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Tokyo Rope Group announces new medium-term management plan TCTR

The Tokyo Rope Group has formulated a new medium-term management plan called TCTR to serve as a guideline for business operations from the fiscal year ending March 31, 2025 to the fiscal year ending March 31, 2027. The details are as follows.

I. Background

The previous medium-term management plan, called TRX135, was formulated in September 2021. In that plan, our main priority was to get sluggish earnings back to a stable level of profitability following deterioration in the business environment and excessive upfront investments. At the same time, we committed ourselves to laying the groundwork for future growth over the plan's three-year period.

In the previous plan, we sought to maintain the brand strength built upon the trust of our stakeholders over the Group's long history (135th anniversary on April 1, 2023), while also implementing the following initiatives: (1) rebuilding profitability; (2) getting earnings back into the black in all businesses through the selection and concentration of management resources; (3) laying the groundwork for future growth; (4) rebuild and actively utilizing internal controls to make the organization culture renew; and (5) strengthening our financial base. More specifically, we set about rebuilding our businesses by organizing and consolidating overseas operations and sites in light of geopolitical risks and profitability. Internally, we strengthened governance by appointing a majority of independent outside directors to the board and also took diversity into account by ensuring that 20% of directors are women. With this revitalized board, we pressed ahead with the various measures of the previous medium-term plan.

As a result, on a consolidated basis, we reached our operating income target for the third year of the plan in the second year. In terms of finances too, we met our D/E ratio target sooner than planned, and more or less achieved the other quantitative goals we had set. On the other hand, even though we have continued to allocate management resources and take other measures for the purpose of laying the groundwork for future growth, at this juncture, we have yet to reach a phase of dramatic expansion, so we recognize this remains an issue that will demand our attention going forward.

Against this backdrop, during the period of the new medium-term management plan TCTR, we will

continue to build a growth foundation in view of our longer-term vision. We will promote priority focus businesses that have the potential to become future business pillars, and by sustaining and improving earnings in existing businesses, we will strike a balance between further strengthening our financial base and extending shareholder returns. We will also aim to contribute to solving the social issues outlined in the SDGs.

Numerical targets and results (consolidated earnings and financial indicators)

	FY Mar 31, 2021 Before previous MTMP (actual)	FY Mar 31, 2024 Previous MTMP (target)	FY Mar 31, 2024 Previous MTMP (actual)	FY Mar 31, 2027 New MTMP TCTR (target)
Net sales (bn JPY)	59.1	65.0	64.2	68.0
Operating income (bn JPY)	0.7	3.0–4.0	3.9	4.5
EBITDA (bn JPY)*1	2.3	5.3–6.3	5.0	6.5
ROE	1.9%	8.0% or higher	6.2%	8.4%
D/E ratio*2	1.21	Less than 1.0	0.68	Less than 0.5
EPS	¥25/share	At least ¥130/share	¥128/share	¥200/share
Total return ratio	No dividend	30% or higher	41.0%	40% or higher

*1: EBITDA is calculated as net income before taxes + interest expenses + depreciation and amortization.

*2: The D/E ratio is calculated as interest-bearing liabilities (including lease obligations) ÷ shareholders' equity.

II. Positioning and basic policy of new medium-term management plan TCTR

In the TCTR, we will continue to uphold our medium- to long-term vision of *supporting global safety and security* by pursuing the Group's unique strength of Total Cable Technology (TCT) based on our corporate philosophy of "coexistence and co-prosperity" and aim to generate growth and enhance corporate value.

The TCTR combines the Group's innate strength of TCT with the transformation targeted in the previous medium-term management plan, which was called TRX135 (Tokyo Rope Trans(X-)formation at 135th). It seeks to connect everything through technology to support global safety and security in order to ensure prosperity together with all our stakeholders, thereby contributing to society and enhancing corporate value.

In terms of initiatives, over the three-year duration of the TCTR, we will endeavor to maintain the business foundations and strengthen the profitability that we regained during the previous medium-term management plan and set our sights on achieving, by 2030, a capacity for stronger earnings and a robust financial structure with which we can realize the ideals of the SDGs.

Basic policy

The following measures will be implemented as a basic policy of the TCTR.

- (1) Stepping up the allocation of management resources to priority focus businesses
- (2) Strengthening the competitiveness of existing businesses
- (3) Building a company that is attractive to all stakeholders

III. Key strategies

1. Stepping up the allocation of management resources to priority focus businesses

In the TCTR_X, we will promote the following three businesses, which we have earmarked for priority focus.

(1) Carbon fiber composite cable (CFCC) business

With our North American sites already contributing to earnings, operations in Japan followed suit and returned to profitability in the fiscal year ended March 31, 2024. Capacity utilization of our plants is also improving by virtue of growth in orders from our mainstay fields of application—civil engineering and electric wiring. We will continue to accumulate projects in both of these fields. In North America, we will expand our operations to accommodate growing demand for aging infrastructure solutions, and in Japan, we will expand into new domains, for example ports, roads, and architectural materials.

(2) Bridge cable business

Going forward, we will aim to secure upcoming domestic and international orders. In particular, we will look to expand operations overseas with new projects in mainly Europe and Southeast Asia, and in Japan, we will address aging infrastructure with the use of total magnetic flux-based diagnostics—our very own nondestructive testing technique—to tap demand for inspections, repairs, and replacements.

(3) Offshore wind power generation-related business

Various considerations and commercialization issues in the development and feasibility stages of the offshore wind power generation projects being promoted as a Japanese national policy are currently being addressed. Nevertheless, there is ample room and technologies for the Tokyo Rope Group to contribute to these projects with related products. For example, fiber ropes for floating offshore wind turbine mooring lines and wire ropes for use in ports and related construction works. Given the significance of these initiatives contributing to carbon neutrality, we will strategically allocate management resources to R&D and capital investment from a long-term point of view.

2. Strengthening the competitiveness of existing businesses

Taking inflation as a given, we will improve profitability with our own self-reliant efforts and proceed to revise product prices as a way of tackling higher material prices and distribution costs, growth strategy investments, and the securing of human capital. Based on the profitable foundation we have built across all of our businesses, we will aim to further improve management efficiency and drive earnings higher. To achieve this, we will make institutional changes and foster a corporate culture geared towards securing and nurturing talent, create vibrant workplace environments, and introduce an intrapreneurship program and other new schemes. In terms of capex, we will invest in sustainability when strategically upgrading aging equipment, focusing on the themes of safety, productivity (especially DX), and environmental friendliness.

3. Building a company that is attractive to all stakeholders

(1) Approach to cash allocation and financial/dividend policy

Cash flows generated from the various measures in the TCTR_X will be preferentially allocated to strategic investments in sustainability and the businesses earmarked for priority development so as to

enhance corporate value. And with an eye on improving the P/B ratio, we will examine and implement different methods for extending shareholder returns, keeping in mind the cost of capital and the Company's share price.

Based on the viewpoint outlined above, we have decided to target a total payout ratio of at least 40% over the period of the TCTR, compared with 30% or higher in the previous medium-term management plan.

(2) Strengthening our financial base and pursuing equity capital efficiency

We have set an ROE target of 8.4% for the third year of the plan, which we will aim to achieve not only by increasing profit through stronger earnings, but by generating cash to support growth strategy investments primarily by reducing cross-shareholdings, consolidating businesses for investment efficiency reasons, and selling assets, whilst simultaneously improving capital efficiency. As for surplus funds, we will make sure we have the capacity to raise future capital by striving to further shore up our financial base by reducing our interest-bearing debt.

(3) Sustainability strategy

Based on the Group's corporate code of conduct and guided by our basic policy on sustainability, we have established five items of materiality (key issues) in line with our respective policies on environment (E), social (S), and governance (G) considerations.

We will endeavor backwards from the Group's goals for 2030—the target year for achieving the SDGs—to set KPI targets linked to our current three-year management plan initiatives. Also, based on the governance structure that we strengthened during the previous medium-term management plan, we will continue to maintain and bolster internal controls and compliance in an effort to foster an open corporate culture and further improve the workplace environment so that employees can work with peace of mind.

With the launch of our intrapreneurship program and other new initiatives, combined with a proactive approach to communicating information internally and externally, we will aspire to be an attractive company to potential employees, thereby enhancing corporate value and helping to build a sustainable society.

IV. Other information

Information about measures in each business segment in the TCTR will be disclosed when a briefing for institutional investors is held in mid-May.