

# Consolidated Financial Results for the First 2 Quarters of Fiscal 2009

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**

Contact: **Kazunori Sato, Executive Officer & General Manager, General Affairs Dept.**

Phone: **+81-3-6366-7777**

Submission of Quarterly Business Report: **November 12, 2009**

Start of cash dividend payments: —

## 1. Fiscal 2009-First 2 quarters (April 1–September 30, 2009)

### (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 2009–First 2 quarters	¥31,641	–19.0%	¥ 3	–99.8%	–¥325	—	–¥567	—
Fiscal 2008–First 2 quarters	39,052	—	1,431	—	1,160	—	257	—

	Net income per share	Net income per share
	(Yen)	(fully diluted) (Yen)
Fiscal 2009–First 2 quarters	–¥3.88	—
Fiscal 2008–First 2 quarters	1.71	1.70

### (2) Financial position

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

	Total assets	Net assets	Equity ratio	Net assets per share (Yen)
Fiscal 2009–First 2 quarters	¥102,802	¥41,879	38.3%	¥269.06
Fiscal 2008–year-end	104,877	42,125	37.8	271.66

Note: Equity capital at term-end

Fiscal 2009–1st 2 quarters: ¥39,384 million

Fiscal 2008: ¥39,694 million

## 2. Cash dividends

	Cash dividend per share (yen)				
	First quarter	Second quarter	Third quarter	Year-end	Full year
Fiscal 2008	—	¥0.00	—	¥2.50	¥2.50
Fiscal 2009	—	0.00	—	—	—
Fiscal 2009 (est.)	—	—	—	2.50	2.50

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

### 3. Forecast for fiscal 2009 (April 1, 2009–March 31, 2010)

(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	¥71,500 -10.4%	¥1,800 -43.6%	¥1,150 -50.9%	¥500 —	¥3.42

(Note) Revision of consolidated forecasts for quarter in review: No

### 4. Other

(1) Important changes in scope of consolidation during period: No

Note: For more details, please refer to “4. Other” on page 4.

(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: No

Note: 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 2009–1st 2 quarters: 162,682,420

Fiscal 2008: 162,682,420

2. Number of treasury shares outstanding

Fiscal 2009–1st 2 quarters: 16,303,470

Fiscal 2008: 16,561,889

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

Fiscal 2009–1st 2 quarters: 146,208,390

Fiscal 2008–1st 2 quarters: 150,654,050

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

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. For information about assumptions underlying the above estimates, please refer to “3. Performance Forecasts” on page 4.

## Performance and Financial Position

### 1. Consolidated Business Results

In the first two quarters—the six months ended September 30, 2009—the world economy, driven by China, showed signs of turning around from the global economic recession sparked by the financial crisis. In general, however, the economy continued to languish, with full-scale recovery in North America and Europe yet to take shape. In Japan, there were positive indications in some sectors thanks to progress in inventory adjustments and government stimulus measures. However, the outlook continues to defy accurate predictions.

The operating environment surrounding the Tokyo Rope Group remains challenging, especially in its core Wire Rope & Steel Cord business (including rope wire and tire cords). This is despite signs that demand has started to bottom out, having languished since the latter half of the third quarter of the previous fiscal year.

Facing these challenges, the Group took steps to improve earnings in each of its businesses. Due to the strong impact of sluggish demand caused by the sudden deterioration of business conditions, however, consolidated net sales for the period declined 19.0% year-on-year, to ¥31,641 million.

The significant drop in revenue caused a 99.8% fall in operating income, to ¥3 million, and an ordinary loss of ¥325 million (compared with ordinary income of ¥1,160 million in the previous corresponding period). The ordinary loss in the first quarter was ¥524 million. Thanks to Group-wide efforts to improve earnings, however, the second quarter saw a return to profitability, with ordinary income of ¥199 million. For the two-quarter period under review, the Group posted a net loss of ¥567 million (compared with net income of ¥257 million in the previous corresponding period). This was due to a ¥506 million reversal of deferred tax assets, following a reassessment of the recoverability of such assets in light of the current business climate.

Results by business segment are as follows:

#### *Wire Rope & Steel Cord*

The wire rope category benefited from continued firm demand for elevator rope. Earnings in this category declined, however, due to the severe impact of economic recession on sales of other ropes.

In the steel cord category, domestic demand for tire cord dropped sharply. Due also to the depressed European market for saw wire, year-on-year sales to Japanese customers declined. By contrast, Tokyo Rope (Changzhou) Co., Ltd., a subsidiary in China, posted a recovery in shipments of tire cord from the spring, while orders for saw wire are also growing steadily.

As a result, total sales in the Wire Rope & Steel Cord segment amounted to ¥19,350 million, down 17.5% from the previous corresponding period.

#### *Product Development*

Sales of road safety equipment increased year-on-year, but the industrial machinery category reported declines in sales of wire saws, ultrahard alloys, and automatic weighing / packaging machines. Accordingly, total sales in the Product Development segment slipped 15.3%, to ¥8,185 million.

#### *Real Estate*

Total sales in this segment edged down 0.2%, to ¥703 million.

#### *Other*

Amid declining sales of fiber rope, the Group sought to enhance earnings by tapping new markets and expanding sales of high-value-added products. Due to impact of domestic economic stagnation on the petroleum products category, however, year-on-year segment revenue declined.

Consequently, total sales in the Other segment fell 34.8%, to ¥3,402 million.

### 2. Financial Position

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

At September 30, 2009, the Tokyo Rope Group had total assets of ¥102,802 million, down ¥2,075 million from March 31, 2009. This was mainly due to good progress in payment collections, which led to a decline in notes and accounts receivable.

Total liabilities were down ¥1,828 million, to ¥60,923 million, due mainly to a decline in notes and accounts payable.

Net assets decreased ¥246 million, to ¥41,879 million, due largely to the net loss and dividend payments. This was despite an increase in total valuation/translation adjustments.

## Cash Flows

At September 30, 2009, cash and cash equivalents totaled ¥1,342 million, down ¥414 million from March 31, 2009.

Net cash provided by operating activities amounted to ¥198 million, due mainly to income before depreciation. This was despite a significant decrease in notes and accounts payable and an increase in working capital.

Net cash used in investing activities totaled ¥1,389 million, due primarily to purchases of property, plant, and equipment.

Net cash provided by financing activities was ¥743 million, mainly reflecting an increase in borrowings.

## 3. Performance Forecasts

Despite some evidence of economic turnaround, the outlook for the world economy will remain difficult to predict due to numerous signs that the economies of various countries are being underpinned by stimulus measures.

In Japan, we expect the economy to recover gradually in the wake of economic stimulus measures. However, the outlook remains unclear.

Facing these challenges, the Tokyo Rope Group will strive to improve its performance by accurately grasping real demand conditions and renewing its emphasis on cutting costs. At the same time, we will step up overseas strategies and other measures aimed at achieving growth.

In light of our performance in the two-quarter period under review and future business conditions, we have revised our performance forecasts (originally announced on May 14, 2009) for the fiscal year ending March 31, 2010. Our new consolidated forecasts are net sales of ¥71.5 billion, operating income of ¥1.8 billion, ordinary income of ¥1.15 billion, and net income of ¥0.5 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, procedures, and disclosure methods related to the preparation of quarterly consolidated financial statements

With regard to accounting standards for recording income from contracted construction, conventionally the Group has applied completed contract standard. Effective the first quarter of the current fiscal year, however, we have applied "Accounting Standard for Construction Contracts" (ASBJ Statement No. 15, enacted December 27, 2007) and the "Guidance on Accounting Standard for Construction Contracts" (ASBJ Guidance No. 18, enacted December 27, 2007) on all construction contracts commenced during the first quarter. The percentage of completion standard has been applied to construction work where there is certainty that the project will be completed by the end of the second quarter of the fiscal year (percentage of completed work is estimated using the cost proportion method), and the completed contract standard has been applied to other construction work.

This change had no impact on the Group's earnings in the period under review was minimal.

## 5. Consolidated Financial Statements

### (1) Balance Sheets (Summary)

(Millions of yen, rounded down)

	Fiscal 2009—First 2 quarters (September 30, 2009)	Fiscal 2008 (March 31, 2009)
<b>ASSETS</b>		
Current assets		
Cash and bank deposits	¥ 1,367	¥ 1,775
Notes and accounts receivable	14,934	17,614
Commodities and products	5,640	6,093
Goods in process	5,734	5,242
Materials and supplies	3,558	3,359
Deferred tax assets	1,422	1,833
Other	5,142	3,966
Allowance for doubtful accounts	(109)	(114)
<b>Total current assets</b>	<b>37,690</b>	<b>39,771</b>
Fixed assets		
Property, plant and equipment		
Buildings and structures (net)	9,721	9,769
Machinery and vehicles (net)	15,041	15,618
Land	20,482	20,497
Trust assets (net)	8,333	8,435
Construction in progress	1,163	775
Other (net)	1,066	704
<b>Total property, plant and equipment</b>	<b>55,809</b>	<b>55,799</b>
Intangibles		
Goodwill	13	7
Other	745	786
<b>Total intangible fixed assets</b>	<b>758</b>	<b>793</b>
Investments and other assets		
Investment securities	4,635	4,267
Deferred tax assets	1,232	1,230
Other	2,865	3,206
Allowance for doubtful accounts	(219)	(228)
<b>Total investments and other assets</b>	<b>8,514</b>	<b>8,475</b>
<b>Total fixed assets</b>	<b>65,082</b>	<b>65,068</b>
Deferred assets	29	38
<b>Total assets</b>	<b>102,802</b>	<b>104,877</b>

(Millions of yen, rounded down)

	Fiscal 2009—First 2 quarters (September 30, 2009)	Fiscal 2008 (March 31, 2009)
<b>LIABILITIES</b>		
Current liabilities		
Notes and accounts payable	¥ 10,771	¥ 14,714
Short-term borrowings	18,955	14,352
Accrued expenses	1,677	1,857
Reserve for employees' bonuses	1,064	1,066
Other	2,470	1,895
Total current liabilities	34,940	33,886
Long-term liabilities		
Long-term loans	6,288	9,273
Deferred tax liabilities	103	122
Deferred tax liabilities due to revaluation	7,499	7,506
Reserve for employees' retirement benefits	3,520	3,297
Reserve for directors' retirement benefits	156	201
Long-term deposits in trust	6,752	6,880
Long-term advances received	526	719
Other	1,135	865
Total long-term liabilities	25,983	28,865
Total liabilities	60,923	62,751
<b>NET ASSETS</b>		
Shareholders' equity		
Common stock	15,074	15,074
Capital surplus	8,570	8,567
Retained earnings	7,500	8,424
Treasury stock	(3,044)	(3,087)
Total shareholders' equity	28,100	28,978
Valuation/translation adjustments		
Net unrealized gain/loss on securities	(163)	(444)
Deferred hedging gains or losses	—	(0)
Land revaluation difference	11,285	11,294
Translation adjustments	162	(133)
Total valuation/translation adjustments	11,283	10,715
Minority interests	2,494	2,431
Total net assets	41,879	42,125
<b>Total liabilities and net assets</b>	<b>102,802</b>	<b>104,877</b>

**(2) Statements of Income (Summary)**

(Millions of yen, rounded down)

	Fiscal 2008—First 2 quarters (April 1–September 30, 2008)	Fiscal 2009—First 2 quarters (April 1–September 30, 2009)
Net sales	¥39,052	¥31,641
Cost of sales	32,659	26,864
Gross profit	6,392	4,777
Selling, general and administrative expenses	4,961	4,774
Operating income	1,431	3
Other income		
Interest income	19	12
Dividend income	89	56
Other	246	170
Total other income	355	239
Other expenses		
Interest expense	342	332
Loss on disposal of fixed assets	72	11
Other	211	224
Total other expenses	626	568
Ordinary income (loss)	1,160	(325)
Extraordinary income		
Gain on sales of investment securities	—	306
Compensation for relocation	73	—
Total extraordinary income	73	306
Extraordinary expenses		
Loss of valuation of inventories	97	—
Loss on sales of investment securities	—	1
Loss on valuation of golf membership	—	0
Loss on valuation of investment securities	—	0
Total extraordinary expenses	97	1
Income (loss) before income taxes	1,136	(20)
Income taxes	965	547
Minority interests (loss)	(86)	(0)
Net income (loss)	257	(567)

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

(Millions of yen, rounded down)

	Fiscal 2008– First 2 quarters (April 1– September 30, 2008)	Fiscal 2009– First 2 quarters (April 1– September 30, 2009)
<b>Operating activities</b>		
Income (loss) before income taxes	¥1,136	(20)
Depreciation	1,852	1,834
Increase (decrease) in reserve for employees' bonuses	(16)	(1)
Increase (decrease) in reserve for employees' retirement benefits	256	223
Interest expense	342	332
Interest and dividend income	(108)	(68)
(Increase) decrease in notes and accounts receivable	757	2,749
(Increase) decrease in inventories	(2,283)	(152)
Increase (decrease) in notes and accounts payable	459	(3,996)
Other	217	(25)
Subtotal	2,613	874
Interest and dividends received	113	73
Directors' retirement bonuses paid	(3)	(144)
Interest paid	(336)	(341)
Income tax paid	(424)	(262)
Net cash provided by operating activities	1,962	198
<b>Investing activities</b>		
Purchases of investment securities	(314)	(373)
Proceeds from sales of investment securities	82	303
Loans extended	(57)	(77)
Proceeds from loans recovered	58	87
Purchases of property, plant and equipment	(1,324)	(1,329)
Proceeds from sales of property, plant and equipment	24	16
Other	(378)	(16)
Net cash used in investing activities	(1,909)	(1,389)
<b>Financing activities</b>		
Net increase (decrease) in short-term borrowings	202	1,418
Proceeds from long-term borrowings	1,000	—
Repayment of long-term borrowings	(1,823)	—
Repayment of construction support funds	—	(300)
Cash dividends paid	(377)	(364)
Purchase of treasury stock	—	(14)
Other	6	3
Net cash used in financing activities	(991)	743
Effect of exchange rate changes on cash and cash equivalents	(13)	33
Net increase (decrease) in cash and cash equivalents	(952)	(414)
Cash and cash equivalents at beginning of term	1,891	1,756
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	1,342



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

Second Quarter of Fiscal 2009 (July 1–September 30, 2009)

Not applicable

#### (5) Segment Information

##### [Business Segment Information]

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

(Millions of yen)

	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

First 2 Quarters of Fiscal 2009 (April 1–September 30, 2009)

(Millions of yen)

	Wire Rope & Steel Cord	Product Development	Real Estate	Other	Total	Elimination/ corporate	Consolidation
Net sales							
(1) Sales to outside customers	¥19,350	¥8,185	¥703	¥3,402	¥31,641	¥ —	¥31,641
(2) Intersegment sales or transfers	79	69	—	386	535	(535)	—
Total	19,429	8,255	703	3,789	32,177	(535)	31,641
Operating income (loss)	(487)	(97)	368	220	3	—	3

Notes: 1. Business segmentation method

The Group's business is categorized by segments for control of its in-house organization.

2. Business segments and main products/services included in each segment:

Segment	Main products
Wire Rope & Steel Cord	Wire rope, other wire products, steel cord for tire use
Product Development	Road safety equipment, long-bridge cables, bridge design and construction, metallic fiber, industrial machinery, powder metallurgy products
Real Estate	Real estate rental services
Other	Fiber rope, nets, petroleum products

##### [Segment Information by Business Location]

First 2 Quarters of Fiscal 2008 (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.

First 2 Quarters of Fiscal 2009 (April 1–September 30, 2009)

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

##### [Overseas Sales]

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

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

First 2 Quarters of Fiscal 2009 (April 1–September 30, 2009)

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

First 2 Quarters of Fiscal 2009 (April 1–September 30, 2009)

Not applicable