

Consolidated Financial Results

for the First 3 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: **February 13, 2013**

Start of cash dividend payments: **–**

Supplementary quarterly materials prepared: **None**

Quarterly results information meeting held: **None**

*Amounts fewer than one million yen have been rounded down.

1. Fiscal 2012-First 3 quarters (April 1–December 31, 2012)

(1) Results of operations

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

	Net sales		Operating income (loss)		Ordinary income (loss)		Net income (loss)	
		(% change)		(% change)		(% change)		(% change)
Fiscal 2012–First 3 quarters	¥46,686	-18.4%	¥(2,988)	–%	¥(3,060)	–%	¥(3,097)	–%
Fiscal 2011–First 3 quarters	57,198	+11.0	1,393	-32.6	1,137	-31.5	1	-99.7

Note: Comprehensive income (loss)

Fiscal 2012–1st 3 quarters: ¥(3,426) million (–%)

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

	Net income (loss) per share	Net income per share
	(Yen)	(fully diluted) (Yen)
Fiscal 2012–First 3 quarters	¥(21.33)	¥ –
Fiscal 2011–First 3 quarters	0.01	0.01

(2) Financial position

(Millions of yen)

	Total assets	Net assets	Equity ratio
Fiscal 2012–First 3 quarters	¥102,508	¥36,384	32.9%
Fiscal 2011–Year-end	105,487	40,173	35.3

Note: Equity capital at term-end

Fiscal 2012–1st 3 quarters: ¥33,677 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, except per share data; 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	¥64,000	-16.2%	¥(4,000)	—%	¥(4,100)	—%	¥(4,100)	—%	¥(28.23)

(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 3 quarters: 162,682,420

Fiscal 2011: 162,682,420

2. Number of treasury shares outstanding

Fiscal 2012–1st 3 quarters: 17,470,537

Fiscal 2011: 17,464,495

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

Fiscal 2012–1st 3 quarters: 145,216,438

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

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 three quarters of the consolidated fiscal year ending March 31, 2013, the Japanese economy has continued to remain opaque, impacted by such factors as stagnant overseas economies, including the European sovereign debt crisis and the slowdown in emerging economies, and the prolonged appreciation of the yen. After the change of administration in December 2012, such bright signs came to surface as corrections in the high value of the yen and a rise in stock prices.

Under such circumstances, consolidated net sales of the Tokyo Rope Group decreased 18.4% year-on-year to ¥46,686 million for the first three quarters due to a decrease in sales for the Steel Cord segment, with a particularly large drop for products related to solar power generation (saw wire and wire saw).

In terms of profits, the decrease in sales also caused the Group to record operating loss of ¥2,988 million (in contrast to operating income of ¥1,393 million year-on-year) and ordinary loss of ¥3,060 million (same, ordinary income of 1,137 million). The Group posted net loss of 3,097 million (same, net income of 1 million), recording extraordinary expenses that included ¥855 million for business structure improvement expenses.

Results for each of the Group's business segments 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 ¥19,815 million.

Steel Cord

Sales volume of tire cord dropped year-on-year, and sales of saw wire also fell significantly below the previous year's results due to a decrease both in volume and unit price. Moreover, sales volume of wire saw decreased sharply year-on-year.

Accordingly, total sales in the Steel Cord segment amounted to ¥11,772 million.

Product Development

Bridge-related sales increased from the corresponding period in the previous year, but sales of road safety equipment were lower year-on-year, bringing Product Development sales to ¥7,827 million.

Real Estate

Sales in the Real Estate segment increased slightly year-on-year totaling ¥890 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 ¥6,379 million.

(2) Financial Position

Assets, Liabilities and Net Assets

As of December 31, 2012, the Tokyo Rope Group had total assets of ¥102,508 million. The figure represented a drop of ¥2,979 million from the end of the previous consolidated fiscal year (March 31, 2012), caused mainly by a decrease in accounts receivable.

Total liabilities increased ¥810 million from the end of the previous consolidated fiscal year to ¥66,124 million primarily due to an increase in short-term borrowings and notes and accounts payable.

Net assets totaled ¥36,384 million, down ¥3,789 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 factors.

(3) Performance Forecasts

The Tokyo Rope Group has revised its full-year projected results for the fiscal year ending March 2013 it announced on November 9, 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 3 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 3 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 3 quarters (December 31, 2012)
ASSETS		
Current assets		
Cash and bank deposits	¥ 1,857	¥ 1,937
Notes and accounts receivable	19,384	14,926
Commodities and products	5,196	5,390
Goods in process	7,443	7,659
Materials and supplies	4,154	4,405
Other	2,378	3,426
Allowance for doubtful accounts	(36)	(35)
Total current assets	40,378	37,710
Fixed assets		
Property, plant and equipment		
Buildings and structures (net)	13,669	13,900
Machinery and vehicles (net)	13,697	13,984
Land	21,166	21,166
Construction in progress	1,936	1,184
Other (net)	1,980	1,857
Total property, plant and equipment	52,450	52,093
Intangibles	609	657
Investments and other assets		
Investment securities	6,593	6,481
Deferred tax assets	2,867	2,850
Other	3,025	3,422
Allowance for doubtful accounts	(453)	(720)
Total investments and other assets	12,032	12,033
Total fixed assets	65,092	64,784
Deferred assets	15	13
Total assets	105,487	102,508

(Millions of yen, rounded down)

	Fiscal 2011 (March 31, 2012)	Fiscal 2012—First 3 quarters (December 31, 2012)
LIABILITIES		
Current liabilities		
Notes and accounts payable	¥ 12,394	¥ 13,147
Short-term borrowings	19,826	20,732
Accrued expenses	2,081	1,908
Reserve for employees' bonuses	891	409
Other	3,330	3,466
Total current liabilities	38,525	39,665
Long-term liabilities		
Long-term loans	11,702	11,699
Deferred tax liabilities due to revaluation	5,788	5,788
Reserve for employees' retirement bonuses	4,763	4,338
Other	4,533	4,632
Total long-term liabilities	26,787	26,458
Total liabilities	65,313	66,124
NET ASSETS		
Shareholders' equity		
Common stock	15,074	15,074
Capital surplus	8,575	8,574
Retained earnings	6,290	2,829
Treasury stock	(3,271)	(3,272)
Total shareholders' equity	26,668	23,206
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	482	409
Deferred gains or losses on hedges	1	—
Land revaluation difference	10,851	10,851
Foreign currency translation adjustment	(733)	(789)
Total accumulated other comprehensive income	10,600	10,471
Minority interests	2,905	2,706
Total net assets	40,173	36,384
Total liabilities and net assets	105,487	102,508

(2) Statements of Income and Statements of Comprehensive Income

1) Statements of Income

(Millions of yen, rounded down)

	Fiscal 2011—First 3 quarters (April 1—December 31, 2011)	Fiscal 2012—First 3 quarters (April 1—December 31, 2012)
Net sales	¥57,198	¥46,686
Cost of sales	47,219	41,354
Gross profit	9,978	5,331
Selling, general and administrative expenses	8,585	8,320
Operating income (loss)	1,393	(2,988)
Other income		
Interest income	22	19
Dividend income	109	131
Other	254	287
Total other income	386	438
Other expenses		
Interest expense	297	366
Foreign exchange losses	135	—
Other	208	143
Total other expenses	641	510
Ordinary income (loss)	1,137	(3,060)
Extraordinary income		
Gain on sales of investment securities	4	0
Total extraordinary income	4	0
Extraordinary expenses		
Business structure improvement expenses	—	855
Loss on sales of investment securities	29	0
Loss on valuation of investment securities	7	2
Compensatory repair cost	829	—
Loss on disaster	76	—
Other	7	9
Total extraordinary expenses	949	866
Income (loss) before income taxes	193	(3,926)
Income taxes	31	(639)
Income (loss) before minority interests	161	(3,287)
Minority interests in income (loss)	160	(189)
Net income (loss)	1	(3,097)

2) Statements of Comprehensive Income

(Millions of yen, rounded down)

	Fiscal 2011—First 3 quarters (April 1—December 31, 2011)	Fiscal 2012—First 3 quarters (April 1—December 31, 2012)
Income (loss) before minority interests	¥161	¥(3,287)
Other comprehensive income		
Valuation difference on available-for-sale securities	(580)	(72)
Deferred gains or losses on hedges	(0)	(1)
Land revaluation difference	845	—
Foreign currency translation adjustment	(409)	(58)
Share of other comprehensive income (loss) of associates accounted for using equity method	(17)	(6)
Total other comprehensive income (loss)	(163)	(138)
Comprehensive income (loss)	(1)	(3,426)
Comprehensive income attributable to		
Comprehensive income (loss) attributable to owners of the parent	(139)	(3,227)
Comprehensive income (loss) attributable to minority interests	137	(198)

(3) Notes on Going-concern Assumptions

Fiscal 2012–First 3 quarters (April 1–December 31, 2012)

None

(4) Segment Information

Segment Information

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.

Fiscal 2012–First 3 quarters (April 1– December 31, 2012)

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	¥19,815	¥11,772	¥7,827	¥890	¥40,306	¥6,379	¥46,686	¥ —	¥46,686
Intersegment sales or transfers	116	—	132	—	248	788	1,037	(1,037)	—
Total	19,931	11,772	7,959	890	40,554	7,168	47,723	(1,037)	46,686
Segment income (loss)	787	(3,915)	(342)	294	(3,175)	186	(2,988)	—	(2,988)

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 2012–First 3 quarters (April 1– December 31, 2012)

None