehicles (net)	14,032	15,088
Land	18,297	18,297
Trust assets (net)	7,878	7,727
Construction in progress	2,088	2,627
Other (net)	1,504	2,069
<b>Total property, plant and equipment</b>	<b>52,774</b>	<b>54,892</b>
Intangibles	707	728
Investments and other assets		
Investment securities	6,118	5,823
Deferred tax assets	1,868	1,868
Other	3,721	3,054
Allowance for doubtful accounts	(426)	(361)
<b>Total investments and other assets</b>	<b>11,282</b>	<b>10,385</b>
<b>Total fixed assets</b>	<b>64,764</b>	<b>66,006</b>
Deferred assets	20	17
<b>Total assets</b>	<b>104,937</b>	<b>111,972</b>

(Millions of yen, rounded down)

	Fiscal 2010 (March 31, 2011)	Fiscal 2011–First 2 quarters (September 30, 2011)
<b>LIABILITIES</b>		
Current liabilities		
Notes and accounts payable	¥ 16,164	¥ 15,126
Short-term borrowings	13,147	20,430
Accrued expenses	1,697	2,330
Reserve for employees' bonuses	1,017	972
Other	6,469	4,523
<b>Total current liabilities</b>	<b>38,496</b>	<b>43,383</b>
Long-term liabilities		
Long-term loans	8,649	10,324
Deferred tax liabilities due to revaluation	6,634	6,634
Reserve for employees' retirement bonuses	4,300	4,485
Long-term deposits in trust	1,500	1,500
Other	2,441	3,258
<b>Total long-term liabilities</b>	<b>23,525</b>	<b>26,202</b>
<b>Total liabilities</b>	<b>62,022</b>	<b>69,585</b>
<b>NET ASSETS</b>		
Shareholders' equity		
Common stock	15,074	15,074
Capital surplus	8,574	8,575
Retained earnings	10,095	9,790
Treasury stock	(3,284)	(3,270)
<b>Total shareholders' equity</b>	<b>30,459</b>	<b>30,169</b>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	170	(177)
Deferred gains or losses on hedges	0	(0)
Land revaluation difference	10,005	10,005
Foreign currency translation adjustment	(524)	(595)
<b>Total accumulated other comprehensive income</b>	<b>9,651</b>	<b>9,231</b>
Minority interests	2,804	2,985
<b>Total net assets</b>	<b>42,915</b>	<b>42,386</b>
<b>Total liabilities and net assets</b>	<b>104,937</b>	<b>111,972</b>

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

### 1) Statements of Income

(Millions of yen, rounded down)

	Fiscal 2010—First 2 quarters (April 1–September 30, 2010)	Fiscal 2011—First 2 quarters (April 1–September 30, 2011)
Net sales	¥32,802	¥35,965
Cost of sales	26,975	29,159
Gross profit	5,826	6,805
Selling, general and administrative expenses	4,976	5,600
Operating income	850	1,205
Other income		
Interest income	10	15
Dividend income	72	75
Other	173	188
Total other income	255	279
Other expenses		
Interest expense	294	175
Foreign exchange gains	114	175
Other	142	157
Total other expenses	551	508
Ordinary income	555	976
Extraordinary expenses		
Loss on sales of investment securities	—	29
Loss on valuation of investment securities	365	7
Loss on adjustment for changes of accounting standard for asset retirement obligations	499	—
Compensatory repair cost	—	829
Loss on disaster	—	77
Other	—	8
Total extraordinary expenses	864	952
Income (loss) before income taxes	(309)	24
Income taxes	39	(264)
Income (loss) before minority interests	(348)	289
Minority interests in earnings of affiliates	135	162
Net income (loss)	(483)	126

## 2) Statement of Comprehensive Income

(Millions of yen, rounded down)

	Fiscal 2010—First 2 quarters (April 1–September 30, 2010)	Fiscal 2011—First 2 quarters (April 1–September 30, 2011)
Income (loss) before minority interests	¥(348)	¥289
Other comprehensive income		
Valuation difference on available-for-sale securities	(205)	(347)
Deferred gains or losses on hedges	2	(1)
Foreign currency translation adjustment	(208)	(65)
Share of other comprehensive income of associates accounted for using equity method	(16)	12
Total other comprehensive income	(428)	(402)
Comprehensive income	(777)	(113)
Comprehensive income attributable to Comprehensive income attributable to owners of the parent	(872)	(294)
Comprehensive income attributable to minority interests	94	180

### (3) Statements of Cash Flows

(Millions of yen, rounded down)

	Fiscal 2010—First 2 quarters (April 1–September 30, 2010)	Fiscal 2011—First 2 quarters (April 1–September 30, 2011)
Operating activities		
Income (loss) before income taxes	¥ (309)	¥ 24
Depreciation	1,799	1,870
Increase (decrease) in reserve for employees' bonuses	(89)	(44)
Increase (decrease) in reserve for employees' retirement bonuses	260	184
Loss on adjustment for changes of accounting standard for asset retirement obligations	503	—
Interest expense	294	175
Interest and dividend income	(82)	(90)
(Gain) loss on sales investments securities	—	29
(Gain) loss on valuation of investment securities	365	7
Compensatory repair cost	—	829
Loss on disaster	—	77
(Increase) decrease in notes and accounts receivable	2,128	(1,400)
(Increase) decrease in inventories	(2,257)	(3,630)
Increase (decrease) in notes and accounts payable	2,395	(1,134)
Increase (decrease) in advances received	1,888	636
Other	(580)	(2)
Subtotal	6,315	(2,468)
Interest and dividends received	85	91
Interest paid	(296)	(178)
Directors' retirement bonuses paid	—	(32)
Payments for compensatory repair cost	—	(331)
Payments for loss on disaster	—	(337)
Income tax paid	(496)	(421)
Net cash provided by (used in) operating activities	5,607	(3,678)
Investing activities		
Purchases of investment securities	(19)	(7)
Proceeds from sales of investment securities	—	18
Purchase of stocks of subsidiaries and affiliates	(1,000)	(1,131)
Loans extended	(275)	(13)
Proceeds from loans recovered	30	20
Purchases of property, plant and equipment	(1,271)	(2,668)
Proceeds from sales of property, plant and equipment	29	821
Other	(223)	(117)
Net cash used in investing activities	(2,729)	(3,078)

(Millions of yen, rounded down)

	Fiscal 2010—First 2 quarters (April 1–September 30, 2010)	Fiscal 2011—First 2 quarters (April 1–September 30, 2011)
Financing activities		
Net increase (decrease) in short-term borrowings	¥ (323)	¥7,577
Proceeds from long-term borrowings	2,132	2,500
Repayment of long-term borrowings	(3,132)	(1,151)
Repayment of construction support funds	(300)	(2,400)
Cash dividends paid	(364)	(362)
Proceeds from disposal of treasury stock	4	15
Purchase of treasury stock	(264)	(0)
Other	(37)	(164)
Net cash provided by (used in) financing activities	(2,286)	6,014
Effect of exchange rate changes on cash and cash equivalents	(15)	(22)
Net increase (decrease) in cash and cash equivalents	576	(765)
Cash and cash equivalents at beginning of term	1,645	3,480
Increase in cash and cash equivalents due to inclusions in consolidation	—	599
Decrease in cash and cash equivalents due to exclusions from consolidation	(33)	—
Cash and cash equivalents at end of term	2,189	3,314

#### (4) Notes on Going-concern Assumptions

Fiscal 2011–First 2 quarters (April 1–September 30, 2011)

None

#### (5) Segment Information

Segment Information

Fiscal 2010–First 2 quarters (April 1–September 30, 2010)

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	¥13,111	¥11,039	¥4,529	¥613	¥29,293	¥3,509	¥32,802	¥ —	¥32,802
Intersegment sales or transfers	58	—	3	—	61	453	515	(515)	—
Total	13,169	11,039	4,532	613	29,354	3,963	33,318	(515)	32,802
Segment income (loss)	266	505	(302)	306	775	74	850	—	850

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 2011–First 2 quarters (April 1–September 30, 2011)

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	¥13,548	¥13,525	¥4,367	¥585	¥32,027	¥3,937	¥35,965	¥ —	¥35,965
Intersegment sales or transfers	44	—	54	—	99	639	739	(739)	—
Total	13,593	13,525	4,422	585	32,127	4,577	36,704	(739)	35,965
Segment income (loss)	525	544	(313)	245	1,001	203	1,205	—	1,205

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.

#### (6) Note in the Event of Major Changes in Shareholders’ Equity

Fiscal 2011–First 2 quarters (April 1–September 30, 2011)

None