

# Consolidated Financial Results for the First 2 Quarters of Fiscal 2008

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

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

Stock code number: **5981**

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

Representative: **Shigeto Tanaka, President**

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Submission of Quarterly Business Report: **November 11, 2008**

## 1. Fiscal 2008-First 2 quarters (April 1–September 30, 2008)

### (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	
		(% change from previous year)		(% change)		(% change)		(% change)
Fiscal 2008–First 2 quarters	¥39,052	—	¥1,431	—	¥1,160	—	¥257	—
Fiscal 2007–First 2 quarters	34,693	+8.2%	1,241	–19.5%	911	–34.8%	118	–82.0%

  

	Net income per share (Yen)	Net income per share (fully diluted) (Yen)
Fiscal 2008–First 2 quarters	¥1.71	¥1.70
Fiscal 2007–First 2 quarters	0.79	0.78

### (2) Financial position

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

	Total assets	Net assets	Equity ratio	Net assets per share (Yen)
Fiscal 2008–First 2 quarters	¥109,400	¥45,540	39.2%	¥284.68
Fiscal 2007–year-end	108,303	45,976	40.0	287.55

Note: Equity capital at term-end

Fiscal 2008–1st 2 quarters: ¥42,895 million

Fiscal 2007: ¥43,313 million

## 2. Cash dividends

Date of record	Cash dividend per share (yen)				
	First quarter	Second quarter	Third quarter	Year-end	Full year
Fiscal 2007	—	¥0.00	—	¥2.50	¥2.50
Fiscal 2008	—	0.00	—	—	—
Fiscal 2008 (est.)	—	—	—	—	—

(Note) Revision of cash dividend forecast for quarter in review: None

With respect to cash dividend forecasts, the Company seeks to make judgments based on comprehensive consideration of its performance in the current fiscal year and its performance outlook for the future. Therefore, the Company has not determined its cash dividend forecasts for the year ending March 2009. The Company will publicly disclose its dividend policy when such policy is decided.

### 3. Forecast for fiscal 2008 (April 1, 2008–March 31, 2009)

(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	¥86,000	9.6%	¥4,100	1.0%	¥3,500	4.9%	¥1,700	50.3%	¥11.28

(Note) Revision of consolidated forecasts for quarter in review: Yes

### 4. Other

- (1) Important changes in scope of consolidation during period: No
- (2) Simplified accounting method or special accounting method for preparing quarterly financial reports adopted: Yes  
Note: For more details, please refer to “4. Other” on page 4.
- (3) Changes in accounting principles, procedures, disclosure methods, etc., pertaining to preparation of quarterly consolidated financial statements (changes to major basic items for preparing quarterly financial reports)
  1. Changes associated with changes in accounting standards: Yes
  2. Other changes: NoNote: For more details, please refer to “4. Other” on page 4.
- (4) Shares outstanding (common stock) at term-end
  1. Number of shares outstanding (including treasury stock)

Fiscal 2008–1st 2 quarters:	162,682,420
Fiscal 2007:	162,682,420
  2. Number of treasury shares outstanding

Fiscal 2008–1st 2 quarters:	12,000,151
Fiscal 2007:	12,052,817
  3. Average number of shares over period (consolidated total for quarter)

Fiscal 2008–1st 2 quarters:	150,654,050
Fiscal 2007–1st 2 quarters:	151,448,322

#### Appropriate use of business forecasts; other special items

1. The above estimates are based on information available to the Company on the date of this report’s announcement. Due to unforeseen circumstances, however, actual results may differ from such estimates.
2. Effective the fiscal year ending March 2009, the Company applies “Accounting Standard for Quarterly Financial Reporting” (ASBJ Standard No. 12) and “Guidance of Accounting Standard for Quarterly Financial Reporting” (ASBJ Guidance No. 14). In addition, the Company prepares quarterly financial statements according to “Rules for Quarterly Financial Reporting.”

## Performance and Financial Position

### 1. Consolidated Business Results

In the first two quarters—the six months ended September 30, 2008—the world economy was plagued by a major financial crisis due to plummeting share prices on various exchanges and the collapse of several U.S. financial institutions. The impact of the crisis has begun to reverberate in the real economy, which is heading toward a global retraction. In the Japanese economy, as well, there are signs that companies are adjusting production and restraining capital expenditures, underscoring concern that corporate performances will be affected in the future.

The operating environment surrounding the Tokyo Rope Group is growing more and more challenging, due to rising prices of wire rods and fuel, although demand is not falling significantly.

Facing these conditions, the Group pursued sales and production activities reflecting its accurate grasp of firm demand for elevator rope, saw wire, and other items. In addition, we introduced new construction methods and distinctive products, continued our cost-cutting program, and proactively advanced our overseas business. These and other initiatives are aimed at helping us achieve the objectives of our medium-term business plan, entitled Step Up 8-7, launched in June 2007. Under the plan, we are targeting net sales of ¥80 billion and an ordinary income ratio of 7% or higher by fiscal 2009, ending March 2010.

As a result, consolidated net sales for the period amounted to ¥39,052 million, up 12.6% from the previous corresponding period. This increase stemmed from adjustments of selling prices to address rising prices of fuel and raw materials, which compensated for a decline in the volume of products shipped.

Despite surging prices of fuel and raw materials, operating income climbed 15.3%, to ¥1,431 million, driven substantially by the revenue increase. Ordinary income grew 27.3%, to ¥1,160 million, and net income jumped 116.2%, to ¥257 million.

Our results by business segment were as follows:

#### ***Wire Rope & Steel Cord***

In the wire rope category, both domestic sales volume and export volume declined year-on-year. In value terms, however, sales increased as the Group modified the selling prices of some products to address the rising cost of wire rods, a key raw material.

In the steel wire category, sales volume declined due to delays in project implementation schedules. In value terms, however, sales increased as the Group modified the selling prices of some products to address the rising cost of wire rods, a key raw material.

In the steel cord category, we boosted sales of saw wire and hose wire to meet growing demand for solar systems and increasing production of construction machinery. Meanwhile, Tokyo Rope (Changzhou) Co., Ltd., a subsidiary in China, reported growth in shipments of tire cord. Accordingly, sales volume of steel cord increased year-on-year. In value terms, as well, sales increased as the Group modified the selling prices of some products to address the rising cost of wire rods, a key raw material.

As a result, total sales in the Wire Rope & Steel Cord segment totaled ¥23,465 million, up 17.2% from the previous corresponding period.

#### ***Product Development***

In the industrial machinery category, we enjoyed steady growth in sales of wire saw, but sales of automatic weighing machines, packaging machines, and other items declined.

In the environmental materials category, sales were down as falling public works spending led to declines in both sales of parts and components, as well as sales from construction projects.

Accordingly, total sales in the Product Development segment edged up 0.1%, to ¥9,659 million.

#### ***Real Estate***

Sales in this segment remained mostly unchanged, rising 0.8%, to ¥704 million.

#### ***Other***

In the petroleum products category, we adjusted selling prices to reflect the surging costs of crude oil. Accordingly, total sales in the Other segment jumped 20.7%, to ¥5,222 million.

## 2. Financial Position

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

At September 30, 2008, the Tokyo Rope Group had total assets of ¥109,400 million, up ¥1,096 million from March 31, 2008. This was mainly due to increases in inventories and property, plant, and equipment, which contrasted with a decline in notes and accounts receivable as the Group made good progress in payment collections.

Total liabilities rose ¥1,532 million, to ¥63,859 million, due mainly to increases in note and accounts payable, as well as reserve for retirement benefits.

Net assets declined ¥436 million, to ¥45,540 million, due mainly to a payment of dividends and a decrease in unrealized gains on securities stemming from falling share prices.

### (2) Cash Flows

At September 30, 2008, cash and cash equivalents totaled ¥955 million, down ¥936 million from March 31, 2008.

For the year, net cash provided by operating activities amounted to ¥1,962 million, due mainly to income before income taxes.

Net cash used in investing activities totaled ¥1,909 million. Main factors included purchases of property, plant, and equipment and investment securities.

Net cash used in financing activities was ¥991 million. This was due to payment of cash dividends and repayment of long-term debt.

## 3. Information on Performance Forecasts

Business conditions surrounding Tokyo Rope will remain difficult to predict due to the effects of the global financial crisis and economic slowdown.

In response, the Tokyo Rope Group will steady implement measures aimed at achieving the objectives of Step Up 8-7, its medium-term business plan. To this end, we will strive to maintain and improve our financial performances.

In light of our financial performance in the period under review and deteriorating business conditions, we have revised our full-year forecasts for the fiscal year ending March 31, 2009. (Those forecasts were originally announced on May 14, 2008.) Our revised forecasts are net sales of ¥86.0 billion, operating income of ¥4.1 billion, ordinary income of ¥3.5 billion, and net income of ¥1.7 billion.

## 4. Other

### (1) Changes to major subsidiaries during the period (changes to specific subsidiaries pursuant to changes in scope of consolidation)

Not applicable.

### (2) Application of simplified accounting method or special accounting method for quarterly consolidated financial reporting

Income taxes are calculated by multiplying quarterly income before income taxes by the reasonably estimated effective tax rate subsequent to the application of tax effect accounting to the income before income taxes and minority interests for the full year.

### (3) Changes in accounting principles or procedures related to consolidated quarterly financial reporting

1. Effective the fiscal year ending March 31, 2009, the Company has applied “Accounting Standard for Quarterly Financial Reporting” (ASBJ Statement No. 12) and “Guidance on Accounting Standard for Quarterly Financial Reporting” (ASBJ Guidance No. 14). In addition, quarterly financial statements have been prepared in accordance with “Rules on Quarterly Consolidated Financial Statements.”
2. Effective the first quarter of the year ending March 31, 2009, the Company has applied “Accounting Standard for Measurement of Inventories” (ASBJ Statement No. 9, July 5, 2006). Accordingly, such inventories in principle are valued at cost, based on the cost method (value shown on the balance sheets is a devaluation of the book value based on decreased profitability). Compared with the previous accounting method, income before income taxes declined ¥177 million as a result of this change.
3. Effective the first quarter of the year ending March 31, 2009, the Company has applied “Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements” (ASBJ PITF No. 18, May 17, 2006).

## 5. Consolidated Financial Statements

### (1) Balance Sheets (Summary)

(Millions of yen, rounded down)

	Fiscal 2008—First 2 quarters (September 30, 2008)	Fiscal 2007 (March 31, 2008)
<b>ASSETS</b>		
Current assets		
Cash and bank deposits	¥ 981	¥ 1,919
Notes and accounts receivable	18,413	19,306
Commodities and products	5,086	4,448
Goods in process	5,429	4,548
Materials and supplies	3,603	2,861
Deferred tax assets	1,984	1,939
Other	4,151	3,825
Allowance for doubtful accounts	(137)	(143)
<b>Total current assets</b>	<b>39,512</b>	<b>38,707</b>
Fixed assets		
Property, plant and equipment		
Buildings and structures (net)	10,289	10,168
Machinery and vehicles (net)	16,261	15,563
Land	20,853	20,908
Trust assets (net)	8,585	8,734
Construction in progress	809	946
Other (net)	723	686
<b>Total property, plant and equipment</b>	<b>57,521</b>	<b>57,008</b>
Intangibles		
Goodwill	1	—
Other	896	904
<b>Total intangible fixed assets</b>	<b>897</b>	<b>904</b>
Investments and other assets		
Investment securities	6,564	6,403
Deferred tax assets	1,795	1,730
Other	3,330	3,811
Allowance for doubtful accounts	(265)	(263)
<b>Total investments and other assets</b>	<b>11,424</b>	<b>11,682</b>
<b>Total fixed assets</b>	<b>69,843</b>	<b>69,595</b>
Deferred assets	44	0
<b>Total assets</b>	<b>109,400</b>	<b>108,303</b>

(Millions of yen, rounded down)

	Fiscal 2008—First 2 quarters (September 30, 2008)	Fiscal 2007 (March 31, 2008)
<b>LIABILITIES</b>		
Current liabilities		
Notes and accounts payable	¥ 16,108	¥ 15,479
Short-term borrowings	13,847	15,461
Accrued expenses	2,042	1,892
Reserve for employees' bonuses	1,080	1,108
Other	3,019	2,260
<b>Total current liabilities</b>	<b>36,098</b>	<b>36,202</b>
Long-term liabilities		
Long-term loans	8,319	7,000
Deferred tax liabilities	91	26
Deferred tax liabilities due to revaluation	7,630	7,630
Reserve for employees' retirement benefits	3,040	2,795
Reserve for directors' retirement benefits	194	198
Long-term deposits in trust	6,788	6,698
Long-term advances received	843	802
Negative goodwill	—	85
Other	852	888
<b>Total long-term liabilities</b>	<b>27,761</b>	<b>26,125</b>
<b>Total liabilities</b>	<b>63,859</b>	<b>62,327</b>
<b>NET ASSETS</b>		
Shareholders' equity		
Common stock	15,074	15,074
Capital surplus	8,567	8,566
Retained earnings	8,669	8,948
Treasury stock	(2,311)	(2,317)
<b>Total shareholders' equity</b>	<b>29,999</b>	<b>30,271</b>
Valuation/translation adjustments		
Net unrealized gain/loss on securities	648	744
Land revaluation difference	11,483	11,483
Translation adjustments	763	814
<b>Total valuation/translation adjustments</b>	<b>12,895</b>	<b>13,042</b>
Minority interests	2,644	2,663
<b>Total net assets</b>	<b>45,540</b>	<b>45,976</b>
<b>Total liabilities and net assets</b>	<b>109,400</b>	<b>108,303</b>

## (2) Statements of Income (Summary)

(Millions of yen, rounded down)

Fiscal 2008—First 2 quarters  
(April 1–September 30, 2008)

Net sales	¥39,052
Cost of sales	32,659
Gross profit	6,392
Selling, general and administrative expenses	4,961
Operating income	1,431
Other income	
Interest income	19
Dividend income	89
Other	246
Total other income	355
Other expenses	
Interest expense	342
Loss on disposal of fixed assets	72
Other	211
Total other expenses	626
Ordinary income	1,160
Extraordinary income	
Compensation for relocation	73
Total extraordinary income	73
Extraordinary expenses	
Loss of valuation of inventories	97
Total extraordinary expenses	97
Income before income taxes	1,136
Income taxes	965
Minority interests	(86)
Net income	257

### (3) Statements of Cash Flows (Summary)

(Millions of yen, rounded down)

Fiscal 2008—First 2 quarters  
(April 1–September 30, 2008)

Operating activities	
Income before income taxes	¥1,136
Depreciation	1,852
Increase (decrease) in reserve for employees' bonuses	(16)
Increase (decrease) in reserve for employees' retirement benefits	256
Interest expense	342
Interest and dividend income	(108)
(Increase) decrease in notes and accounts receivable	757
(Increase) decrease in inventories	(2,283)
Increase (decrease) in notes and accounts payable	459
Other	217
Subtotal	2,613
Interest and dividends received	113
Directors' retirement bonuses paid	(3)
Interest paid	(336)
Income tax paid	(424)
Net cash provided by operating activities	1,962
Investing activities	
Purchases of investment securities	(314)
Proceeds from sales of investment securities	82
Loans extended	(57)
Proceeds from loans recovered	58
Purchases of property, plant and equipment	(1,324)
Proceeds from sales of property, plant and equipment	24
Other	(378)
Net cash used in investing activities	(1,909)
Financing activities	
Net increase (decrease) in short-term borrowings	202
Proceeds from long-term borrowings	1,000
Repayment of long-term borrowings	(1,823)
Cash dividends paid	(377)
Other	6
Net cash used in financing activities	(991)
Effect of exchange rate changes on cash and cash equivalents	(13)
Net increase (decrease) in cash and cash equivalents	(952)
Cash and cash equivalents at beginning of term	1,891
Increase in cash and cash equivalents due to new inclusions in consolidation	53
Decrease in cash and cash equivalents due to exclusions from consolidation	(37)
Cash and cash equivalents at end of term	955



Effective the fiscal year ending March 2009, the Company applies “Accounting Standard for Quarterly Reporting” (ASBJ Statement No. 12) and “Implementation Guidance for Accounting Standard for Quarterly Reporting” (ASBJ Guidance No. 14). The Company also prepares quarterly reports according to “Rules for Quarterly Consolidated Financial Statements.”

**(4) Note on Assumptions for Going Concern**

Not applicable

**(5) Segment Information**

**[Business Segment Information]**

First 2 Quarters of Fiscal 2008 (April 1–September 30, 2008)

	Wire Rope & Steel Cord	Product Development	Real Estate	Other	Total	Elimination/ corporate	Consolidation
Net sales							
(1) Sales to outside customers	¥23,465	¥9,659	¥704	¥5,222	¥39,052	¥ —	¥39,052
(2) Intersegment sales or transfers	73	178	—	760	1,012	(1,012)	—
Total	23,538	9,838	704	5,982	40,064	(1,012)	39,052
Operating income	745	20	405	259	1,431	—	1,431

**[Segment Information by Business Location]**

(April 1–September 30, 2008)

Segment information by business location is omitted, as more than 90% of sales from all business segments are generated in Japan.

**[Overseas Sales]**

(April 1–September 30, 2008)

Overseas sales information is omitted, as less than 10% of the Company’s sales are generated overseas.

**(6) Notes in the Event of Material Changes in Shareholders’ Equity**

Not applicable

## [Reference]

### (1) Statements of Income

Fiscal 2007–First 2 Quarters

(Millions of yen, rounded down)

	Fiscal 2007–First 2 quarters (April 1–September 30, 2007)
Net sales	¥34,693
Cost of sales	28,667
Gross profit	6,025
Selling, general and administrative expenses	4,784
Operating income	1,241
Other income	276
Interest income	17
Dividend income	72
Other	186
Other expenses	606
Interest expense	249
Other	356
Ordinary income	911
Extraordinary income	385
Gain on sales of investment securities	385
Extraordinary expenses	613
Directors' retirement benefits	293
Transfer to reserve for directors' retirement benefits	174
Other	145
Income before income taxes	683
Income taxes	689
Minority interests	(124)
Net income	118

## (2) Segment Information

### [Business Segment Information]

First 2 Quarters of Fiscal 2007 (April 1–September 30, 2007)

(Millions of yen)

	Wire Rope & Steel Cord	Product Development	Real Estate	Other	Total	Elimination/ corporate	Consolidation
Net sales							
(1) Sales to outside customers	¥20,015	¥9,652	¥698	¥4,326	¥34,693	¥ —	¥34,693
(2) Intersegment sales or transfers	79	202	—	783	1,066	(1,066)	—
Total	20,095	9,854	698	5,110	35,759	(1,066)	34,693
Operating income	423	194	407	215	1,241	—	1,241

### [Segment Information by Business Location]

(April 1–September 30, 2007)

Segment information by business location is omitted, as more than 90% of sales from all business segments are generated in Japan.

### [Overseas Sales]

(April 1–September 30, 2007)

Overseas sales information is omitted, as less than 10% of the Company's sales are generated overseas.