

# Consolidated Financial Results

## for the First 3 Quarters of Fiscal 2011 [Japanese GAAP]

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

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

Stock code number: **5981**

URL: **http://www.tokyoropeco.jp**

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Preparation of Supplementary Explanations of Quarterly Financial Results: **February 13, 2012**

Start of cash dividend payments: **–**

Supplementary quarterly materials prepared: **None**

Quarterly results information meeting held: **None**

### 1. Fiscal 2011-First 3 quarters (April 1–December 31, 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	
		(% change from previous year)		(% change)		(% change)		(% change)
Fiscal 2011–First 3 quarters	¥57,198	+11.0%	¥1,393	-32.6%	¥1,137	-31.5%	¥ 1	-99.7%
Fiscal 2010–First 3 quarters	51,538	+1.5	2,068	+116.3	1,661	+227.9	524	–

Note: Comprehensive income

Fiscal 2011–1st 3 quarters: ¥-1 million (–%)

Fiscal 2010–1st 3 quarters: ¥62 million (–%)

	Net income per share	Net income per share
	(Yen)	(fully diluted) (Yen)
Fiscal 2011–First 3 quarters	¥0.01	¥0.01
Fiscal 2010–First 3 quarters	3.60	3.60

#### (2) Financial position

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

	Total assets	Net assets	Equity ratio
	Fiscal 2011–First 3 quarters	¥111,608	¥42,498
Fiscal 2010–Year-end	104,937	42,915	38.2

Note: Equity capital at term-end

Fiscal 2011–1st 3 quarters: ¥39,555 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: No

### 3. Forecast for fiscal 2011 (April 1, 2011–March 31, 2012)

(Millions of yen, except per share data, 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%	¥500	-85.6%	¥100	-96.7%	¥-1,000	–	¥-6.89

(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 3 quarters: 162,682,420

Fiscal 2010: 162,682,420

2. Number of treasury shares outstanding

Fiscal 2011–1st 3 quarters: 17,458,951

Fiscal 2010: 17,536,571

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

Fiscal 2011–1st 3 quarters: 145,207,397

Fiscal 2010–1st 3 quarters: 145,714,256

#### 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 3 quarters of the consolidated fiscal year ending March 31, 2012 under review, the business environment surrounding the Tokyo Rope Group remained extremely difficult, particularly for the Steel Cord segment, as a result of weakening demand in the solar power generation business and the effects of heightened competition in China.

Consolidated net sales for the first 3 quarters for the Tokyo Rope Group were ¥57,198 million, up 11.0% from the same period of the previous fiscal year. Although sales of tire cord contracted under the influence of the Great East Japan Earthquake, wire saw sales were higher, reflecting the large orders booked in the prior period.

With respect to earnings, operating income contracted sharply, falling 32.6% from the same period of the previous year to ¥1,393 million under pressure from factors that included lower saw wire prices in Japan and overseas and a decline in sales in the product development segment, and ordinary income totaled ¥1,137 million, down 31.5% from the same period one year earlier. For the first 3 quarters, the Group reported net income of ¥1.0 million. This was off 99.7% from the same period of the previous year. In addition to reporting an extraordinary expense of ¥829 million for compensatory repair cost related to product development segment, the Group booked a reversal of deferred tax assets based on tax reforms.

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

#### Wire Rope

Domestic sales volume of wire declined year-on-year, while sales volume of fiber rope increased, especially in marine-related products.

As a result, total sales in the Wire Rope segment amounted to ¥20,714 million.

#### Steel Cord

Sales volume of tire cord in Japan declined compared with the same period one year ago under the impact of the Great East Japan Earthquake, while in China the level was nearly unchanged year-on-year.

Domestic sales volumes of saw wire decreased compared with the year-ago period and rose in China, but domestic and overseas prices have both fallen sharply from mid-year.

The number of wire saws sold increased as a result of sales based on the large volume of orders received in the prior period.

Accordingly, total sales in the Steel Cord segment amounted to ¥21,363 million.

#### Product Development

Sales of road safety equipment fell below the volume in the corresponding period one year ago, but bridge-related sales were higher year-on-year. As a result, product development sales totaled ¥7,952 million.

#### Real Estate

Sales in the Real Estate segment were lower than in the same period one year-ago, slipping to ¥878 million.

#### Other

Sales powder metallurgy products and oil products both expanded, and sales totaled ¥6,289 million.

## **(2) Financial Position**

[Assets, Liabilities and Net Assets]

At December 31, 2011, the Tokyo Rope Group had total assets of ¥111,608 million, up ¥6,670 million from March 31, 2011. This was mainly due to increases in notes and accounts receivable and inventories.

Total liabilities increased ¥7,088 million compared with the end of the previous consolidated fiscal year to ¥69,110 million, due mainly to an increase in borrowings.

Net assets declined ¥417 million from end of the previous consolidated fiscal year to ¥42,498 million, due mainly to a payment of cash dividends.

## **(3) Performance Forecasts**

Regarding its projected results for the fiscal year ending March 2012, based on its outlook for the fourth quarter the Tokyo Rope Group has revised its full year projected results forecast released in the “Consolidated Financial Results for the First 2 Quarters of Fiscal 2011” dated November 9, 2011.

Ordinary income for the fiscal year ending March 2012 is projected to be ¥100 million, a decrease of ¥2,000 million compared with the previously released forecast. This reflects a greater than assumed slump in demand and ongoing price declines in the solar power generation business, in addition to growing competition from imported materials as a result of the extremely strong yen, and a delay in the anticipated demand from full-scale earthquake recovery activities until the following business period. As a result of the deterioration of ordinary income and the reversal of deferred tax assets based on tax reforms, the projected net loss for the fiscal year is ¥1,000 million.

## **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 3 quarters.

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

Not applicable

(Additional Information)

For the accounting changes and error corrections made 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 3 quarters (December 31, 2011)
<b>ASSETS</b>		
Current assets		
Cash and bank deposits	¥ 3,515	¥ 3,451
Notes and accounts receivable	16,778	21,249
Commodities and products	4,365	5,949
Goods in process	8,439	8,502
Materials and supplies	3,634	4,321
Other	3,455	2,922
Allowance for doubtful accounts	(36)	(38)
<b>Total current assets</b>	<b>40,152</b>	<b>46,359</b>
Fixed assets		
Property, plant and equipment		
Buildings and structures (net)	8,973	14,420
Machinery and vehicles (net)	14,032	15,777
Land	18,297	21,166
Trust assets (net)	7,878	—
Construction in progress	2,088	1,191
Other (net)	1,504	1,977
<b>Total property, plant and equipment</b>	<b>52,774</b>	<b>54,533</b>
Intangibles	707	660
Investments and other assets		
Investment securities	6,118	5,589
Deferred tax assets	1,868	1,814
Other	3,721	2,997
Allowance for doubtful accounts	(426)	(363)
<b>Total investments and other assets</b>	<b>11,282</b>	<b>10,038</b>
<b>Total fixed assets</b>	<b>64,764</b>	<b>65,233</b>
Deferred assets	20	15
<b>Total assets</b>	<b>104,937</b>	<b>111,608</b>

(Millions of yen, rounded down)

	Fiscal 2010 (March 31, 2011)	Fiscal 2011–First 3 quarters (December 31, 2011)
<b>LIABILITIES</b>		
Current liabilities		
Notes and accounts payable	¥ 16,164	¥ 14,098
Short-term borrowings	13,147	23,521
Accrued expenses	1,697	2,271
Reserve for employees' bonuses	1,017	528
Other	6,469	3,422
Total current liabilities	38,496	43,841
Long-term liabilities		
Long-term loans	8,649	10,198
Deferred tax liabilities due to revaluation	6,634	5,788
Reserve for employees' retirement bonuses	4,300	4,663
Long-term deposits in trust	1,500	—
Other	2,441	4,618
Total long-term liabilities	23,525	25,268
Total liabilities	62,022	69,110
<b>NET ASSETS</b>		
Shareholders' equity		
Common stock	15,074	15,074
Capital surplus	8,574	8,575
Retained earnings	10,095	9,666
Treasury stock	(3,284)	(3,270)
Total shareholders' equity	30,459	30,044
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	170	(410)
Deferred gains or losses on hedges	0	(0)
Land revaluation difference	10,005	10,851
Foreign currency translation adjustment	(524)	(929)
Total accumulated other comprehensive income	9,651	9,510
Minority interests	2,804	2,942
Total net assets	42,915	42,498
<b>Total liabilities and net assets</b>	<b>104,937</b>	<b>111,608</b>

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

### 1) Statements of Income

(Millions of yen, rounded down)

	Fiscal 2010—First 3 quarters (April 1–December 31, 2010)	Fiscal 2011—First 3 quarters (April 1–December 31, 2011)
Net sales	¥51,538	¥57,198
Cost of sales	41,885	47,219
Gross profit	9,652	9,978
Selling, general and administrative expenses	7,584	8,585
Operating income	2,068	1,393
Other income		
Interest income	15	22
Dividend income	107	109
Other	233	254
Total other income	355	386
Other expenses		
Interest expense	417	297
Foreign exchange losses	141	135
Other	203	208
Total other expenses	762	641
Ordinary income	1,661	1,137
Extraordinary income		
Gain on sales of investment securities	—	4
Total extraordinary income	—	4
Extraordinary expenses		
Loss on sales of investment securities	—	29
Loss on valuation of investment securities	0	7
Loss on adjustment for changes of accounting standard for asset retirement obligations	499	—
Soil improvement costs	110	—
Loss on disaster	—	76
Compensatory repair cost	—	829
Other	30	7
Total extraordinary expenses	641	949
Income before income taxes	1,020	193
Income taxes	285	31
Income before minority interests	734	161
Minority interests in earnings of affiliates	209	160
Net income	524	1

2) Statements of Comprehensive Income

(Millions of yen, rounded down)

	Fiscal 2010—First 3 quarters (April 1—December 31, 2010)	Fiscal 2011—First 3 quarters (April 1—December 31, 2011)
Income before minority interests	¥734	¥161
Other comprehensive income		
Valuation difference on available-for-sale securities	(202)	(580)
Deferred gains or losses on hedges	0	(0)
Land revaluation difference	—	845
Foreign currency translation adjustment	(434)	(409)
Share of other comprehensive income of associates accounted for using equity method	(34)	(17)
<b>Total other comprehensive income</b>	<b>(671)</b>	<b>(163)</b>
<b>Comprehensive income</b>	<b>62</b>	<b>(1)</b>
Comprehensive income attributable to Comprehensive income attributable to owners of the parent	(63)	(139)
Comprehensive income attributable to minority interests	126	137

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

Fiscal 2011–First 3 quarters (April 1–December 31, 2011)

None

### (4) Segment Information

Segment Information

Fiscal 2010–First 3 quarters (April 1– December 31, 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	¥19,465	¥17,410	¥8,251	¥921	¥46,049	¥5,488	¥51,538	¥ —	¥51,538
Intersegment sales or transfers	127	—	87	—	214	711	925	(925)	—
Total	19,592	17,410	8,338	921	46,264	6,199	52,464	(925)	51,538
Segment income (loss)	472	1,090	(126)	446	1,882	185	2,068	—	2,068

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 3 quarters (April 1– December 31, 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	¥20,714	¥21,363	¥7,952	¥878	¥50,909	¥6,289	¥57,198	¥ —	¥57,198
Intersegment sales or transfers	71	—	93	—	164	948	1,113	(1,113)	—
Total	20,786	21,363	8,045	878	51,074	7,237	58,312	(1,113)	57,198
Segment income (loss)	780	151	(249)	351	1,034	359	1,393	—	1,393

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.

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

Fiscal 2011–First 3 quarters (April 1– December 31, 2011)

None