

Consolidated Financial Results

for the First 2 Quarters of Fiscal 2010 [Japanese Standards]

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

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

Stock code number: **5981**

URL: <http://www.tokyo-rope.co.jp>

Representative: **Michio Inose, President**

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Submission of Quarterly Business Report: **November 12, 2010**

Start of cash dividend payments: —

Supplementary quarterly materials prepared: Yes

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

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

(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 2010–First 2 quarters | ¥32,802 | +3.7% | ¥850 | — | ¥555 | — | ¥-483 | — |
| Fiscal 2009–First 2 quarters | 31,641 | — | 3 | — | -325 | — | -567 | — |

| | Net income per share | Net income per share |
|------------------------------|----------------------|--------------------------|
| | (Yen) | (fully diluted) (Yen) |
| Fiscal 2010–First 2 quarters | ¥-3.31 | — |
| Fiscal 2009–First 2 quarters | -3.88 | — |

(2) Financial position

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

| | Total assets | Net assets | Equity ratio | Net assets per share (Yen) |
|------------------------------|--------------|------------|--------------|----------------------------|
| Fiscal 2010–First 2 quarters | ¥104,470 | ¥41,432 | 37.2% | ¥267.73 |
| Fiscal 2009–Year-end | 103,538 | 42,919 | 39.0 | 276.00 |

Note: Equity capital at term-end

Fiscal 2010–1st 2 quarters: ¥38,812 million

Fiscal 2009: ¥40,394 million

2. Cash dividends

| | Cash dividend per share (yen) | | | | |
|--------------------|-------------------------------|----------------|---------------|----------|-----------|
| | First quarter | Second quarter | Third quarter | Year-end | Full year |
| Fiscal 2009 | — | ¥0.00 | — | ¥2.50 | ¥2.50 |
| Fiscal 2010 | — | 0.00 | — | — | — |
| Fiscal 2010 (est.) | — | — | — | 2.50 | 2.50 |

(Note) Revision of cash dividend forecast for quarter 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 | ¥74,000 +2.6% | ¥3,000 +33.0% | ¥2600 +60.2% | ¥1,200 +182.2% | ¥8.20 |

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

4. Other (For more details, refer to “2. Other information” (page 5).)

(1) Significant changes in subsidiaries during period: 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) Simplified accounting treatment or special accounting treatment adopted: Yes

Note: This note refers to the adoption of simplified accounting treatment or special accounting treatment pertaining to the preparation of consolidated quarterly financial statements.

(3) Changes in accounting principles, processes, disclosure methods, etc.:

1. Changes associated with revision in accounting standards: Yes

2. Other changes: None

Note: This refers to the existence of changes in accounting principles, processes, disclosure methods, etc., pertaining to the preparation of consolidated quarterly financial statements as stated in “Changes in Accounting Principles, Processes, Disclosure Methods, etc.”

(4) Shares outstanding (common stock) at term-end

1. Number of shares outstanding (including treasury stock)

Fiscal 2010–1st 2 quarters: 162,682,420

Fiscal 2009: 162,682,420

2. Number of treasury shares outstanding

Fiscal 2010–1st 2 quarters: 17,710,635

Fiscal 2009: 16,325,627

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

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

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

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 5 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

In the first two quarters—the six months ended September 30, 2010—the world economy continued showing a moderate recovery trend, driven by expansion of emerging economies. In Japan, however, the economic outlook remained unclear due to such factors as reduction of public works projects, the yen's progressive appreciation, and languishing stock markets. This was despite signs of a modest recovery on the back of economic growth in various Asian nations and economic stimulus measures taken by the government.

With respect to its mainstay products, the Tokyo Rope Group enjoyed healthy demand for tire cord in the wake of recovery in the automobile industry, despite a decline in orders for road safety equipment. Sales of saw wire related to solar power generation also posted solid growth in Japan and China.

As a result, the Group reported net sales of ¥32,802 million for the period, up 3.7% from the previous corresponding period.

Despite rising prices of major raw materials and the impact of the yen's appreciation, the Group recorded a significant year-on-year improvement in earnings. Operating income amounted to ¥850 million (from ¥3 million in the previous corresponding period), and ordinary income totaled ¥555 million (ordinary loss of ¥325 million in the previous corresponding period). For the period, the Group posted a net loss of ¥483 million (net loss of ¥567 million in the previous corresponding period). This was due to extraordinary losses in the form of a ¥365 million loss on valuation of investment securities, as well as the application of accounting standards for asset retirement obligations, which had a ¥499 million negative effect on earnings.

Results by business segment are as follows:

Wire Rope

Despite a year-on-year increase in domestic sales volume of wire rope, the Group reported declines in exports of rope and wire products, particularly for submarine cables. We also reported a decrease in sales volume of fiber rope, centering on marine-related products.

As a result, total sales in the Wire Rope segment amounted to ¥13,111 million.

Steel Cord

Volume sales of tire cord increased year-on-year, benefiting from a recovery in demand both in Japan and China. We also posted healthy sales of saw wire in Japan and overseas.

Accordingly, total sales in the Steel Cord segment amounted to ¥11,039 million.

Product Development

Sales of road safety equipment and bridge-related equipment declined year-on-year. As a result, sales in the Product Development segment amounted to ¥4,529 million.

Real Estate

The impact of modifications to rental charges led to a sales decline in the Real Estate segment, to ¥613 million.

Other

Revenue in this segment increased thanks to higher sales of power metallurgy products in the wake of economic recovery, as well as increased sales volume for oil products. Total sales in this segment amounted to ¥3,509 million.

(2) Financial Position

Assets, Liabilities, and Net Assets

At September 30, 2010, the Tokyo Rope Group had total assets of ¥104,470 million, up ¥932 million from March 31, 2010. This was mainly due to an increase in inventories, which contrasted with a decline in notes and accounts receivable owing to progress in collection of payments.

Total liabilities rose ¥2,419 million, to ¥63,038 million, due mainly to an increase in notes and accounts payable and the posting of asset retirement obligations.

Net assets declined ¥1,486 million, to ¥41,432 million, due mainly to a decrease in net unrealized gain on securities associated with languishing share prices, as well as the posting of a net loss and payment of cash dividends.

Cash Flows

At September 30, 2010, cash and cash equivalents totaled ¥2,189 million, up ¥543 million from March 31, 2010.

Net cash provided by operating activities amounted to ¥5,607 million, due mainly to a decrease in notes and accounts receivable and an increase in notes and accounts payable.

Net cash used in investing activities totaled ¥2,729 million, due primarily to purchases of shares in affiliates and purchases of property, plant, and equipment.

Net cash used in financing activities was ¥2,286 million, mainly reflecting a decrease in borrowings and cash dividends paid.

(3) Performance Forecasts

The business environment surrounding the Tokyo Rope Group will remain unpredictable due to a number of factors. In addition to concerns about domestic economic slowdown due to the strong yen, these include rising prices of raw materials (wire materials) and considerable signs of instability, such as the yen's ongoing appreciation.

Facing these challenges, the Group will continue focusing on effectively shoring up demand and cutting costs. At the same time, we will actively implement our medium-term business plan, entitled "Quest for Total Cable Technology (TCT-I)," with the intention of further reinforcing initiatives for growth.

Our full-year consolidated performance forecasts for the year ending March 31, 2011 reflect our forecasts announced on August 9, 2010, as follows: net sales of ¥74.0 billion, operating income of ¥3.0 billion, ordinary income of ¥2.6 billion, and net income of ¥1.2 billion.

2. Other Information

(1) Changes to major subsidiaries (changes to specific subsidiaries pursuant to changes in scope of consolidation)

Not applicable.

(2) Application of simplified accounting method or special accounting method

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

1) Changes in accounting standards

a) Application of "Accounting Standard for Equity Method of Accounting for Investments" and "Practical Solution for Unification of Accounting Policies Applied to Associates Accounted for Using the Equity Method"

Effective the first quarter of the current fiscal year, the Company has applied "Accounting Standard for Equity Method of Accounting for Investments" (ASBJ Statement No. 16, announced March 10, 2008) and "Practical Solution for Unification of Accounting Policies Applied to Associates Accounted for Using the Equity Method" (PITF No. 24, March 10, 2008).

This adoption has no effect on ordinary income or income before income taxes in the two-quarter period under review.

b) Application of “Accounting Standard for Asset Retirement Obligations”

Effective the first quarter of the current fiscal year, the Company has applied “Accounting Standard for Asset Retirement Obligations” (ASBJ Statement No. 18, March 31, 2008) and “Implementation Guidance for Asset Retirement Obligations” (ASBJ Guidance No. 21, March 31, 2008).

As a result, operating income and ordinary income each decreased by ¥4 million and the loss before income taxes increased by ¥503 million. The adoption of the new standard led to a ¥507 million change in asset retirement obligations.

c) Application of “Accounting Standard for Business Combinations,” etc.

Effective the first quarter of the current fiscal year, the Company has applied the following: “Accounting Standard for Business Combinations” (ASBJ Statement No. 21, December 26, 2008), “Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No. 22, December 26, 2008), “Partial Amendments to Accounting Standard for R&D Expenses, etc.” (ASBJ Statement No. 23, December 26, 2008), “Accounting Standard for Business Divestitures” (ASBJ Statement No. 7, December 26, 2008), “Accounting Standard for Application of Equity Method” (ASBJ Statement No. 16, December 26, 2008), and “Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures” (ASBJ Guidance No. 10, December 26, 2008).

2) Changes in Disclosure

(Quarterly Consolidated Financial Statements)

“Foreign exchange loss,” included within “Other” under “Other expenses” in the first two quarters of the previous fiscal year, has been stated separately in the two-quarter period under review because it accounts for more than 20% of total other expenses. In the previous corresponding period, foreign exchange loss amounted to ¥2 million.

Accompanying the application of revisions in certain rules for the presentation of financial statements, as contained in a cabinet order (Cabinet Office Ordinance No. 5, issued March 24, 2009), which are based on “Accounting Standard for Consolidated Financial Statements (ASBJ Statement No. 22, December 26, 2008), the Company has included the item “Income before minority interests” in the consolidated financial statements, effective the two-quarter period under review.

3. Consolidated Financial Statements

(1) Balance Sheets

(Millions of yen, rounded down)

| | Fiscal 2010—First 2 quarters (September 30, 2010) | Fiscal 2009 (March 31, 2010) |
|--|--|---------------------------------|
| ASSETS | | |
| Current assets | | |
| Cash and bank deposits | ¥ 2,214 | ¥ 1,665 |
| Notes and accounts receivable | 18,336 | 20,751 |
| Commodities and products | 4,613 | 4,638 |
| Goods in process | 5,570 | 4,160 |
| Materials and supplies | 3,808 | 3,103 |
| Deferred tax assets | 1,188 | 1,157 |
| Other | 5,541 | 4,770 |
| Allowance for doubtful accounts | (66) | (71) |
| Total current assets | 41,206 | 40,174 |
| Fixed assets | | |
| Property, plant and equipment | | |
| Buildings and structures (net) | 9,111 | 9,409 |
| Machinery and vehicles (net) | 14,561 | 15,044 |
| Land | 18,354 | 18,382 |
| Trust assets (net) | 8,030 | 8,181 |
| Construction in progress | 682 | 469 |
| Other (net) | 1,552 | 1,243 |
| Total property, plant and equipment | 52,292 | 52,731 |
| Intangibles | 720 | 722 |
| Investments and other assets | | |
| Investment securities | 5,863 | 5,394 |
| Deferred tax assets | 1,607 | 1,608 |
| Other | 3,078 | 3,224 |
| Allowance for doubtful accounts | (322) | (348) |
| Total investments and other assets | 10,226 | 9,879 |
| Total fixed assets | 63,239 | 63,332 |
| Deferred assets | 24 | 30 |
| Total assets | 104,470 | 103,538 |

(Millions of yen, rounded down)

| | Fiscal 2010—First 2 quarters (September 30, 2010) | Fiscal 2009 (March 31, 2010) |
|--|--|---------------------------------|
| LIABILITIES | | |
| Current liabilities | | |
| Notes and accounts payable | ¥ 13,769 | ¥ 11,676 |
| Short-term borrowings | 19,698 | 22,300 |
| Accrued expenses | 2,819 | 2,814 |
| Reserve for employees' bonuses | 881 | 978 |
| Other | 3,260 | 1,965 |
| Total current liabilities | 40,430 | 39,737 |
| Long-term liabilities | | |
| Long-term loans | 3,132 | 2,000 |
| Deferred tax liabilities | 72 | 81 |
| Deferred tax liabilities due to revaluation | 6,651 | 6,651 |
| Reserve for employees' retirement benefits | 4,019 | 3,770 |
| Reserve for directors' retirement benefits | 151 | 174 |
| Asset retirement obligations | 507 | — |
| Long-term deposits in trust | 6,278 | 6,544 |
| Long-term advances received | 342 | 411 |
| Other | 1,451 | 1,248 |
| Total long-term liabilities | 22,607 | 20,881 |
| Total liabilities | 63,038 | 60,619 |
| NET ASSETS | | |
| Shareholders' equity | | |
| Common stock | 15,074 | 15,074 |
| Capital surplus | 8,572 | 8,571 |
| Retained earnings | 8,815 | 9,732 |
| Treasury stock | (3,313) | (3,052) |
| Total shareholders' equity | 29,148 | 30,325 |
| Valuation/translation adjustments | | |
| Net unrealized gain/loss on securities | (160) | 44 |
| Deferred hedging gains or losses | 2 | — |
| Land revaluation difference | 10,030 | 10,046 |
| Translation adjustments | (207) | (22) |
| Total valuation/translation adjustments | 9,664 | 10,068 |
| Minority interests | 2,619 | 2,524 |
| Total net assets | 41,432 | 42,919 |
| Total liabilities and net assets | 104,470 | 103,538 |

(2) Statements of Income

(Millions of yen, rounded down)

| | Fiscal 2009– First 2 quarters (April 1– September 30, 2009) | Fiscal 2010– First 2 quarters (April 1– September 30, 2010) |
|---|--|--|
| Net sales | ¥31,641 | ¥32,802 |
| Cost of sales | 26,864 | 26,975 |
| Gross profit | 4,777 | 5,826 |
| Selling, general and administrative expenses | 4,774 | 4,976 |
| Operating income | 3 | 850 |
| Other income | | |
| Interest income | 12 | 10 |
| Dividend income | 56 | 72 |
| Other | 170 | 173 |
| Total other income | 239 | 255 |
| Other expenses | | |
| Interest expense | 332 | 294 |
| Foreign exchange loss | — | 114 |
| Loss on disposal of fixed assets | 11 | 12 |
| Other | 224 | 130 |
| Total other expenses | 568 | 551 |
| Ordinary income (loss) | (325) | 555 |
| Extraordinary income | | |
| Gain on sales of investment securities | 306 | — |
| Total extraordinary income | 306 | — |
| Extraordinary expenses | | |
| Loss on valuation of investment securities | 1 | — |
| Loss on sales of investment securities | 0 | 365 |
| Loss on valuation of golf membership | 0 | — |
| Effect of application of “Accounting Standard for Asset Retirement Obligations” | — | 499 |
| Total extraordinary expenses | 1 | 864 |
| Income (loss) before income taxes | (20) | (309) |
| Income taxes | 547 | 39 |
| Income before minority interests | — | (348) |
| Minority interests | (0) | 135 |
| Net income (loss) | (567) | (483) |

(3) Statements of Cash Flows

(Millions of yen, rounded down)

| | Fiscal 2009– First 2 quarters (April 1– September 30, 2009) | Fiscal 2010– First 2 quarters (April 1– September 30, 2010) |
|---|--|--|
| Operating activities | | |
| Income (loss) before income taxes | ¥ (20) | ¥ (309) |
| Depreciation | 1,834 | 1,799 |
| Increase (decrease) in reserve for employees' bonuses | (1) | (89) |
| Increase (decrease) in reserve for employees' retirement benefits | 223 | 260 |
| Effect of application of "Accounting Standard for Asset Retirement Obligations" | — | 503 |
| (Gain) loss on valuation of investment securities | — | 365 |
| Interest expense | 332 | 294 |
| Interest and dividend income | (68) | (82) |
| (Increase) decrease in notes and accounts receivable | 2,749 | 2,128 |
| (Increase) decrease in inventories | (152) | (2,257) |
| Increase (decrease) in notes and accounts payable | (3,996) | 2,395 |
| Other | (25) | 1,307 |
| Subtotal | 874 | 6,315 |
| Interest and dividends received | 73 | 85 |
| Directors' retirement bonuses paid | (144) | — |
| Interest paid | (341) | (296) |
| Income tax paid | (262) | (496) |
| Net cash provided by operating activities | 198 | 5,607 |
| Investing activities | | |
| Purchases of investment securities | (373) | (19) |
| Proceeds from sales of investment securities | 303 | — |
| Purchases of shares in affiliates | — | (1,000) |
| Loans extended | (77) | (275) |
| Proceeds from loans recovered | 87 | 30 |
| Purchases of property, plant and equipment | (1,329) | (1,271) |
| Proceeds from sales of property, plant and equipment | 16 | 29 |
| Other | (16) | (223) |
| Net cash used in investing activities | (1,389) | (2,729) |
| Financing activities | | |
| Net increase (decrease) in short-term borrowings | 1,418 | (323) |
| Proceeds from long-term borrowings | — | 2,132 |
| Repayment of long-term borrowings | — | (3,132) |
| Repayment of construction support funds | (300) | (300) |
| Cash dividends paid | (364) | (364) |
| Purchase of treasury stock | (14) | (264) |
| Other | 3 | (33) |
| Net cash used in financing activities | 743 | (2,286) |
| Effect of exchange rate changes on cash and cash equivalents | 33 | (15) |
| Net increase (decrease) in cash and cash equivalents | (414) | 576 |
| Cash and cash equivalents at beginning of term | 1,756 | 1,645 |
| Decrease in cash and cash equivalents due to exclusions from consolidation | — | (33) |
| Cash and cash equivalents at end of term | 1,342 | 2,189 |

(4) Segment Information

[Business Segment Information]

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, steel, petroleum products |

[Segment Information by Business Location]

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 2009 (April 1–September 30, 2009)

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

[Segment Information]

(Supplementary Information)

Effective the first quarter of the current fiscal year, the Company has applied "Accounting Standard for Disclosure of Segment Information" (ASBJ Statement No. 17, March 27, 2009) and "Application Guidance on Accounting Standard for Disclosure of Segment Information" (ASBJ Guidance No. 20, March 21, 2008).

(1) Overview of Reporting Segments

The Company's reporting segments are subject to regular examination, so that the Board of Directors can appropriately allocate business resources and evaluate business performances. Financial information separated according to specific segment is available.

In its head office, the Tokyo Rope Group has established business departments for each product/service line. Those departments are responsible for formulating comprehensive domestic and overseas strategies and advancing the activities of their respective businesses.

Accordingly, the Group has classified its operations into four product- and service-specific segments, each based on a business department. Those segments are: “Wire Rope,” “Steel Cord,” “Product Development,” and “Real Estate.”

| Segment | Main products |
|---------------------|---|
| Wire Rope | Wire rope, other wire products, fiber rope, nets |
| Steel Cord | Steel cord for tire use, saw wire, wire saw, metallic fiber |
| Product Development | Road safety equipment, long-bridge cables, bridge design and construction |
| Real Estate | Real estate rental services |

(2) Sales and Operating Income by Reporting Segment

Two-Quarter Period under Review (April 1–September 30, 2010)

(Millions of yen)

| | Reporting Segment | | | | | Other (see Note) | Total |
|-------------------------------------|-------------------|---------------|------------------------|-------------|---------------|---------------------|---------------|
| | Wire Rope | Steel Cord | Product Development | Real Estate | Total | | |
| Net sales | | | | | | | |
| (1) Sales to outside customers | ¥13,111 | ¥11,039 | ¥4,529 | ¥613 | ¥29,293 | ¥3,509 | ¥32,802 |
| (2) Intersegment sales or transfers | 58 | — | 3 | — | 61 | 453 | 515 |
| Total | 13,169 | 11,039 | 4,532 | 613 | 29,354 | 3,963 | 33,318 |
| Operating income (loss) | 266 | 505 | (302) | 306 | 775 | 74 | 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.

(3) Difference between Total Operating Income (Loss) for Reporting Segments and Amount Shown in Quarterly Financial Statements

Two-Quarter Period under Review (April 1–September 30, 2010)

(Millions of yen)

| Operating Income | Amount |
|---|------------|
| Reporting segment total | ¥775 |
| “Other” segment operating income | 74 |
| Elimination of intersegment sales | — |
| Operating income in quarterly financial statements | 850 |

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

Two-Quarter Period under Review (April 1–September 30, 2010)

In the period under review, treasury stock increased ¥260 million from the end of the previous financial year. This was due mainly to the purchase of treasury stock and odd-lot shares, pursuant to resolution concerning acquisition of treasury stock at a meeting of the Board of Directors held on August 18, 2010.