

November 9, 2012

Consolidated Financial Results for the First 2 Quarters of Fiscal 2012 [Japanese GAAP]

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

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

Stock code number: **5981**

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

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Preparation of Supplementary Explanations of Quarterly Financial Results: **November 14, 2012**

Start of cash dividend payments: **–**

Supplementary quarterly materials prepared: **None**

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

1. Fiscal 2012–First 2 Quarters (April 1–September 30, 2012)

(1) Results of Operations

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

	Net sales		Operating income (loss)		Ordinary income (loss)		Net income (loss)	
	(Yen)	(% change from previous year)	(Yen)	(% change)	(Yen)	(% change)	(Yen)	(% change)
Fiscal 2012–First 2 quarters	¥30,860	-14.2%	¥(2,362)	–%	¥(2,558)	–%	¥(2,769)	–%
Fiscal 2011–First 2 quarters	35,965	+9.6	1,205	+41.8	976	+76.0	126	–

Note: Comprehensive income (loss)

Fiscal 2012–1st 2 quarters: ¥(3,193) million (–%)

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

	Net income (loss) per share	Net income per share (fully diluted)
	(Yen)	(Yen)
Fiscal 2012–First 2 quarters	¥(19.07)	¥ –
Fiscal 2011–First 2 quarters	0.87	0.87

(2) Financial Position

(Millions of yen, rounded down)

	Total assets	Net assets	Equity ratio
Fiscal 2012–First 2 quarters	¥102,483	¥36,617	33.0%
Fiscal 2011–Year-end	105,487	40,173	35.3

Note: Equity capital at term-end

Fiscal 2012–1st 2 quarters: ¥33,829 million

Fiscal 2011: ¥37,268 million

2. Cash Dividends

	Cash dividend per share (yen)				
	First quarter	Second quarter	Third quarter	Year-end	Full year
Fiscal 2011	–	¥0.00	–	¥2.50	¥2.50
Fiscal 2012	–	0.00			
Fiscal 2012 (est.)			–	0.00	0.00

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

3. Forecast for Fiscal 2012 (April 1, 2012–March 31, 2013)

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

	Net sales	Operating income (loss)	Ordinary income (loss)	Net income (loss)	Net income (loss) per share
Full year	¥ 67,000 - 12.3%	¥(2,200) -%	¥(2,500) -%	¥(2,900) -%	¥(19.97)

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

Notes

(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: Yes
2. Other changes in accounting policies: None
3. Changes in accounting estimates: Yes
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 2012–1st 2 quarters: 162,682,420
Fiscal 2011: 162,682,420
2. Number of treasury shares outstanding
Fiscal 2012–1st 2 quarters: 17,467,882
Fiscal 2011: 17,464,495
3. Average number of shares over period (consolidated total for quarter)
Fiscal 2012–1st 2 quarters: 145,216,703
Fiscal 2011–1st 2 quarters: 145,199,325

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, 2013, the Japanese economy continued to remain unable to see its future course clearly, impacted by such factors as the stagnant global economy, including the European sovereign debt crisis and the slowdown in emerging economies, and the prolonged appreciation of the yen.

Under such circumstances, consolidated net sales of the Tokyo Rope Group decreased 14.2% year-on-year to ¥30,860 million for the first two quarters, primarily due to a large decrease in the sales of saw wire and wire saw, both products related to solar power generation.

The decrease in sales also impacted profits, as the Group recorded operating loss of ¥2,362 million (in contrast to operating income of ¥1,205 million year-on-year) and ordinary loss of ¥2,558 million (same, ordinary income of 976 million). The Group posted net loss of 2,769 million (same, net income of 126 million), recording extraordinary expenses that included ¥855 million for business structure improvement expenses and ¥244 million for loss on valuation of investment securities.

Results by business segment of the Group were as follows:

Wire Rope

Domestic sales volume of rope and wire declined year-on-year, while export sales volume of rope as well as elevator rope in overseas markets increased. Sales volume of fiber rope also remained strong.

As a result, total sales in the Wire Rope segment amounted to ¥13,211 million.

Steel Cord

Sales volume of tire cord in Japan recovered from the decline a year ago under the impact of the earthquake, but saw wire decreased year-on-year both in volume and unit price. In China, sales dropped year-on-year, as the volume of tire cord sold decreased and the saw wire unit price declined. Sales volume of wire saw also decreased year-on-year.

Accordingly, total sales in the Steel Cord segment amounted to ¥8,367 million.

Product Development

Sales of road safety equipment decreased from the corresponding period in the previous year, but bridge-related sales were higher year-on-year, bringing Product Development sales to ¥4,570 million.

Real Estate

Sales in the Real Estate segment increased slightly year-on-year totaling ¥591 million.

Other

Sales of powder metallurgy products and industrial machinery (automatic weighing machines and packaging machines) increased, causing sales for the Other segment to reach ¥4,119 million.

(2) Financial Position

Assets, Liabilities and Net Assets

As of September 30, 2012, the Tokyo Rope Group had total assets of ¥102,483 million. The figure represented a drop of ¥3,003 million from the end of the previous consolidated fiscal year (March 31, 2012), caused mainly by a decrease in accounts receivable.

Total liabilities increased ¥553 million from the end of the previous consolidated fiscal year to ¥65,866 million due to an increase in borrowings, despite a decrease in notes and accounts payable.

Net assets totaled ¥36,617 million, down ¥3,556 million compared with the end of the previous consolidated fiscal year. The decrease was due to recording of net loss for the quarters under review and payment of cash dividends, among other things.

Cash Flows

At September 30, 2012, cash and cash equivalents totaled ¥2,614 million, up ¥792 million from March 31, 2012.

Net cash provided by operating activities amounted to ¥1,161 million, due mainly to a decrease in notes and accounts receivable.

Net cash used in investing activities totaled ¥736 million, mainly due to purchases of fixed assets.

Net cash provided by financing activities was ¥411 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 of sales and profits envisaged in the Group's previous forecast. This is because, in addition to the ongoing deterioration of the solar power generation business, earnings for the Steel Cord segment failed to improve earnings due to the stagnancy in the tire cord market on a global scale.

For its projected results for the fiscal year ending March 2013, based on its performance forecast in the second half of the period, the Tokyo Rope Group has revised its full-year projected results forecast released in the "Consolidated Financial Results for the Fiscal 2011" dated May 11, 2012.

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

Changes in Accounting Policies that are Difficult to Distinguish from Changes in Accounting Estimates

In accordance with the revisions made to the Corporation Tax Act, the Company and its domestic consolidated subsidiaries newly applied the depreciation method based on the revised Corporation Tax Act for property, plant and equipment acquired on April 1, 2012 or after, starting from the period under review (first quarter of fiscal 2012 ending March 31, 2013).

The change had only a slight impact on the operating loss, ordinary loss and loss before income taxes for the period under review (first 2 quarters of fiscal 2012 ending March 31, 2013).

3. Quarterly Consolidated Financial Statements

(1) Balance Sheets

(Millions of yen, rounded down)

	Fiscal 2011 (March 31, 2012)	Fiscal 2012–First 2 quarters (September 30, 2012)
ASSETS		
Current assets		
Cash and bank deposits	¥ 1,857	¥ 2,644
Notes and accounts receivable	19,384	15,120
Commodities and products	5,196	5,103
Goods in process	7,443	7,340
Materials and supplies	4,154	4,257
Other	2,378	3,658
Allowance for doubtful accounts	(36)	(34)
Total current assets	40,378	38,091
Fixed assets		
Property, plant and equipment		
Buildings and structures (net)	13,669	13,472
Machinery and vehicles (net)	13,697	13,518
Land	21,166	21,166
Construction in progress	1,936	2,126
Other (net)	1,980	1,940
Total property, plant and equipment	52,450	52,223
Intangibles	609	689
Investments and other assets		
Investment securities	6,593	5,752
Deferred tax assets	2,867	2,937
Other	3,025	3,480
Allowance for doubtful accounts	(453)	(704)
Total investments and other assets	12,032	11,465
Total fixed assets	65,092	64,378
Deferred assets	15	14
Total assets	105,487	102,483

(Millions of yen, rounded down)

	Fiscal 2011 (March 31, 2012)	Fiscal 2012–First 2 quarters (September 30, 2012)
LIABILITIES		
Current liabilities		
Notes and accounts payable	¥ 12,394	¥ 11,022
Short-term borrowings	19,826	20,916
Accrued expenses	2,081	2,725
Reserve for employees' bonuses	891	767
Other	3,330	3,339
Total current liabilities	38,525	38,771
Long-term liabilities		
Long-term loans	11,702	11,738
Deferred tax liabilities due to revaluation	5,788	5,788
Reserve for employees' retirement bonuses	4,763	4,806
Other	4,533	4,761
Total long-term liabilities	26,787	27,095
Total liabilities	65,313	65,866
NET ASSETS		
Shareholders' equity		
Common stock	15,074	15,074
Capital surplus	8,575	8,575
Retained earnings	6,290	3,157
Treasury stock	(3,271)	(3,272)
Total shareholders' equity	26,668	23,535
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	482	(5)
Deferred gains or losses on hedges	1	(0)
Land revaluation difference	10,851	10,851
Foreign currency translation adjustment	(733)	(552)
Total accumulated other comprehensive income	10,600	10,293
Minority interests	2,905	2,788
Total net assets	40,173	36,617
Total liabilities and net assets	105,487	102,483

(2) Statements of Income and Statements of Comprehensive Income

1) Statements of Income

(Millions of yen, rounded down)

	Fiscal 2011–First 2 quarters (April 1–September 30, 2011)	Fiscal 2012–First 2 quarters (April 1–September 30, 2012)
Net sales	¥35,965	¥30,860
Cost of sales	29,159	27,528
Gross profit	6,805	3,331
Selling, general and administrative expenses	5,600	5,693
Operating income (loss)	1,205	(2,362)
Other income		
Interest income	15	12
Dividend income	75	103
Other	188	132
Total other income	279	249
Other expenses		
Interest expense	175	268
Foreign exchange losses	175	89
Other	157	87
Total other expenses	508	445
Ordinary income (loss)	976	(2,558)
Extraordinary income		
Gain on sales of investment securities	—	0
Total extraordinary income	—	0
Extraordinary expenses		
Business structure improvement expenses	—	855
Loss on sales of investment securities	29	0
Loss on valuation of investment securities	7	244
Compensatory repair cost	829	—
Loss on disaster	77	—
Other	8	9
Total extraordinary expenses	952	1,109
Income (loss) before income taxes	24	(3,666)
Income taxes	(264)	(756)
Income (loss) before minority interests	289	(2,910)
Minority interests in income (loss)	162	(140)
Net income (loss)	126	(2,769)

2) Statement of Comprehensive Income

(Millions of yen, rounded down)

	Fiscal 2011—First 2 quarters (April 1–September 30, 2011)	Fiscal 2012—First 2 quarters (April 1–September 30, 2012)
Income (loss) before minority interests	¥289	¥(2,910)
Other comprehensive income		
Valuation difference on available-for-sale securities	(347)	(487)
Deferred gains or losses on hedges	(1)	(1)
Foreign currency translation adjustment	(65)	188
Share of other comprehensive income of associates accounted for using equity method	12	16
Total other comprehensive income (loss)	(402)	(282)
Comprehensive income (loss)	(113)	(3,193)
Comprehensive income attributable to Comprehensive income (loss) attributable to owners of the parent	(294)	(3,076)
Comprehensive income (loss) attributable to minority interests	180	(117)

(3) Statements of Cash Flows

(Millions of yen, rounded down)

	Fiscal 2011–First 2 quarters (April 1–September 30, 2011)	Fiscal 2012–First 2 quarters (April 1–September 30, 2012)
Operating activities		
Income (loss) before income taxes	¥ 24	¥(3,666)
Depreciation	1,870	1,658
Increase (decrease) in reserve for employees' bonuses	(44)	(123)
Increase (decrease) in reserve for employees' retirement bonuses	184	43
Interest expense	175	268
Interest and dividend income	(90)	(116)
(Gain) loss on sales investments securities	29	(0)
(Gain) loss on valuation of investment securities	7	244
Compensatory repair cost	829	—
Loss on disaster	77	—
Business structure improvement expenses	—	855
(Increase) decrease in notes and accounts receivable	(1,400)	3,809
(Increase) decrease in inventories	(3,630)	146
Increase (decrease) in notes and accounts payable	(1,134)	(1,300)
Increase (decrease) in advances received	636	38
Other	(2)	(265)
Subtotal	(2,468)	1,593
Interest and dividends received	91	116
Interest paid	(178)	(270)
Directors' retirement bonuses paid	(32)	(5)
Payments for compensatory repair cost	(331)	—
Payments for loss on disaster	(337)	—
Income tax paid	(421)	(272)
Net cash provided by (used in) operating activities	(3,678)	1,161
Investing activities		
Purchases of investment securities	(7)	(7)
Proceeds from sales of investment securities	18	3
Purchase of stocks of subsidiaries and affiliates	(1,131)	—
Payments of loans receivable	(13)	(63)
Collection of loans receivable	20	68
Purchases of property, plant and equipment	(2,668)	(1,345)
Proceeds from sales of property, plant and equipment	821	651
Other	(117)	(43)
Net cash used in investing activities	(3,078)	(736)

(Millions of yen, rounded down)

	Fiscal 2011–First 2 quarters (April 1–September 30, 2011)	Fiscal 2012–First 2 quarters (April 1–September 30, 2012)
Financing activities		
Net increase (decrease) in short-term borrowings	¥7,577	¥1,249
Proceeds from long-term borrowings	2,500	270
Repayment of long-term borrowings	(1,151)	(453)
Repayment of construction support funds	(2,400)	—
Cash dividends paid	(362)	(361)
Proceeds from disposal of treasury stock	15	0
Purchase of treasury stock	(0)	(1)
Repayments of lease obligations	(164)	(293)
Net cash provided by (used in) financing activities	6,014	411
Effect of exchange rate changes on cash and cash equivalents	(22)	(43)
Net increase (decrease) in cash and cash equivalents	(765)	792
Cash and cash equivalents at beginning of term	3,480	1,822
Increase in cash and cash equivalents due to inclusions in consolidation	599	—
Cash and cash equivalents at end of term	3,314	2,614

(4) Notes on Going-concern Assumptions

Fiscal 2012–First 2 quarters (April 1–September 30, 2012)

None

(5) Segment Information

Segment Information

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

Sales, Income (Loss) by Reporting Segment

(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	¥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.

Fiscal 2012–First 2 quarters (April 1–September 30, 2012)

Sales, Income (Loss) by Reporting Segment

(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	¥13,211	¥ 8,367	¥4,570	¥591	¥26,740	¥4,119	¥30,860	¥ —	¥30,860
Intersegment sales or transfers	64	—	90	—	154	552	707	(707)	—
Total	13,276	8,367	4,660	591	26,895	4,671	31,567	(707)	30,860
Segment income (loss)	557	(2,808)	(433)	194	(2,490)	127	(2,362)	—	(2,362)

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 2012–First 2 quarters (April 1–September 30, 2012)

None