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Topy Industries, Limited

Topy Industries Group's New Medium-Term Management Plan:  
Growth & Change 2021 (G&C 2021)  
~ For the Completion of G&C and Future Growth ~

The Topy Industries Group has formulated and launched the medium-term management plan “Growth & Change 2021” (G&C 2021) covering the period from fiscal year 2019 to fiscal year 2021.

**1. Review of the Previous Medium-term Management Plan: Growth & Change 2018 (G&C 2018)**

Under the previous medium-term management plan that was launched in fiscal year 2016, the Topy Industries Group aimed for sustainable growth by accelerating global business development with the Automotive & Industrial Machinery Components Business as a growth driver. Net sales exceeded the planned numerical target thanks to the conversion of Ring Techs Co., Ltd., a manufacturer of steel wheels, and Asahi Tec Corporation, a manufacturer of aluminum wheels, into subsidiaries, in addition to the completion of the global supply system of steel wheels for passenger vehicles and the steady capturing of demand for construction machinery and mining machinery, which stayed on a track to recovery during that period. Steady progress was also made in building the foundation for new businesses such as synthetic mica and crawler robots. However, profits did not achieve the targets due to the significant impact of transient issues and increasing costs as a result of the rising prices of sub-materials, such as graphite electrode for steel making and alloy iron.

**2. Positioning of the New Medium-term Management Plan: Growth & Change 2021 (G&C 2021)**

In the series of medium-term management plans with the slogan of “Growth & Change” since fiscal year 2012, the Group has been continuing to promote global “Growth” and “Change” to achieve a highly profitable business structure. Given that the long-term trend of expanding overseas demand and contracting domestic demand remains unchanged, the Group positions G&C 2021 as the final stage of G&C.

**3. The Basic Principle of G&C 2021**

The Group will work to expand its cash flow creation capabilities for future growth with “For the completion of G&C and future growth” as a basic principle, putting priority on increasing the earnings power of businesses that were enhanced under G&C 2018. At the same time, the Group will aim for sustainable growth beyond the 100th anniversary of the Company’s foundation in 2021 by continuing to work on the development of new businesses and products that will meet customer and social needs.

#### **4. Key Themes in G&C 2021**

##### (1) Increase in earnings power

The Group will increase the earnings power of the Automotive & Industrial Machinery Components Business and the Steel Business, its core businesses, by focusing on operating profit. The Group will reap the results of growth measures implemented in G&C 2018 and promote measures based on customer needs, the strengths and weaknesses of the Group, and the further cost reduction of the entire value chain in response to the expanding corporate size.

##### (2) Manifestation of the Group synergies

The Group will promote the following measures to maximize synergistic effects with Ring Techs Co., Ltd. and Asahi Tec Corporation, which joined the Group in fiscal year 2018.

(Synergistic effects with Ring Techs Co., Ltd.)

Optimization of domestic and overseas production systems in response to falling domestic demand for steel wheels for passenger vehicles, and the improvement of costs and productivity through the standardization of design, technologies and purchase.

(Synergistic effects with Asahi Tec Corporation)

Mutual sales expansion of steel wheels for passenger vehicles and aluminum wheels globally, including the U.S. and Europe, and the improvement of costs and productivity through the standardization of design, technologies and purchases.

##### (3) Enhancement of strategic products

For synthetic mica, which is a basic ingredient in cosmetics, the Group will capture demand that is expected to grow in Japan and overseas by utilizing the production capacity that increased in G&C 2018. For crawler robots, the Group will make a full-scale entry into the market where demand is expected to increase on the back of the labor shortage by positioning crawler robots as an automated guided vehicle (AGV), differentiated from existing tire-system vehicles.

In the Automotive & Industrial Machinery Components Business, the Group will accelerate the development of lightweight wheels that will meet needs of automotive manufacturers for lighter body weight and promote the development of wheels that will pursue high-quality design. In the Steel Business, the Group will further deepen the manufacturing and processing technologies of deformed section steel, which is the Group's strength, and differentiate its new product TACoil<sup>®</sup> by increasing its size.

##### (4) Taking on the challenge of innovation

The Group will strengthen its product and technology development capabilities by increasing research and development expenses to take on challenges for the future by polishing its proprietary technologies. The Group will also promote smart factories by utilizing IoT at the production site to strengthen manufacturing. In addition, the Group will secure and cultivate human resources who will take a leading role over the next 100 years by focusing on the creation of a creative workplace through continuous efforts for activities to improve job satisfaction and promote diversity, which were successful in G&C 2018.

(5) Further strengthening of the management foundation

[E] The Group will aim for manufacturing at eco-friendly and environmentally conscious production plants and bases.

[S] The Group will promote the provision of products that will contribute to society and regional contribution activities.

[G] The Group will work to strengthen the governance system that aims to prevent and minimize risks.

## **5. Quantitative goals and numerical target plants in G&C 2021**

(1) Quantitative goals

	Actual performance in FY2018	Targets for FY2021	Change
Operating profit to net sales	2.6%	5.0%	+2.4 points
Return on equity (ROE)	6.5%	8.5%	+2.0 points
Return on assets (ROA)	3.2%	5.7%	+2.5 points
Debt-equity ratio	0.72	0.52	△0.20 points

(2) Numerical target plans (in billions of yen)

	Actual performance in FY2018	Targets for FY2021	Change
Net sales	286.2	320.0	+33.8
(Overseas sales ratio)	(29%)	(33%)	(+4 points)
Operating profit	7.5	16.0	+8.5
Profit attributable to owners of parent	7.1	11.0	+3.9

- The Topy Industries Group plans to spend approximately 37.0 billion yen as a maintenance investment over the three years and other growth strategy investments of approximately 15.0 billion yen.

## **6. Principal measures in G&C 2021**

(1) Production and sales structural reforms in the wheels for automobiles business

The Group will aim to optimize the production system with Ring Techs Co., Ltd. in response to declining domestic demand for steel wheels and maximize synergistic effects with Asahi Tec Corporation through production and sales alliances in response to increasing domestic and overseas demand for aluminum wheels. In addition, the Group will capture globally growing demand and increase its earnings power by strengthening the competitiveness of production sites through focused investments and continuous improvement. The Group will also promote the development of attractive products by responding to the needs of automotive manufacturers for lighter body weight and the dissemination of electric vehicles (EV).

(2) Sales expansion of strategic products in the Steel Business

The Group will expand the sales volume of strategic products, fully utilizing the cutting-edge steel plants and taking advantage of the Group's strength of a wealth of products, including its proprietary deformed section steels such as mast rails for forklift trucks and segment members for tunnel construction, as well as TACoil<sup>®</sup>, Japan's first newly deformed reinforcing bar product.

(3) Full-fledged commercialization of new areas

Synthetic mica, which is a basic ingredient in cosmetics, is valued for its superior transparency and safety. The Group will expand sales of colored synthetic mica in Japan and overseas which feels comfortable to skin, by adding them to the wide variety of the production lineup.

Given that crawler robots have proprietary functions such as the ability to overcome great differences, run on bad roads and travel automatically and autonomously, the Group will make a full-scale entry into the market where demand is expected to increase on the back of the labor shortage by positioning the crawler robots as an AGV in place of existing tire-system vehicles.