

New Medium-Term Management Plan “Total Cable Technology-II (TCT-II)”

The Tokyo Rope Group has formulated a Medium-Term Management Plan (referred to below as “TCT-II”) to serve as its guideline for business management in fiscal 2012 and fiscal 2013 (from April 1, 2012 to March 31, 2014). The principal details are described below.

I. Basic Policy

This year the Tokyo Rope Group celebrates the 125th anniversary of its founding. As we implemented our previous medium-term plan (TCT-I), we conducted our business activities with the aim of positioning the Group to achieve growth by providing our cable technology on total and global bases. The operating environment, however, was shaped by occurrences that ranged from the Great East Japan Earthquake to a super-strong yen and the financial crisis buffeting countries in Europe, and remained severe. In particular, the Group started the fiscal year amidst extremely tough earnings circumstances because of the recent sharp and widespread downturn in its business related to solar power generation, a key pillar of our earnings.

In light of these conditions, under its TCT-II plan the Tokyo Rope Group will return to the roots of the Company’s establishment and work to (1) restore earnings capability through full-scale reform of its production structure, and (2) solidify the foundations for a total cable technology company through the introduction of innovative products that will contribute to the engines of future growth. Through these efforts, we will achieve a V-shaped recovery, with net sales of ¥85.0 billion and ordinary income of ¥4.5 billion in fiscal 2013, the final fiscal year of the plan.

II. Plan Summary

[Management objectives] (Consolidated basis)

	Step-Up 8-7 Average for FY2007-2009 Actual operating results	TCT-I Average for FY2010-2011 Actual operating results	TCT-II FY2013 (Objectives)
Net sales	¥77 billion	¥74 billion	¥85 billion or over
Ordinary income/net sales (%)	3%	3%	5% or over
Overseas net sales ratio (%)	7%	19%	25% or over

[Business resources investment plan]

	Step-Up 8-7 (FY2007-2009)	TCT-I (FY2010-2011)	TCT-II (FY2012-2013)
Capital investment plan including overseas investment	¥9 billion (3 years) (¥3 billion/year)	¥17 billion (2 years) (¥8.5 billion/year)	¥6-10 billion (2 years) (¥3-5 billion/year)
R&D expenditure	¥600 million/year	¥600 million/year	¥400 million/year

III. Business Measures

1. Revamping business structure

To deal with the sudden and significant deterioration of the business environment, Tokyo Rope will carry out a full-fledged business restructuring in the steel cord business segment, which has suffered losses on solar power generation-related products. At the same time, we will seek a V-shaped recovery in total earnings by enhancing company-wide productivity and thoroughly reducing external procurement costs, and working to increase earnings by expanding the sales of existing and new products. We will aim for long-term, sustainable growth by investing the capital generated by these measures in new businesses such as CFCC (carbon fiber composite cable).

2. Reorganizing the steel cord business

The steel cord business is facing a state of oversupply, particularly for saw wire, and the market cannot be expected to recover. To address this situation we will consolidate, at our China plant, domestically produced products whose international competitiveness has been weakened by factors such as appreciation of the yen, and reduce production capacity at the Kitakami Plant.

Tokyo Rope reported business structure improvement expenses of ¥3.5 billion in fiscal 2011 as a result of these measures.

3. Thorough execution of earnings measures in each business place

To bolster the competitiveness of our domestic manufacturing plants, we will execute comprehensive reductions in cost. Specifically, during the TCT-II phase we will implement steps that were studied since the second half of fiscal 2011 as earnings enhancement measures to raise the bottom line by approximately ¥2.5 billion, centered on (1) lowering external procurement costs, (2) fundamentally improving productivity and (3) strengthening manufacturing capabilities.

4. Expanding sales of existing and new products

(1) Wire rope and steel wire business

The domestic business is expected to maintain gradual growth, driven by earthquake recovery demand. We will accommodate this recovery demand as a certain outcome. In addition, in response to a robust increase in orders from a Japanese elevator manufacturer in the Chinese market, we are strengthening capacity at our Vietnam plant. We will build a solid supply organization to handle markets that are growing remarkably.

(2) Steel cord business

To improve earning capacity we will reorganize our manufacturing structure and bring out innovative new products. We will also continue to investigate construction/consolidation of production plants in regions ascertained to be future growth markets.

(3) Product development business

During the TCT-I phase, we broadened our lineup of road-related products as the result of TCT business activities. In addition to aggressive activity to expand sales of these products, sales of disaster prevention products, including Tie-Ropes, Tsunami and High Tide Barriers, rock fall prevention works accompanying coastal road improvements, Guard Fences and Tough-Coated, are expected to grow in conjunction with disaster restoration work.

(4) Other activities

Activities such as the binderless metal mold business for lens, which is expanding because of the growth in smartphones, and the earthquake debris packing machine business, supply superior products based on Tokyo Rope's TCT business practices, and contribute to earnings even though small in scale.

5. Strive to create engines of future growth

In the TCT business, which will underpin Tokyo Rope's growth strategy for the future, during the prior planning phase we vigorously implemented product development aimed at commercialization in sectors such as petroleum resource development, the power grid system development, nondestructive bridge inspection and bridge repair. During the TCT-II phase, we will begin construction of production lines in Japan and overseas, and foster them as engines to support long-term, continuous future growth.

IV. Investment of Business Resources

1. Capital investment plan (including overseas investment and lending)

In addition to undertaking domestic and foreign capital investment, mainly in projects that will enhance earnings, we will carefully select and implement strategic investments that will lead to the creation of growth engines for the future. The target investment amount for this two-year period has been set at ¥6-10 billion.

2. Research and development expenditure

As a continuation of TCT-I, we will accelerate development of new processes to ensure overwhelming cost competitiveness, while also promoting basic research to fully identify customer needs along with product development.

V. Dividend Objective

During the fiscal year ending March 2013, Tokyo Rope will be implementing structural reforms in its steel cord business and plans to forgo dividends. The company will seek to resume paying dividends in the fiscal year ending March 2014, based on reliably achieving its earnings target.

The Tokyo Rope Group is united in its effort to achieve its Medium-Term Plan and seek the continuous increase in its corporate value. We will do our utmost to become a company that can answer the trust of all our stakeholders, including shareholders, customers, suppliers and employees.

The matters described in this material are the projections and objectives of Tokyo Rope at the time these materials were created, and the Company does not guarantee or pledge that the information is accurate or complete.