



TOPY Report 2023



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[Overview of official X (formerly Twitter) account]

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One-piece Cycle

Technology and quality
flowing together in one
perfect motion

TOPY Report 2023



TOPY Report 2023



With an eye on the future society of 2050, the Group is committed to contributing to the realization of a carbon-neutral society and addressing societal challenges in an era of major transformation.

Under the Group's fundamental philosophy to "fulfill its responsibilities as a public institution and contribute to the realization of a sustainable recycling-oriented society through the continuation and development of its business," we are advancing sustainability activities. As the movement toward carbon neutrality by 2050 gets into full swing, the Group will further promote efforts to address various ESG issues, including climate change, in order to continue to be a company trusted by society for many years to come.

TOPY Sustainable Green Vision 2050

- Aiming to realize an affluent society where people can live safely and healthily, we will continue to grow sustainably beyond the times -

2030
Reduce CO₂ emissions by 46% (compared to FY2013)

SUSTAINABLE
DEVELOPMENT GOALS

Promote green business

Pursue decarbonization and diversity

Reduce CO₂ emissions by 46%
Contribute to achieving the SDGs

<Vision for 2030>

"A company that creates new value
and leads in solving social issues"

Medium- to long-term innovation
through the promotion of DX

Building a resilient management
foundation and sustainable supply chain

Strengthen the management foundation

2040

Reduce environmental impact
of customers
Accelerate contributions to
realization of low-carbon society

Strengthen resilience

2050

Achieve carbon neutrality

A global corporation in
harmony with people
and the environment

An affluent
society where
people can
live safely and
healthily

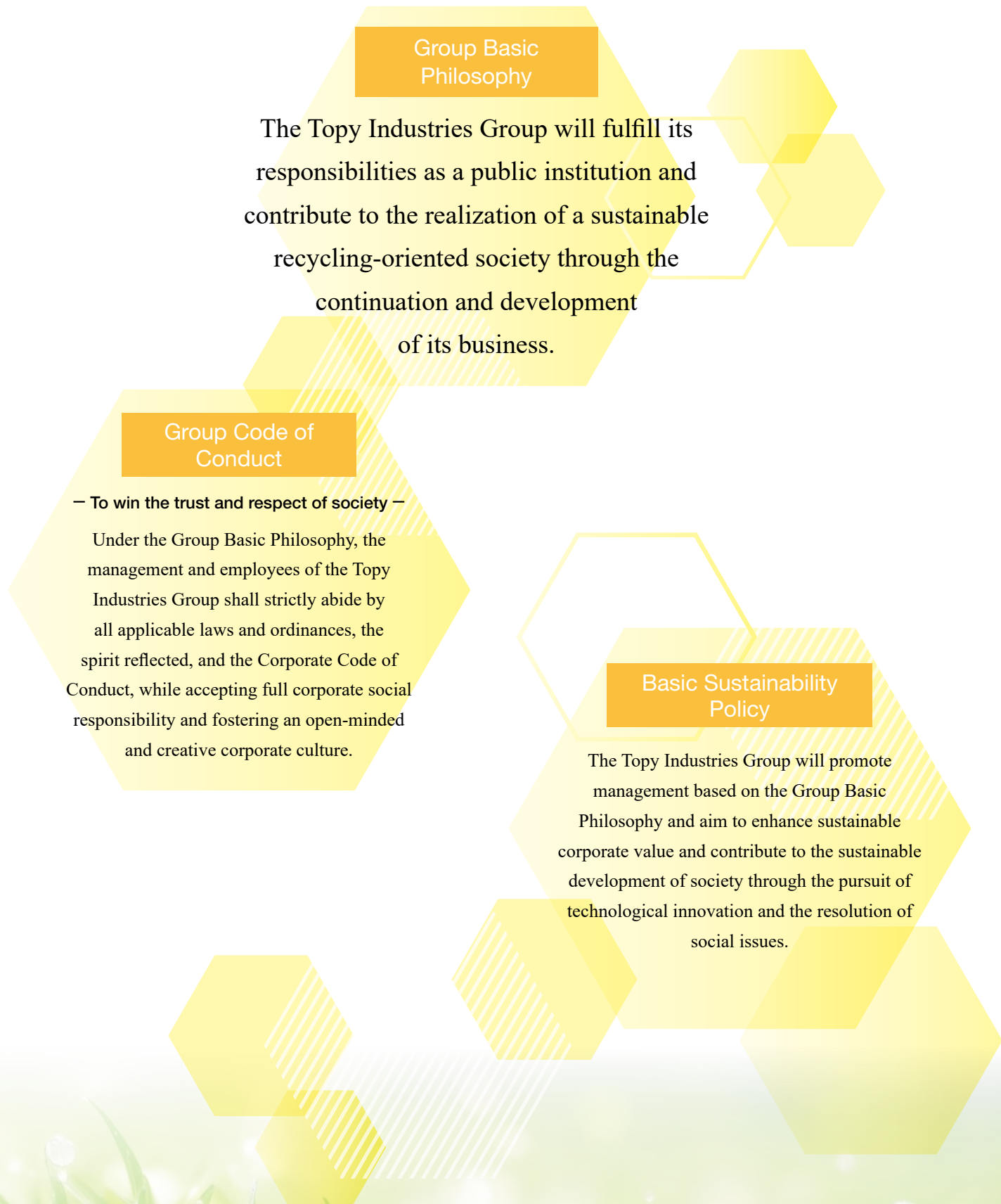
A solid management
foundation for
sustainable growth

TOPY Active & Challenge 2025



The green concept

In this vision, "going green" is not limited to reducing environmental impact, also includes the broader concept of activities that aim to contribute to the optimization of all ESG issues that should be addressed by the Group.



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Editorial Policy

Basic Policy Topy Report 2023 provides selected important information focusing on the company's management strategies to improve corporate value in the medium to long term, including information related to its business activities, operating results, social responsibilities, and management control system. The aim of this report is to encourage candid dialogue with our stakeholders, including shareholders, investors and related parties.	Reporting Scope This report covers all companies listed as subsidiaries of the Topy Industries Group (consolidated basis). However, some activities and data represent only Topy Industries, Ltd. In principle, activities where the scope is not specified refer to those of the Topy Industries Group. Where it is necessary to specify the applicable scope, activities by Topy Industries alone are identified within the headline or descriptions as Topy Industries or the "Company," and activities by an individual Group company are identified by its corporate name.	Reporting Period Covers mainly FY2022 (April 1, 2022 to March 31, 2023), but also includes some activities that occurred on and after April 1, 2023.
The IFRS's International Integrated Reporting Framework and the Ministry of Economy, Trade and Industry's Guidance for Collaborative Value Creation were used as references in the creation of this report.		Date of Issue October 2023
		Inquiries Regarding this Report Topy Industries, Ltd. (General Affairs Department) Art Village Osaki Central Tower, 1-2-2 Osaki, Shinagawa-ku, Tokyo 141-8634, Japan TEL: +81-3-3493-0777

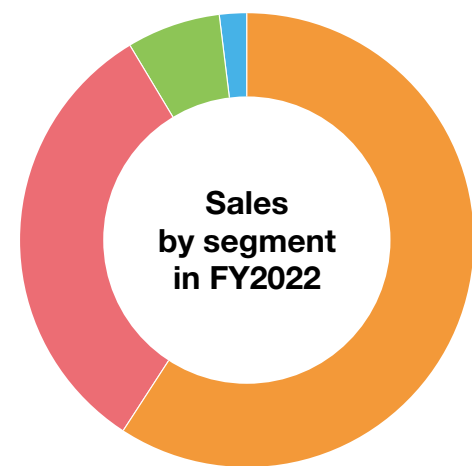


Chapter 1 Value Creation

One-piece Cycle
Technology and quality
flowing together in one
perfect motion.

Businesses of the Topy Industries Group

The Topy Industries Group is a comprehensive metal processing group with an integrated production procedure from raw material production to the fabrication of finished products. Within this, the steel segment engages in raw material supply and the automotive and industrial machinery components segment unit deals in material processing, both of which are interrelated. The Group is also striving to diversify its businesses, which now encompass the power generation segment, manufacture and sale of mica, research and development of robots, leasing of real estate, and operation of sports clubs.



	Net sales	Operating profit
	334,496	7,175
Automotive and Industrial Machinery Components Segment	198,147 59.24%	4,016
Steel Segment	107,971 32.28%	8,038
Power Generation Segment	21,957 6.56%	(566)
Other Segment	6,418 1.92%	1,360

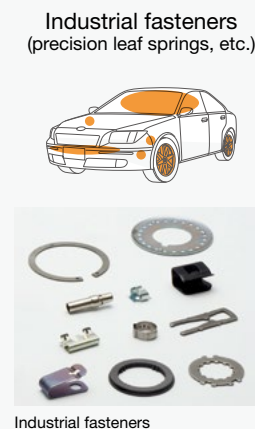
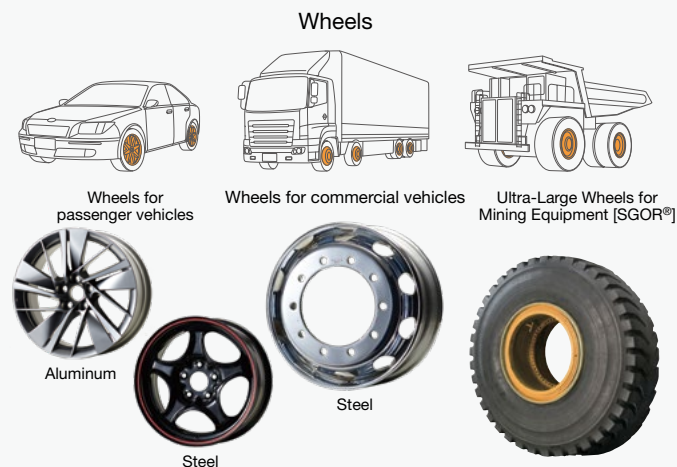
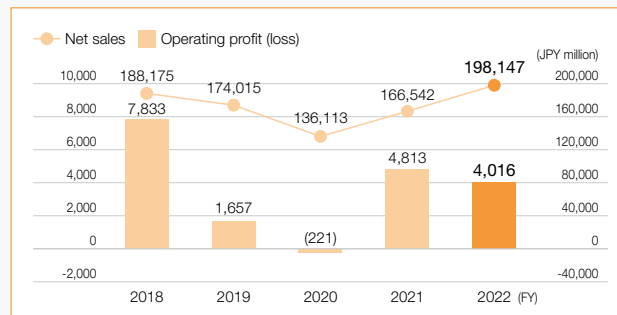
Automotive and Industrial Machinery Components Segment

A world-leading comprehensive manufacturer of wheels and undercarriage parts for construction machinery

We manufacture and sell products including steel and aluminum wheels for automobiles, wheels for mining vehicles, undercarriage parts for construction machinery (track shoes*1 and tracks*2), and industrial steel fasteners for automobiles such as precision leaf springs.

*1 Track shoes: Component of tracks manufactured by processing and heat-treating hot rolled steel materials (special steel).
Track shoes and other components are assembled to form tracks.

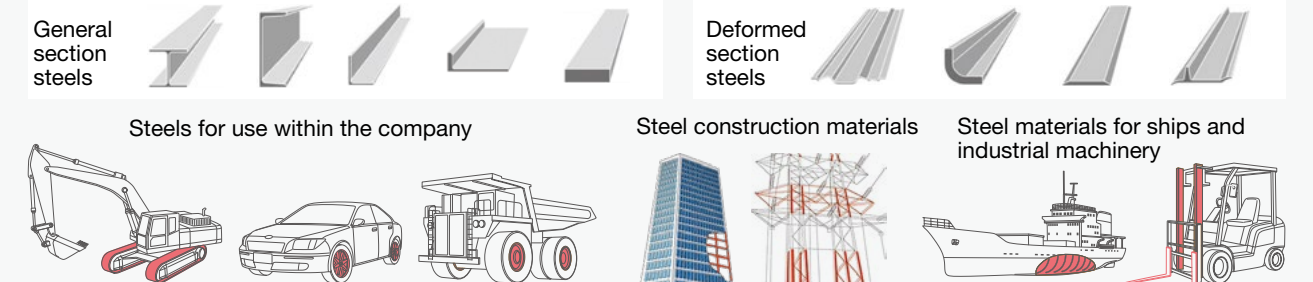
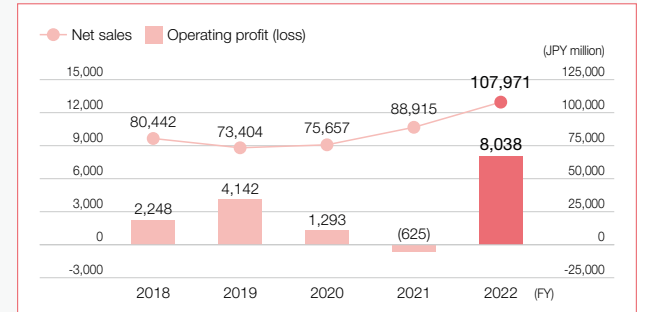
*2 Tracks: A general name for the assembled undercarriage components of construction machinery vehicles, which are generally called a steel track belt.



Steel Segment

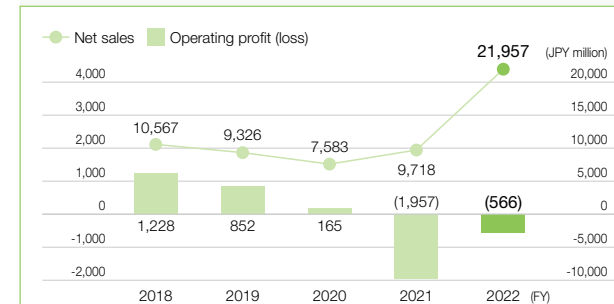
A raw material business operated since our foundation

At the Topy Industries Group (the "Group"), the steel business unit produces steel using electric furnaces as well as a wide variety of steel bars. Wide flange beams, general section steels and deformed bars are shipped as construction materials chiefly to customers in both domestic and overseas markets, while deformed section steels are largely supplied to the company's automotive and industrial machinery components segment unit where they are turned into finished products. This business unit includes companies engaging in the collection and recycling of steel scrap, a transportation company, and a trading company that acts as the logistics and trading arms of the unit. In addition to inter-group business transactions, it also sells products and provides services to customers outside the Topy Industries Group.



Power Generation Segment

Focusing on the stable supply of electricity while paying utmost consideration to maintaining harmony with the surrounding environment

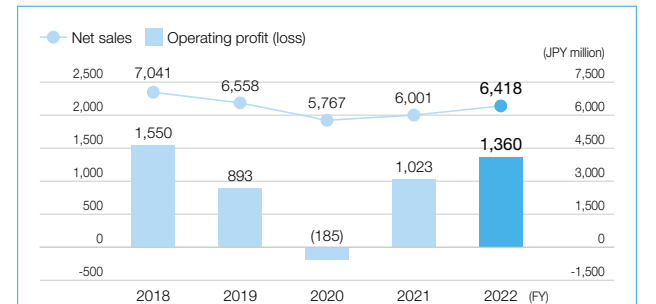


We took electricity deregulation as an opportunity to construct a coal thermal power plant (Toyohashi-shi, Aichi) while paying utmost consideration to maintaining harmony with the surrounding environment, and began to operate our electricity wholesale business in 2000. In December 2022, the plant began generating power using biomass solid fuel produced from food waste and sewage sludge in Toyohashi-shi, contributing to local production for local consumption of energy.



Other Segment

Creating new sources of profit



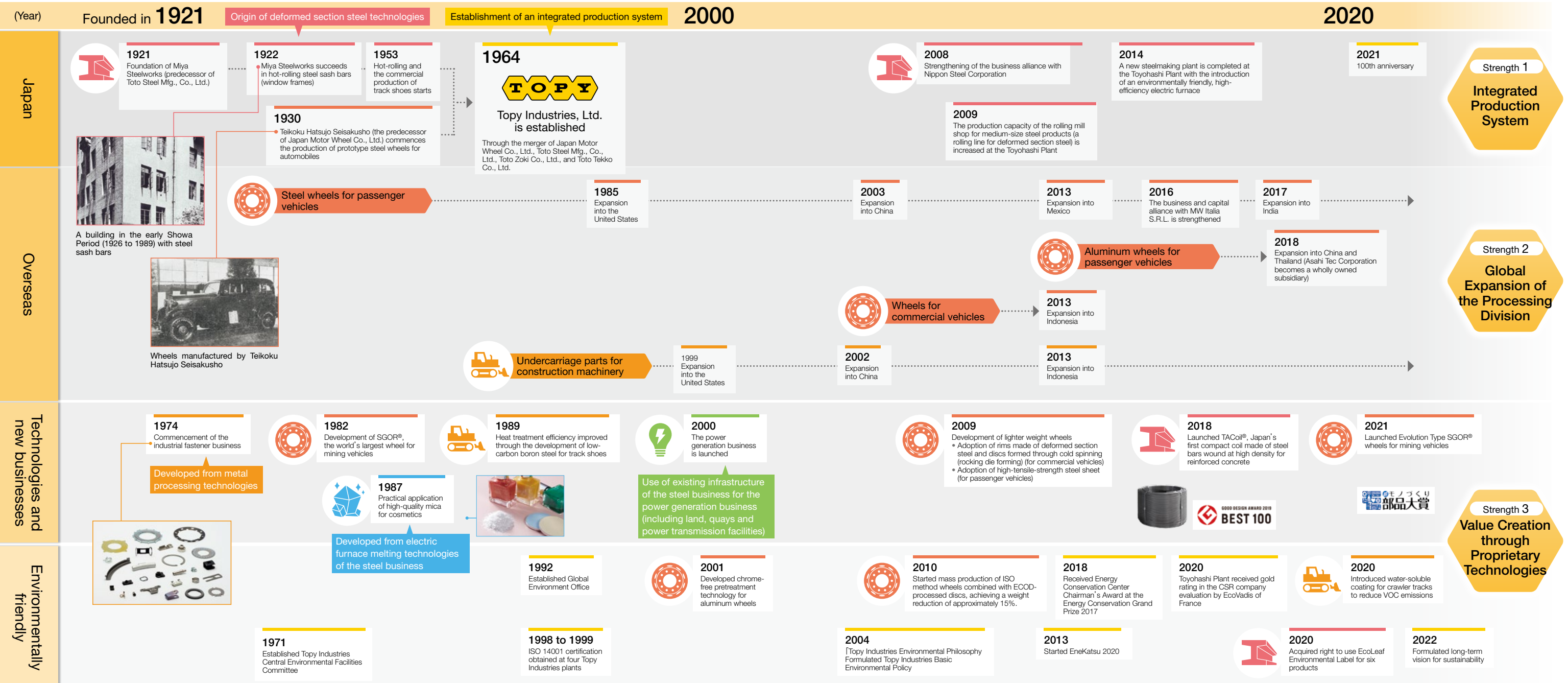
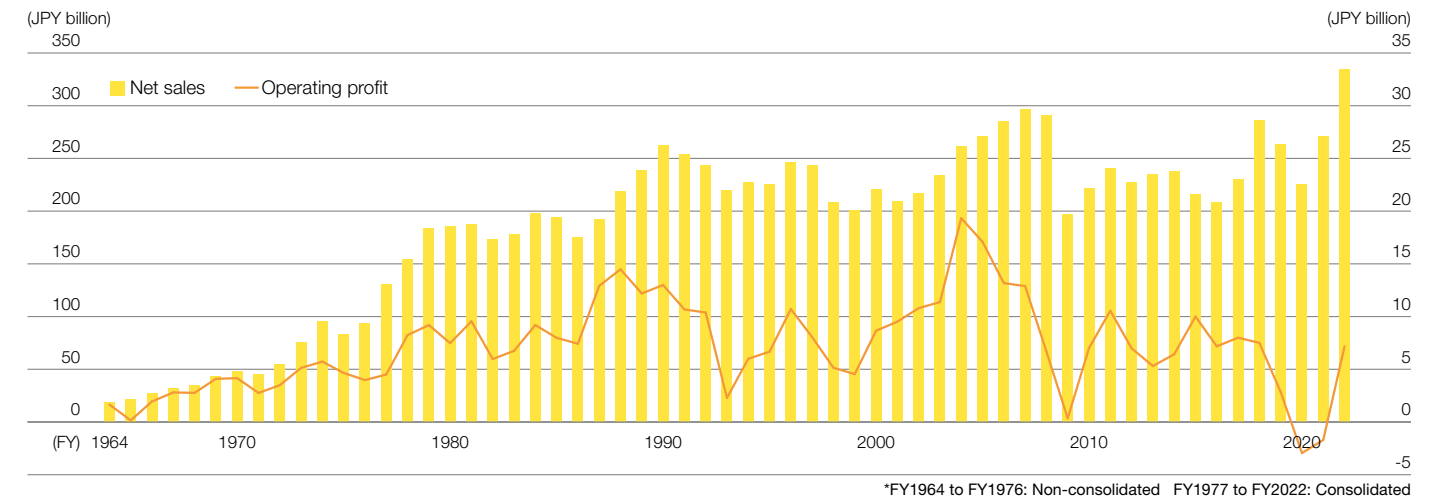
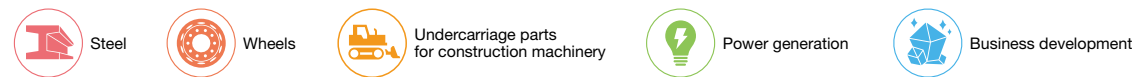
In the Business Development Area, we are expanding sales of mica (artificial mica), which is used for cosmetics and other products, in Japan and other countries, while conducting research and development for crawler robots utilizing our suspension technology. We also lease real estate, such as TOPYREC PLAZA (<https://topyrecplaza.com/>) (Mina-mi-suna, Koto-ku, Tokyo), and operate sports clubs, including OSSO.



History of the Topy Industries Group

Three strengths developed over our 100-year history

In 1964, our integrated production system for producing and making full use of steel was completed through the merger of four companies (engaging in businesses concerning steel and wheels, undercarriage parts for construction machinery, and others). The integration of different businesses has led to the global development of the automotive and industrial machinery parts segment and the creation of new businesses (industrial fasteners, power generation, mica, and other businesses), creating management stability and contributing to earnings growth.

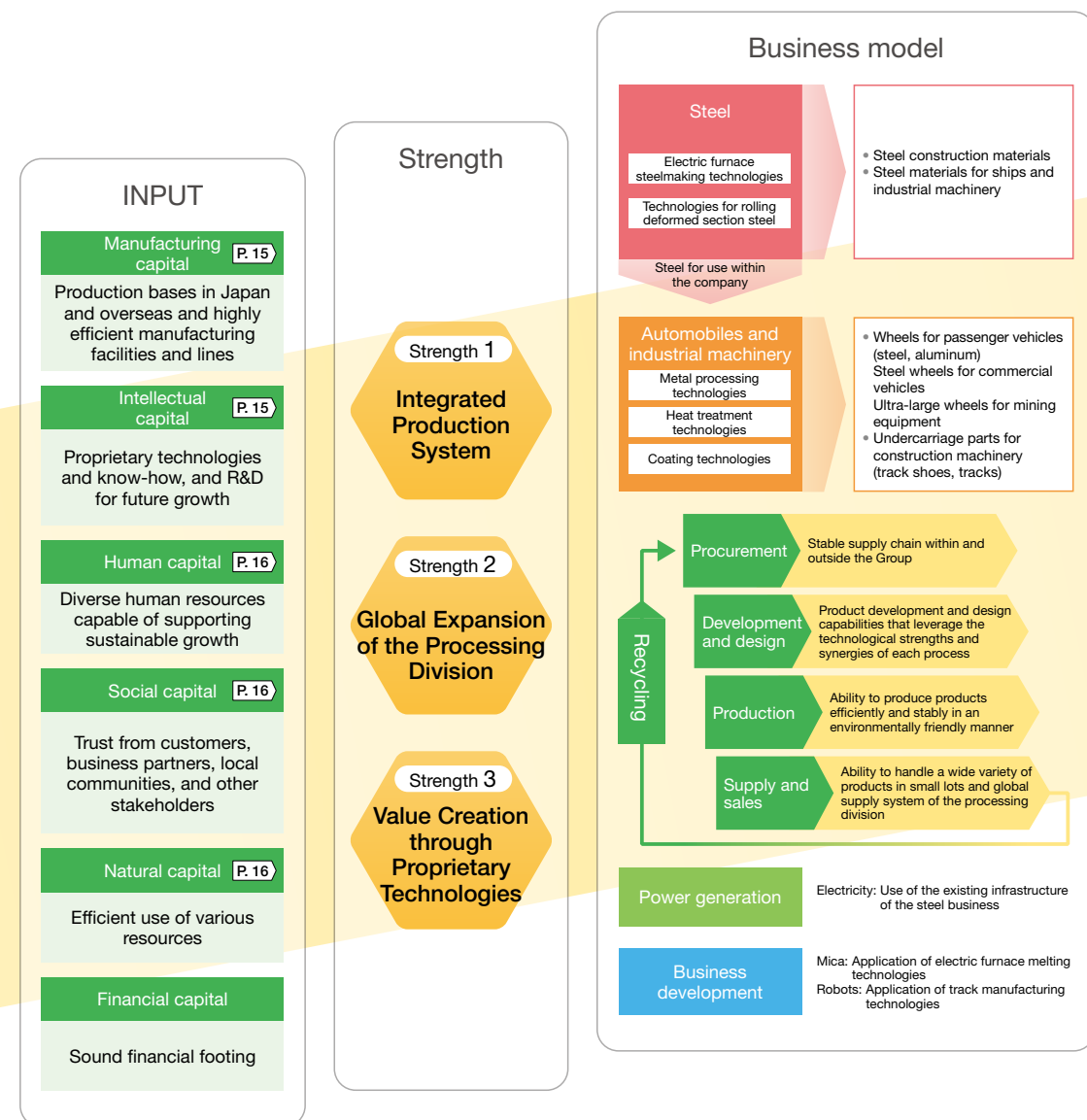


Value Creation Process of the Topy Industries Group

Creating social value and achieving sustainable growth based on advanced technological capabilities and an integrated production system for producing and making full use of steel

Group Basic Philosophy

Basic Sustainability Policy



The Group has paved the way for global expansion by providing products and services that meet the needs of customers and society based on its advanced technological capabilities and integrated production system for producing and making full use of steel and continued to grow by applying its core technologies to expand business into peripheral fields. Going forward, we will continue to achieve sustainable growth by maximizing the strengths and management resources we have developed over the years, while working to solve social issues and create social value.

Medium-Term Management Plan 2022 to 2025

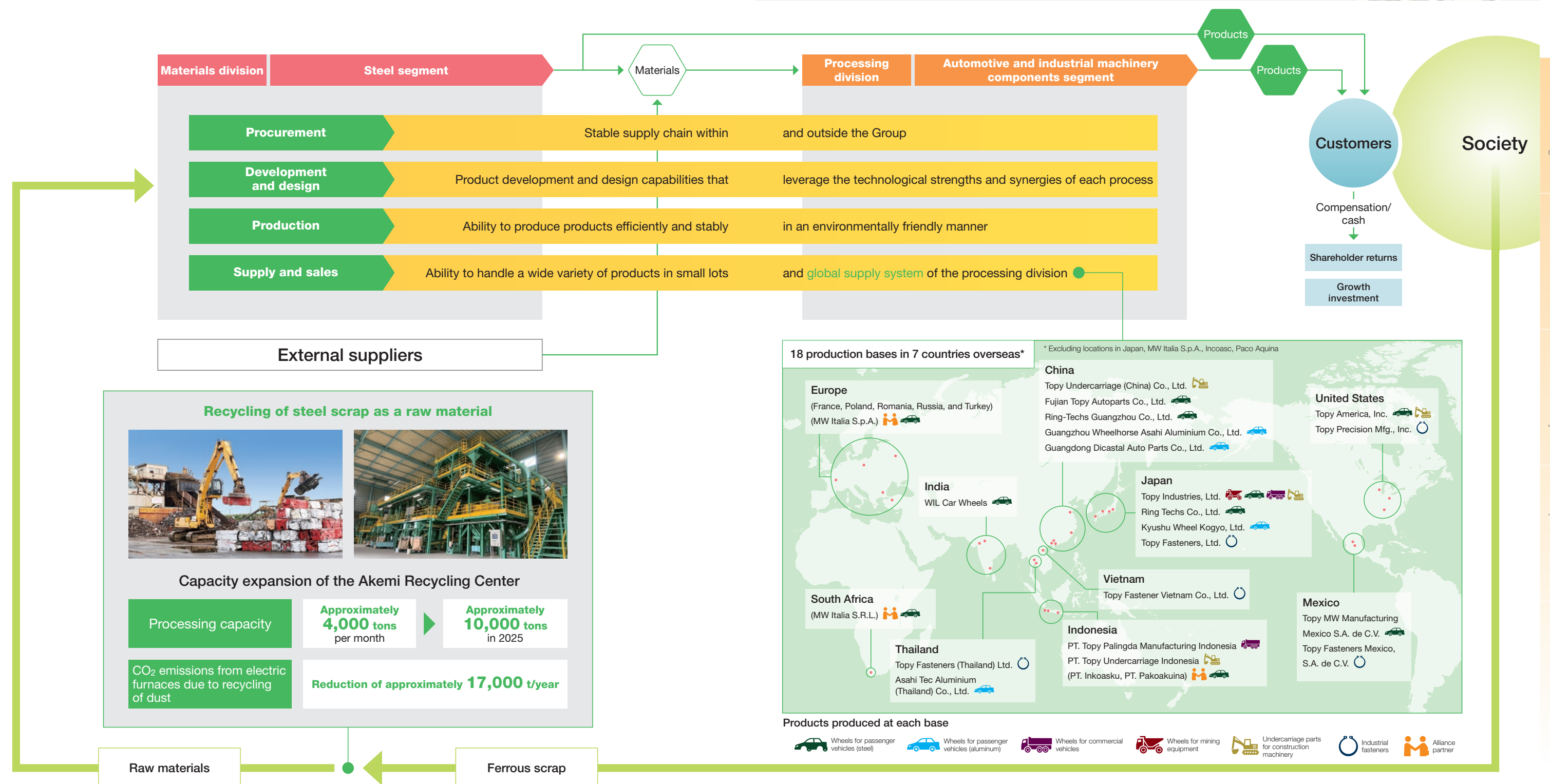
TOPY Active & Challenge 2025



Business Model and Strengths of the Topy Industries Group

Building a competitive value chain with the One-piece Cycle and supplying high value-added products globally

The Group hopes to create a new movement, using steel as a medium to create a cycle in unison with society through the technology and quality that we have developed over the years to make society more affluent and easier to live in. The One-piece Cycle embodies the thinking of the Group.



Pursuit of High Added Value through Proprietary Technologies

Proprietary technologies to meet diverse internal and external needs

Over the years, the Group has nurtured diverse and original technologies under the keyword of making steel and handling steel. We will continue to focus on developing and strengthening technologies that will contribute to solving issues faced by our customers and society and become a source of competitiveness for the Group.

Electric furnace steelmaking technologies

High-efficiency electric furnace that achieves the world's top-level low electrode basic unit



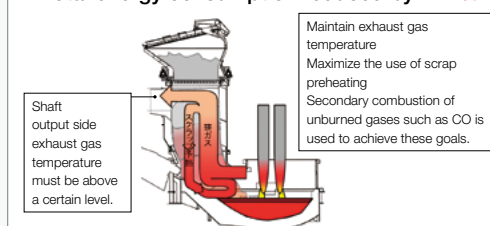
The Toyohashi Plant Steelmaking Factory began operations in March 2015, with the upgrading of aging equipment and a supply system resistant to disasters such as the anticipated Nankai Trough earthquake. We introduced one of Japan's largest 200-ton eco-friendly high-efficiency electric furnace (ECOARC™*) and made subsequent changes in operation methods, such as in-furnace atmosphere control to suit the characteristics of the ECOARC™ furnace. By improving operations using our unique technology and know-how, we have achieved energy conservation and cost reduction, leading to further decreases in per-unit electrode consumption. The steelmaking factory is now one of the most environmentally friendly and competitive in Japan, operating only on inexpensive nighttime electricity due to increased steelmaking capacity, and becoming self-sufficient in billets for steel bars by introducing a continuous casting machine for both blooms and billets.

*ECOARC™ is a registered trademark of Steel Plantech Co.

Energy saving and cost reduction effects

By using the heat energy from the exhaust gas, which used to be discarded, to preheat steel scrap and continuously feed it into the electric furnace, we have been able to significantly reduce the amount of electricity used. In addition, continuous melting by flat bath operation, in which scrap is continuously fed from the preheating shaft into the hot water pool of the electric furnace, has resulted in improved productivity and significant cost reduction due to the reduction of inactive time and heat extraction.

Heat generation efficiency improvement of 4.9% Total energy consumption reduced by 7.7%



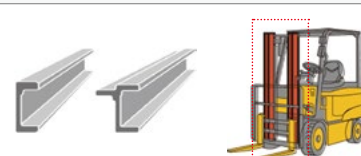
**20% reduction
in steelmaking
costs compared
to conventional
equipment
Lowest cost level
in Japan**

Technologies for rolling deformed section steel

Manufacturing various complex cross-section steel to meet the needs of customers



One of our strengths is our deformed section steel manufacturing technology that makes full use of our unique numerical analysis. Although deformed section steel products with asymmetrical cross sections are prone to bending during the rolling process, we are able to correct the bending by having our production lines convey the special shapes.



Mast materials for forklift trucks

This steel shape is used for the vertical section (mast) at the front of a forklift. It is a product that requires high strength as well as wear resistance and weldability.

Metal processing technologies

Achieved weight reduction and high strength and quality, and gained about 90% of the Japanese market share



The company boasts world-class productivity, capable of manufacturing commercial wheels as fast as one every nine seconds. Rim materials for commercial vehicle wheels are made from our electric furnace materials, which are effective in achieving carbon neutrality. Through our technologies for rolling deformed section steel, we have reduced the weight of the rim material by making it as thin as possible while maintaining its strength, which greatly contributes to improved fuel efficiency. In addition, discs manufactured through our unique ECOD molding process can significantly reduce waste materials compared to general manufacturing methods, contributing to resource conservation.

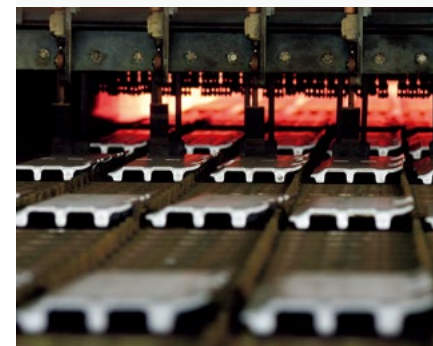


Steel wheels for commercial vehicles

Our steel wheels for trucks and buses are made of deformed section steel, which we have independently developed based on our advanced analysis technology and accumulated know-how, to reduce weight and achieve high strength and quality. We have captured approximately 90% of the domestic market share of steel wheels sold to automobile manufacturers.

Heat treatment technologies

Achieving high durability of undercarriage parts for construction machinery



Our strength lies in our technology that increases strength, wear resistance and toughness based on a proprietary heat conduction analysis system through repeated heating and cooling. In addition, by developing the world's fastest link processing line and an automatic link belt assembly line that no other company can match, we supply stable quality and low-cost crawler belts to the world.



Tracking shoes, the material used in tracks, are one of our core products. They are manufactured in an integrated manner in-house, from material selection to completion, in close cooperation with the Steel Division, which handles steelmaking and rolling.

Coating technologies

Responding to the diversifying needs of customers and society



Leveraging our coating technology that enables metallic particles to be uniformly and precisely oriented, we have developed satin, bronze, and high-gloss glitter-colored wheels for high-grade vehicles, in addition to conventional plated wheels, which stand out for their premium appearance, in order to differentiate ourselves from our competitors and meet diversifying needs. We are also actively promoting environmental friendliness by using low-temperature baking paints and improving coating efficiency.

Non-Financial Capital to Support Value Creation

Strengthening non-financial capital for further value creation

Non-financial capital, including technological capabilities that have been continuously refined over the 100 years since our founding and human resources that are the source of value creation, are important management resources that support the sustainable growth of the Group. We are working to strengthen our non-financial capital for further evolution of value creation.



	Manufacturing capital Production bases in Japan and overseas and highly efficient manufacturing facilities and lines	Intellectual capital Proprietary technologies and know-how, and R&D for future growth	Human capital Diverse human resources capable of supporting sustainable growth	Social capital Trust from customers, business partners, local communities, and other stakeholders	Natural capital Efficient use of various resources
Concept of capital	<p>The Group has a wide range of production bases in Japan and overseas, manufacturing product in optimal locations according to product characteristics and customer needs. We promote the supply and cross-sourcing of materials and the sharing of development and manufacturing roles among our production bases to build an efficient global production system and support the integrated production system from materials to products and the resource-recycling business model that is a characteristic of the Group.</p> <p>In addition, at each of our production bases, we are introducing highly efficient manufacturing equipment and constructing production lines to create products that are competitive in terms of both cost and environmental friendliness.</p>	<p>Throughout its more than 100-year history, the Group has always been a pioneer, repeatedly taking on new challenges with originality and ingenuity, and creating diverse and creative technologies. Recently, customers have requested a wide range of products in terms of weight reduction, shape and size, and environmental friendliness, and the Group's strength lies in its ability to respond to such requests, backed by the proprietary technologies and know-how it has developed over the years.</p> <p>Furthermore, by applying these technologies and know-how, we have created new technologies, leading to the expansion of our business.</p>	<p>We believe that our human capital is our greatest asset and that reinforcing it is the source of our value creation.</p> <p>In order to respond to rapidly changing society and technology and open the way to the future, we need human resources who can always think and act on their own initiative. We also believe that the ability to create new value comes from diverse human resources who recognize each other's differences in values, enhance organizational capabilities, and take on the challenge of achieving major goals.</p> <p>The Group is working to strengthen its human capital through human resources development and the creation of a workplace environment in which a diverse range of human resources can play an active role.</p>	<p>The Group has earned the trust of its customers by providing products and services that meet their needs. In addition, by building strong relationships of trust and cooperation with many of our business partners and alliance partners, we are able to provide a stable supply of products and services around the world.</p> <p>Moreover, coexistence with the local communities in which we operate is essential to our business activities, and each of our production bases engages in activities that contribute to the local communities in which it is located.</p>	<p>The business activities of the Group are closely related to natural capital, including the use of water resources and mineral resources as raw materials for products and fuel for power generation.</p> <p>Through its resource-recycling business model, the Group contributes to the realization of a sustainable, recycling-oriented society by effectively utilizing limited resources through recycling. We also view promotion of green innovation as a materiality and promote efficient use of natural capital and environmental impact reduction through development and advancement of environmental technologies to conserve the global environment and biodiversity as well as to create economic value.</p>
Strengths of capital/current status	<ul style="list-style-type: none"> Optimal global production system (Japan and 18 production bases in 7 countries overseas) ECOARC™, an environmentally friendly high-efficiency electric furnace Crude steel production capacity of approx. 1 million tons/year Advanced metal sorting equipment at the Akemi Recycling Center Manufacturing facilities and lines based on proprietary technologies Capital investment 8.9 billion yen (FY2022) 	<ul style="list-style-type: none"> Electric furnace steelmaking technologies Technologies for rolling deformed section steel Metal processing technologies Heat treatment technologies Coating technologies Business development strategy center R&D expenditures 1.0 billion yen (FY2022) 	<ul style="list-style-type: none"> Number of consolidated employees: approx. 5,700 Ratio of employees at overseas production bases: 43% (FY2022) Human resources development based on an education system Promotion of environmental improvement and other measures to promote diversity Efforts to improve ES (employee satisfaction) Promotion of Health Management®* 	<ul style="list-style-type: none"> High market share based on customer trust <ul style="list-style-type: none"> Steel wheels for passenger vehicles: approx. 55% in Japan Steel wheels for commercial vehicles: approx. 93% in Japan Ultra-large wheels for mining equipment: approx. 90% in Japan and overseas Track shoes for hydraulic excavators: approx. 71% in Japan *All of the above are actual sales shares for automobile manufacturers and construction equipment manufacturers in FY2022 (based on research by Topy) 	<ul style="list-style-type: none"> CO₂ emissions (consolidated, Japan, FY2022) <ul style="list-style-type: none"> Scope 1 233 thousand tons CO₂ Scope 2 332 thousand tons CO₂ Scope 3 1,334 thousand tons CO₂ Environmental management system ISO 14001 certification ratio (consolidated and production sites): 75% (FY2022) Monthly processing capacity of the Akemi Recycling Center: approx. 4,000 t
Related materiality	<ul style="list-style-type: none"> Promotion of green innovation Contribution to building a recycling-oriented society Contribute to society through business 	<ul style="list-style-type: none"> Promotion of green innovation 	<ul style="list-style-type: none"> Respect for human rights Support for diverse human resources 	<ul style="list-style-type: none"> Respect for human rights Contribute to society through business 	<ul style="list-style-type: none"> Promotion of green innovation Contribution to building a recycling-oriented society
Initiatives for strengthening capital	<ul style="list-style-type: none"> Global production bases P. 12 Proprietary technologies P. 13 Responding to environmental risks and contributing to the establishment of recycling-oriented societies P. 45 Quality P. 49 	<ul style="list-style-type: none"> Proprietary technologies P. 13 Development of environmentally friendly products P. 47 Technical education (development of education system) P. 54 Intellectual property policy P. 68 	<ul style="list-style-type: none"> Human resources strategy P. 17 Human resources development P. 54 Diversity P. 55 Improvement of employee satisfaction P. 57 Health and safety P. 59 	<ul style="list-style-type: none"> Quality P. 49 Supply chain management P. 50 Ensuring fair trade P. 50 Contribution to communities P. 51 Respect for human rights P. 53 Dialogue with shareholders and investors P. 68 	<ul style="list-style-type: none"> Resource-recycling value chain P. 11 Environmental management P. 41 Response to climate change P. 43 Biodiversity preservation and chemical management P. 45 Waste reduction and recycling P. 46

*Health Management® is a registered trademark of the Institute for Health Management, a non-profit organization.

Special Feature

Human Resources Strategies

The Group aims to achieve sustainable growth by making appropriate investments in human resources in order to maximize their potential. The basic concept of the Human Resources Development Policy is to “create human resources who continue to develop through their work,” and we encourage employees to feel a sense of growth through working for the Group, thereby fostering a desire to contribute to their peers and to the organization. Since 2015, we have been continuously working to improve our corporate culture through activities to enhance job satisfaction, creating an environment in which employees can proactively engage in their work. We will continue to engage in improvement activities so that employees can continue to work with peace of mind in a lively atmosphere.



Takanori Yoshikawa

General Manager,
Human Resources Department

Topy Industries Group Human Resources Development Policy

- Create human resources who continue to develop
- Strengthen employees' capability to respond to environmental changes
- Support employees in their autonomous career development
- Continue to produce future business leaders
- Create an organizational environment that permits diverse human resources to work actively in various ways

Strategies and initiatives for FY2025

- **Providing opportunities** for self-awareness **realizations**: 1-on-1 meetings, thorough implementation and revision of the evaluation system, expansion of 360-degree surveys, etc.
- **Quality improvement of awareness** based on realizations: cross-industry exchanges, culture improvement workshops, training to enhance DX literacy, etc.
- **Quality improvement of actions** based on consciousness change: cross-industry exchange training, idea proposal systems, etc.

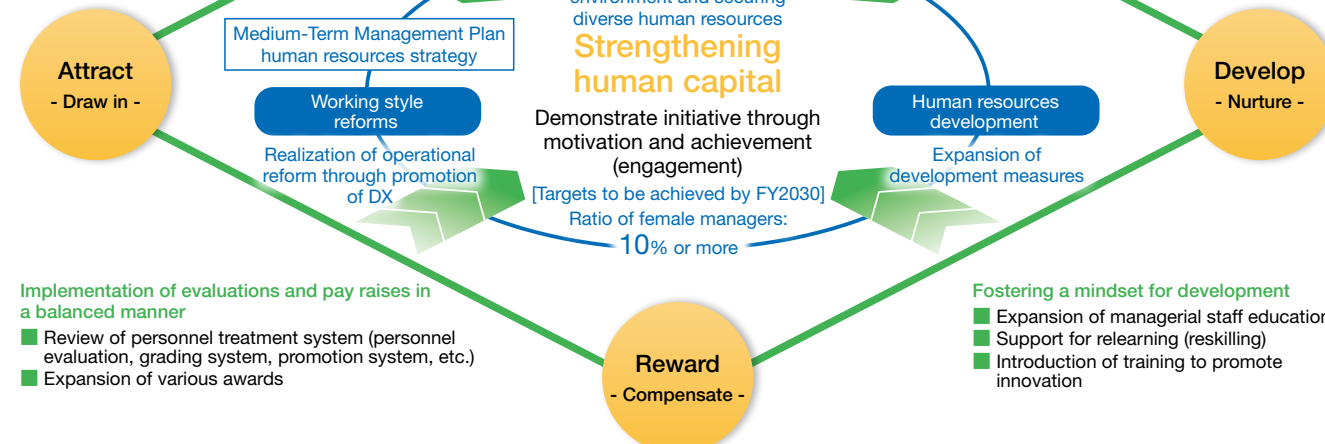
Vision for 2030

- **Quality improvement of corporate culture** through the human resource strategy implementation process
- Enhancement of human capital leading to **human resource growth and higher profitability**
- Securing **diverse human resources** in consideration of sustainability management
- Human resources development in response to **innovations in DX technologies** such as AI and automation

Human resource strategy in the Medium-Term Management Plan and four activity axes

Enhancement of recruiting strength and diversification of work styles

- Promotion of D&I^{*1} recruitment and diversification of recruiting methods
- Promotion of remote working (promotion of telework)
- Introduction of hourly leave system
- Introduction of a retirement age of 65



*1 Diversity and inclusion

*2 Method for enhancing job satisfaction and fulfillment by making creative adjustments to one's way of working

Output
- Manifest results -

To clearly manifest results, we are strengthening initiatives that celebrate results through presentations and awards.

- Creation of organizational results**
- Promotion of job crafting
 - Evaluation system based on human resources development
 - Expansion of opportunities for improvement suggestions and project proposals

Develop
- Nurture -

We provide opportunities for reskilling and various exchanges with the aim of fostering a proactive spirit of improvement.

- Fostering a mindset for development**
- Expansion of managerial staff education
 - Support for relearning (reskilling)
 - Introduction of training to promote innovation

Reward
- Compensate -

We are conducting a fundamental review of our human resources systems based on the concept that results are defined as problem-solving ability combined with the ability to take action that leads to results.

- Implementation of evaluations and pay raises in a balanced manner**
- Review of personnel treatment system (personnel evaluation, grading system, promotion system, etc.)
 - Expansion of various awards

Attract
- Draw in -

We aim to be a company where people want to continue to work, through measures that are carefully tailored to each employee with diverse values. We have established a system to support employees with various backgrounds who have challenges or difficulties in working, and we are improving the working environment for them. We will continue to support diverse working styles while listening to the voices of our employees.

- Enhancement of recruiting strength and diversification of work styles**
- Promotion of D&I recruitment and diversification of recruiting methods
 - Promotion of remote working (promotion of telework)
 - Introduction of hourly annual leave
 - Introduction of a retirement age of 65

Turnover rate within three years of hire for new graduates (FY2022)

5.2%

Ratio of mid-career hires (FY2022)

25.4%

Progress towards the achievement goals set for FY2030

We are making steady progress towards the goals for securing and developing human resources set for FY2030. In terms of securing human resources, we have achieved our recruitment target of at least 40% for female employees in career-track positions, thanks to the success of measures such as internships. We have also met our plans for both men and women regarding the rate of acquiring childcare leave, which is one of our initiatives for promoting diversity. The ratio of female managers reached 6.3% in FY2022 (up 1.3% from the previous year), and is on track to reach the target of 10% or more in FY2030.

Ratio of female managers (FY2022)

6.3%

(Target for FY2030: at least 10%)

Percentage of female new graduates hired for career-track positions (Topy Industries, FY2022)

53.8%

Plan period: April 1, 2021 to March 31, 2026

Target: at least 40%

Percentage of employees acquiring childcare leave (Topy Industries, FY2022)

Male employees: **27%**

Female employees: **100%**

Plan period: July 1, 2020 to March 31, 2025

Male employees: acquisition rate of at least 7%

Female employees: acquisition rate of at least 75%



Top Message

We will achieve sustainable growth by strengthening our ability to respond to change and maximizing the capabilities of the Topy Industries Group.

H. Ishii

Hiromi Ishii
Representative Director, President and CEO
Topy Industries, Ltd.

Greetings on assuming the office of President

My name is Hiromi Ishii, and I assumed the position of Representative Director, President and CEO in June 2023. I come from a technical background at Nippon Steel Corporation, where I was involved in steelmaking-focused manufacturing and production technology at steel plants for 30 years, and then spent the subsequent 10 years in management at the headquarters' bar and wire rod division and with Sweden's leading steel company, Ovako AB.

I feel that the Group is an attractive corporate group with an enterprising spirit and an open and vigorous corporate culture. For over a century since its foundation, the Group has maintained an integrated production system from materials to

processing, creating numerous pioneering technologies. It is a corporate group that works brightly, energetically, and enjoyably, and we are united in overcoming difficulties together. However, it is also true that in the last decade, there has been a stall in the creation of new technologies. My desire is to reclaim the presence as a "technology-driven Topy" so that this wonderful corporate culture can continue into the future. To achieve this, we must first complete our Medium-Term Management Plan, TOPY Active & Challenge 2025 (below, "A&C 2025"), and furthermore, we must enhance our adaptability to change and our perspective on tradition, and advance towards realizing our sustainability long-term vision. I will continue to lead our management with these three missions in mind.

Formulation of the long-term vision for sustainability for 2050

In October 2022, we formulated our long-term sustainability vision, TOPY Sustainable Green Vision 2050. The vision aims to achieve carbon neutrality and "an affluent society where people can live safely and healthily," as well as to establish a solid management foundation that enables sustainable growth and to become a global company that is in harmony with people and the environment. As part of our journey toward this goal, we have set our vision for 2030 as "a company that creates new value and leads the way in solving social issues," and have defined each strategy of A&C 2025 based on a backcasting approach. I would like to make use of my experience at Ovako AB in executing this

long-term vision and A&C 2025. At Ovako AB, we achieved the world's first carbon neutrality in the steel industry, and there was much to learn not only about environmental considerations but also about management aimed at achieving goals. First, the top management decides to go for it and starts running, adapting measures flexibly in response to environmental changes, and persevering towards goals no matter what happens. I would definitely like to incorporate this mindset into the Group as well.

Overview of the first year of the Medium-Term Management Plan TOPY Active & Challenge 2025

In the global economy, there are concerns about growing geopolitical risks, global inflation, and soaring prices of raw materials and energy, and in Japan, there are also concerns about worker shortages and the 2024 problem in the logistics industry. In this environment, in FY2022, the first year of A&C 2025, we achieved a record-high net sales and returned to profitability in terms of operating profit and ordinary profit for the first time in three fiscal years, thanks to cost improvements through optimization of selling prices and structural reforms. The results of individual strategies of A&C 2025 were almost in line with the plan, and we consider that we were able to achieve results that will lead to FY2023.

Achievements and challenges in the first fiscal year

With regard to the business strategy of A&C 2025, “rebuilding the business foundation to strengthen profitability and achieve sustainable growth,” in FY2022, all segments made significant progress in their efforts to optimize selling prices in response to the recent sharp rise in raw material prices. In addition to this, the steel segment improved its product mix by increasing the sales ratio of high-margin section steel.

In the automotive and industrial machinery components segment, we steadily implemented structural reforms, including the consolidation of domestic production of steel wheels for passenger cars to the Toyokawa Works and the transfer of production of some wheels for commercial vehicles to Indonesia. Although the recovery of automobile production was slower than expected due to the impact of the shortage of parts such as semi-conductors, automobile production is now recovering, and our challenge is to strengthen our production system to ensure that we can leverage this recovery and improve profitability.

With regard to strengthening our overseas business, we recognize that the conventional globalization that allowed us to expand the scale of our business by aligning ourselves with the overseas operations of Japanese automakers is now a thing of the past, and that we are now being tested on our skillful alliance strategies. The Group is in partnership with MW Italy and Wheels India for automotive wheels, and it is necessary to further strengthen these alliances. Expanding sales to local companies and developing new markets are also challenges, and we will address these through the newly established Overseas Business Strategy Department this year.

In order to “deepen proprietary technologies and become carbon neutral,” we are further promoting the visualization of energy consumption through smart factories. At the Toyohashi Plant, we have achieved a record-high electrode consumption rate with an eco-friendly high-efficiency electric furnace, and we are making steady progress toward becoming carbon neutral, such as by starting power generation using biomass solid fuel at Akemi Electric Power, Ltd. CO₂ emissions in FY2022 were reduced by 9.6% from the FY2013 level (CO₂ emissions are

the total of Scope 1 and Scope 2), and we are making steady progress toward our goal of a 46% reduction in FY2030. Going forward, we will continue to accelerate our efforts to achieve our CO₂ reduction target with a strong determination. We will also promote the development of automotive wheel technologies that emphasize weight reduction, aerodynamic drag, and fuel efficiency in order to contribute to the reduction of CO₂ emissions in Scope 3.

Responding to social demands for further growth

Responding to the shift to EVs

Recently, demand for aluminum wheels for passenger vehicles has been increasing against the backdrop of the emphasis on improving fuel efficiency through high design and weight reduction, and the installation rate of steel wheels, in which the Group has a large market share, has been steadily declining. The progress of the shift to EVs is spurring the need for lighter weight, and the dominance of aluminum wheels in the market is likely to continue in the future. In response to this trend, the Group is also strengthening its aluminum wheel business, centered on the Aluminum Administrative Center established last year, and we consider the expansion of the aluminum wheel business to be one of our future growth drivers.

On the other hand, I am also looking at the potential of steel wheels. For wheels for light vehicles and small passenger cars, steel wheels are more advantageous in terms of weight reduction. Furthermore, there is a movement to use wheel covers to reduce air resistance, leading me to believe that steel wheels could be adopted in situations where aluminum wheels were previously favored for their design.

In addition, I consider the lower CO₂ emissions at manufacturing process to be an important point. The Group has always boasted a high share of the steel wheel market. The reason why I am talking about the potential of steel wheels is because we want to protect this strength. I believe that one of the challenges of A&C 2025 will be to consider aggressive measures from the perspective of how to maximize our current steel wheel production system, while strengthening our aluminum wheel business and developing demand for steel wheels in response to market needs. The shift to EVs could be a great business opportunity for the Group, which can handle both aluminum and steel wheels, so we will take on this challenge with an enterprising spirit.

Reviving the pinnacle of technology through the promotion of DX combined with human resources development

Regarding human resources, as a manufacturing company, I am aware of the challenge of securing technical human resource. In technological development, there are two types of inventions: groundbreaking, long-lasting inventions, and inventions that other companies will follow in a few years. The former are tackled from a long-term perspective with the Business Development Strategy Center playing a central role, but such major inventions

are seldom possible. In order for the Group to remain competitive, we believe it is important to build a cycle that consistently produces one-step-ahead technologies such as the latter. In order to build such a cycle, it is necessary to have enough people and time to search for the seeds of new technologies based on the insights gained from our daily work. However, this leeway is becoming less and less available due to the expansion of our business, including our overseas business. Moreover, the situation is expected to be even more difficult in the future as the working population declines throughout Japan. Therefore, we must implement the transformation to a more contemplative, proposal, and improvement-oriented work style through the promotion of DX to support employee tasks and by utilizing data to improve efficiency.

We have already achieved data visualization and improved efficiency through DX at our automotive wheel production sites, and we plan to roll out this example to production lines for other products and overseas plants. We will also focus on the development of DX human resources to advance DX. We will continue to promote DX to solve the Group’s challenges of worker shortages and the creation of new technologies.

Looking at overseas companies, the introduction of AI at production sites has advanced more than in Japan. However, Japan’s use of AI is not inferior to that of other countries in that humans have the data in their hands. We understand which data to check to reduce the basic unit cost. The management capability of Japan’s production sites can be said to be reaching the level of artistry. It is clear that this is achieved through a high level of expertise and technical capabilities. Along with the promotion of DX, we will focus on the development of individuals, including skill transfer from senior human resources, and aim to enhance our business activities with this hybrid approach.

Sustainability strategy and financial strategy

Our sustainability strategy is steadily progressing towards the achievement of KPIs. In particular, we are working with a sense of speed on diversity, one of the materialities, and we are in sight of achieving the FY2030 target of a ratio of female managers of at least 10%.

Regarding financial strategy, I recognize the need for further steps toward FY2025, and we will consider measures including more structural reforms and growth investments.

Pioneering spirit for sustainable growth

The responsibility of the Representative Director, President and CEO of the Group, which operates a wide range of businesses, is a very important one. First of all, I will place the highest priority on achieving A&C 2025, and will focus on breathing life into the frameworks we have established and enhancing their effectiveness by rebuilding our domestic business base by strengthening profitability and developing our overseas business by strengthening alliances. Furthermore, we intend to explore possible new business pillars while taking necessary measures by closely monitoring changes in the environment through 2025.

The Group has a pioneering spirit that we have cultivated since our founding. If we do not start something, nothing will be born. Looking back on the history of the Group, there have been many products and businesses that have found success by persistently confronting new technologies and finding a way forward. We are determined to create a group that is trusted by society and achieves sustainable growth by constantly challenging ourselves and creating new technologies. We would like to ask for your continued support in this endeavor.



Overview and progress of the Medium-Term Management Plan 2022 to 2025



Medium-Term Management Plan 2022 to 2025

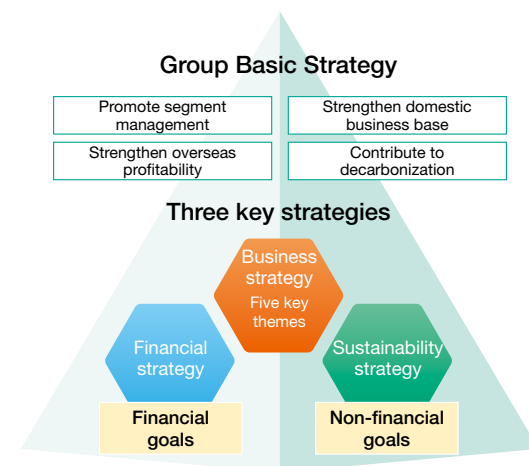
Under the Group Basic Philosophy, we will solve a wide range of social issues, grow and develop through contributing to the realization of a sustainable, recycling society, and aim to become a global company that is trusted by stakeholders for many years to come.

Recovering earnings power and moving into the growth phase

Basic Policy

- Transform earning power to strengthen existing businesses
- Pursue innovation for the next stage of growth
- Contribute to a sustainable society through our business activities

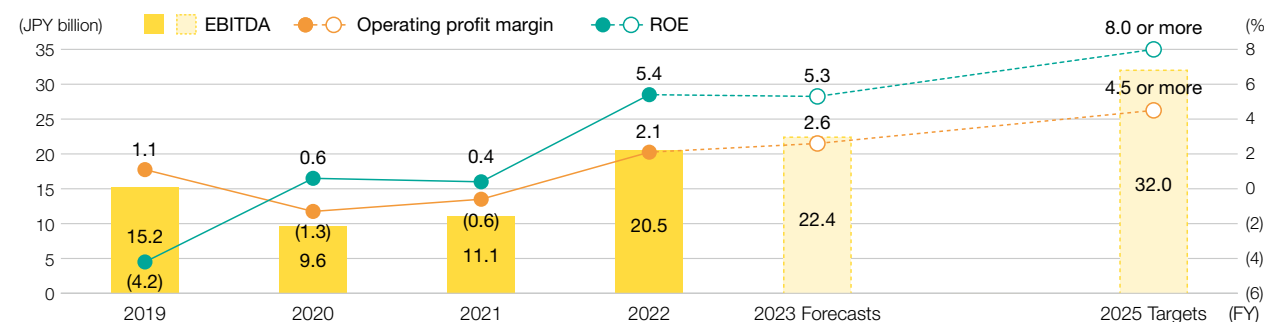
In order to realize our vision for 2030, we have formulated a Medium-Term Management Plan, TOPY Active & Challenge 2025, which will cover the period from FY2022 to 2025, based on a backcasting approach.



Financial goals	FY2025 target	FY2022 results
Operating profit margin	4.5% or more	2.1%
EBITDA	JPY 32.0 billion	JPY 20.5 billion
ROE	8.0% or more	5.4%

Non-financial goals	Evaluation indicators	Numerical targets	FY2022 results
Environment (E)	CO ₂ emissions (Scope 1 and 2)	Aim to reduce CO ₂ emissions by 46% compared to FY2013 (FY2030)	9.6% reduction (compared to FY2013)
Social (S)	Ratio of female managers	10% or more (FY2030)	6.3% (1.3% increase from the previous year)
	Number of work-related accidents in Japan	Aim to achieve zero accidents every year (Lost time injuries or more)	Not achieved due to the occurrence of lost time injuries
Governance (G)	Number of serious compliance violations	Continue to report zero violations every year	0

Progress of financial targets



Business Strategy: Five Key Themes Progress in FY2022 and Future Policy

Business strategy Five key themes	Progress in FY2022	Future policy
Improve capital productivity and optimize business portfolio P. 27	<ul style="list-style-type: none"> • Introduced internal carbon pricing (ICP) as one of the criteria for environmental investment decisions in April 2023 • Scope of the system: Capital investments involving changes in CO₂ emissions 	<ul style="list-style-type: none"> • Priority investment with emphasis on capital efficiency
Restructuring of the business foundation for enhanced profitability and sustainable growth P. 21 P. 27	<ul style="list-style-type: none"> • Profit improvement through appropriate pricing of products • Order activities focused on profit • Shortening of pricing revision terms and changes in commercial practices • Optimization of product mix for steel materials (progress in reviewing sales ratios of section steel and steel bars) • Cost reduction through structural reform • Consolidation of domestic production bases for steel wheels for passenger vehicles • Progress in transferring some production of wheels for commercial vehicles to Indonesia (3 out of 7 sizes transferred) • Strengthening of the aluminum wheel business centered on the Aluminum Administrative Center 	<ul style="list-style-type: none"> • Continued optimization of selling prices • Promotion of efforts to strengthen profitability and development of overseas business • Promotion of efforts to strengthen sales of commercial and supply parts
Deepen proprietary technologies and become carbon neutral P. 13 P. 30 P. 43	<ul style="list-style-type: none"> • Achieved record-high electrode consumption rate with eco-friendly high-efficiency electric furnaces • Commenced demonstration testing of an AI system for automatic analysis of steel scrap (jointly with Eversteel Inc.) • Started power generation using biomass solid fuel produced from food waste and sewage sludge • Scope 1 & 2 CO₂ emissions: 9.6% reduction (compared to FY2013) 	<ul style="list-style-type: none"> • Further technological deepening and promotion of green innovation
Secure and develop human resources to support sustainable growth P. 17 P. 54	<ul style="list-style-type: none"> • Expansion of various systems to achieve flexible working styles • Promote recruitment activities to secure diverse human resources • Strengthen DX human resources development to support operational improvements • Expansion of self-development support 	<ul style="list-style-type: none"> • Acceleration of efforts to strengthen human capital
Enhance management sophistication through promotion of DX strategy P. 25	<ul style="list-style-type: none"> • Acquire certification as a DX-certified Business Operator in June 2022 based on the DX (Digital Transformation) Certification System recognized by the Ministry of Economy, Trade and Industry 	<ul style="list-style-type: none"> • Development of DX human capital

Topic

Establishment of overseas business strategy department

In April 2023, we established the Overseas Business Strategy Department with the purpose of strengthening overseas profitability, one of the Group's Basic Strategies of the Medium-Term Management Plan, by aggregating information to strengthen the management foundation for overseas businesses, establish a speedy decision-making process, and systematically expand overseas business.

Members with expertise in overseas business gather together to study the strengthening of alliances with overseas companies and the development of new markets. We are examining new strategies with alliance partners as part of efforts to uncover issues in overseas business and reinvigorate existing alliances.

We will continue to explore the creation of new added value, including the development of new markets.



Special Feature DX Strategies

Topy Industries Group seeks to create new sources of profit by producing novel approaches to digital innovation, evolving its smart factories established as part of its digital transformation (DX). In addition, we will create new value by creating perspectives and ideas that transcend organizational boundaries through the centralized management and sharing of big data collected from each business division in order to realize overall optimization. In June 2022, we obtained DX Ready certification from the Ministry of Economy, Trade and Industry, demonstrating our commitment that the promotion of DX is one of our most important management strategies.



Masayoshi Takezawa

Senior Managing Director
In charge of Technology, Safety & Health, DX Strategy, and the Business Development Strategy Center

Enhance management sophistication through promotion of DX strategy

Step 1 By FY2025 (A&C2025)

Raise awareness and improve environment for promotion of DX

- (1) Reform consciousness through successful experiences promoted by DX themes
- (2) Development of DX human capital
- (3) Improvement of DX environment

Step 2 By 2030 (vision)

Stable profit creation through digital utilization

Both human resources and organizational functions are enhanced, **transforming into a corporate culture** that is flexible and quick to respond to change

Current status

Realization of daily routine of digital utilization
Establishment of a foundation for digital utilization
Sharing of experiences and case studies of transforming operations

- Workplace documents have become **paperless**
- Status of production** at each location has been **visualized and shared**
- Information sharing using groupware has been progressing**

By FY2025

Realization of **data-driven**^{*1} daily routines
Promotion of management that makes decisions based on data

- Each employee **voluntarily and safely utilizes data**
- Judgments** are made not only based on experience or intuition but **based on data and standards**
- Working on the **digital twin**^{*2} transformation of manufacturing lines

By 2030

Realization of **cyber-physical**^{*3} daily routines
Realization of seamless, borderless management
Digital transformation that eliminates organizational and hierarchical seams

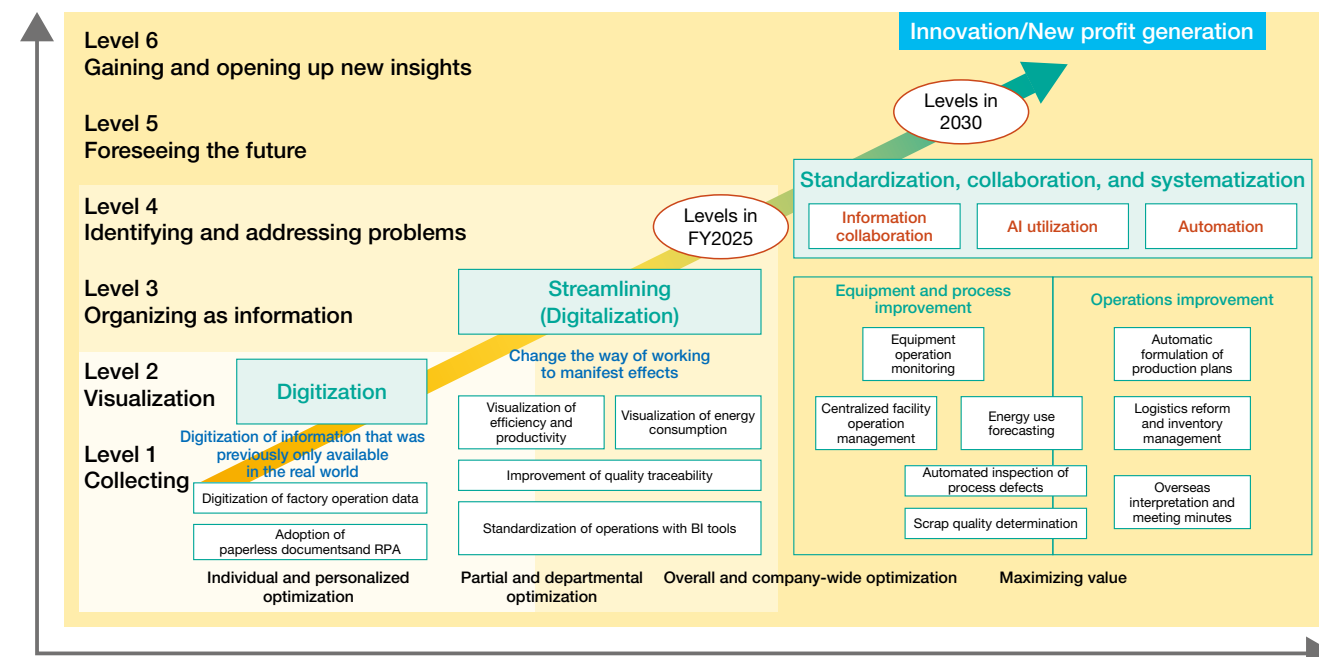
- Digital twin** is being rolled out and utilized in business operations
- Information is linked with business partners**
- Core development** can be internalized

*1 Data-driven: Activities are initiated based on data, rather than ideas or experience

*2 Digital twin: A method of recreating real-space information in virtual space in real-time

*3 Cyber-physical: Technology that analyzes real-world data in a digital virtual space to improve efficiency and create new value without relying on intuition or experience

DX examples and their positioning



Energy conservation, peak power reduction

Efficiency improvements

Standardization, collaboration, and systematization

Reducing peak power by utilizing digital technology

We simulated power demand and realized cost reductions due to peak power based on the actual data from the energy visualization system. Specifically, based on actual power data, peak power demand was forecasted every 30 minutes in accordance with production demand, and contracted power consumption was reduced by shifting break times and optimizing equipment startup timing.

Going forward, we intend to demonstrate measures to further reduce peak power consumption by improving the accuracy of forecasts using AI. Furthermore, in response to the future progress of the Act on Rationalizing Energy Use^{*3} amendment, we are building a foundation for operation and power demand management with an eye on borderless collaboration with external parties through DR^{*4}.

*3 Act on Rationalizing Energy Use: Law concerning the rational use of energy and the transition to non-fossil energy

*4 DR (demand response): A mechanism that controls energy resources on the consumer side to manage power demand

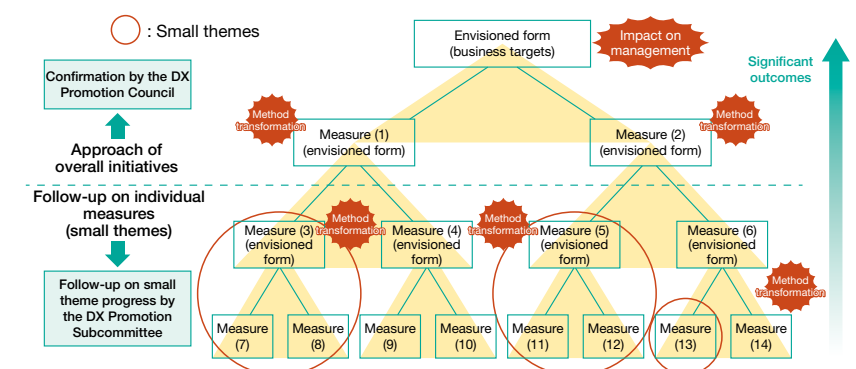


Company-wide promotion system and theme identification

Awareness raising and experience

We have established a company-wide DX Promotion Council and department-specific subcommittees to create a promotion structure. We aim to achieve results by implementing measures based on a digital value tree that clarifies the causal relationship between the objectives and means of measures towards the envisioned form.

In particular, the DX Promotion Subcommittee implements and evaluates small theme measures in order to realize the results of digital utilization in a short period of time.

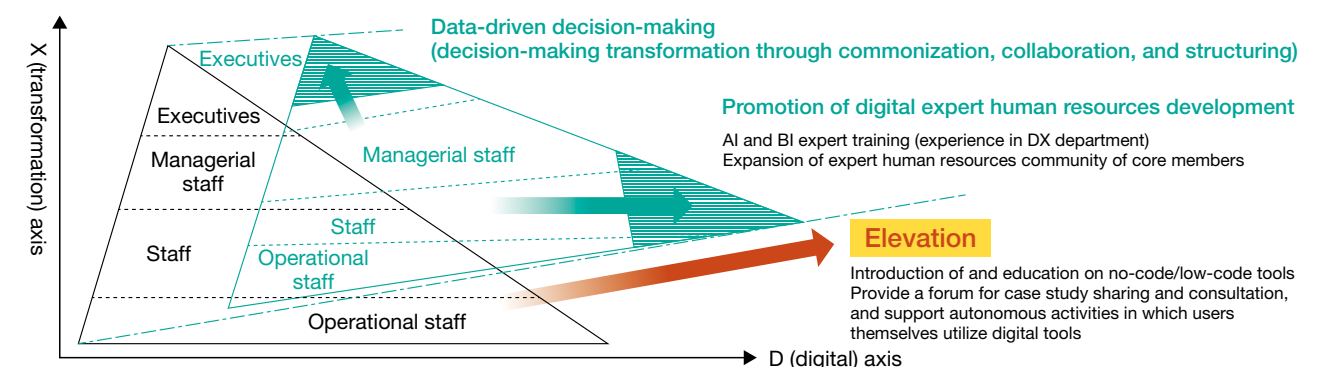


Develop ambidexterity in transforming operations and digital utilization

Human resources development

We are actively developing human resources capable of transforming operations and utilizing digital information, and we are simultaneously promoting measures to raise the Group's overall level (improving operational efficiency and sophistication) and cultivating individual experts.

As one of the overall Group improvement measures, we prioritize the introduction of digital technologies that contribute to solving specific concerns in the daily operations of the business and staff departments, and aim to permeate the transformation of operations.



*AI: Artificial intelligence BI: Business intelligence, a decision-making tool that combines data through analysis and visualization

Message from the Officer in Charge of Finance

Focusing on profitability and cash generation to invest in growth and return profits to shareholders

Shinichi Kijima
Director and Executive Vice President
Assistant to the President,
in charge of Finance



Results for FY2022 and forecast for FY2023

In FY2022, we achieved a return to profitability for the first time in three fiscal years, with net sales of 334.5 billion yen, operating profit of 7.2 billion yen, and ordinary profit of 8.0 billion yen. The main factors were a gradual recovery in the external environment and the successful results of sales price optimization and cost improvement through structural reform. Regarding sales price optimization, we have not only negotiated shifting prices to customers based on fluctuations in raw material costs as we have done in the past but also vigorously engaged in dialogues about what the value of our products is in the first place, and by building a common understanding of the value provided by our products with our customers, we have challenged ourselves to establish appropriate pricing at a level different from cost and market conditions. In FY2021, we established a sales headquarters and by closely coordinating between segments, shared

proposals and best practices aimed at sales price optimization and further strengthened our dialogue with customers. Although the impact of factors such as the COVID-19 pandemic continued to create a challenging business environment, our perseverance in these initiatives allowed us to escape an operating loss in FY2022, which I believe has also boosted our employees' confidence. For FY2023, we expect to increase both sales and profits, and set a new record high for sales.

The Group's business spans a wide range of fields, with different commercial practices depending on the industry. Even in areas where there is still room for optimization, we will continue to confirm the thinking of each customer and engage in dialogue with them to develop business based on a common understanding of the value of using our products.

Investment activities and cash management

In our Medium-Term Management Plan TOPY Active & Challenge 2025 (A&C 2025), we base our financial strategy on emphasizing investment activities to secure appropriate cash flow. In terms of investment, we are committed to completing the structural reform of steel wheels for passenger and commercial vehicles, enhancing the added value of aluminum wheels, and rationalizing production of undercarriage parts for construction machinery, as well as making selective investments with a focus on capital efficiency in new strategic growth areas. In addition, towards achieving carbon neutrality, we plan to enhance the effectiveness of the ICP (internal carbon pricing) that we started operating in FY2022 in our investment decisions, along with investments in DX. We expect that these investments will peak in FY2024.

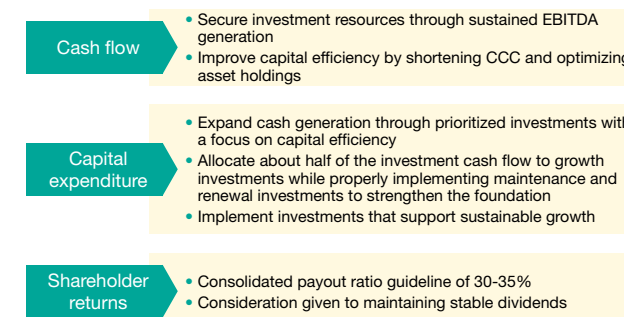
The visualization of production lines through DX investments, which the Group is currently focusing on, enables the precise capture of production volumes, output, and the costs of line stoppages. This will lead to more sophisticated inventory management, shortening the CCC (cash conversion cycle)* and optimizing cash management. We see DX as an effective means to advance our financial strategy.

The D/E ratio, one of the key management indicators, is set to target 0.6 times by FY2025. Accordingly, while carefully examining investments and considering the utilization of cross-shareholdings, we aim to reduce our interest-bearing debt by 6 billion yen by FY2025 (compared to FY2021).

*CCC: cash conversion cycle
CCC refers to the period from when payment is made for purchases such as raw materials until the product is sold and cash is collected. A shorter period indicates a smaller burden on cash flow management.

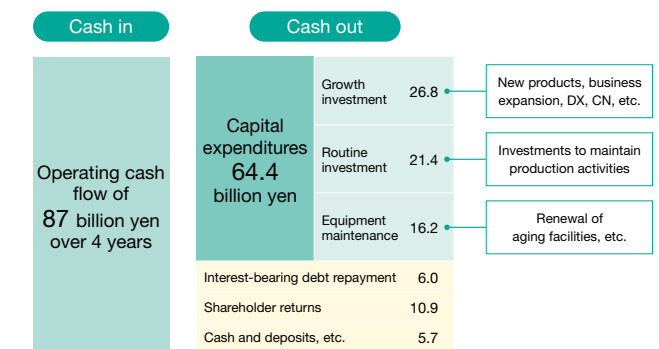
Financial strategy

While maintaining a sound financial base, we will invest in core businesses and growth businesses, and aim to improve shareholder returns.



Cash allocation (4-year cumulative total)

Secure free cash flow of at least 20 billion yen, reduce interest-bearing debt, and improve financial position.



Efforts to improve capital productivity

To grow profits while coping with the population decrease in Japan, improving capital productivity is essential, and the transfer of production of some wheels for commercial vehicles to Indonesia as set out in A&C 2025 and the enhancement of the distribution system for construction machinery are examples of such initiatives. In addition, we are strengthening initiatives to shorten the collection period for trade receivables and to improve the management of inventories through the use of DX, which leads to an improvement in CCC, and to optimize the business portfolio. On a non-consolidated basis, the Company has a long history of evaluating businesses, including balance sheets, using an

internal capital system. Currently, from a consolidated management perspective, there is a demand for management and evaluation by segment, and we are now considering mechanisms to enhance precision.

As management becomes more sophisticated and overseas expansion continues, we intend to focus on the development of financial management human resources. We aim to improve the ability to oversee the Group's finances by not only enhancing financial expertise but also by creating opportunities to experience the culture and customs of various countries firsthand, which is essential when strengthening overseas businesses.

Strengthening IR activities and shareholder returns

Beyond FY2023, we will continue to accelerate our efforts to achieve one of the financial goals of A&C 2025, an ROE of at least 8.0% (FY2025 target). As for improving PBR, we are currently discussing this issue internally, as it is not explicitly mentioned in A&C 2025. For the reduction of capital costs, we intend to focus on enhancing information disclosure and strengthening IR activities so that investors can deepen their understanding of the Group's businesses. In FY2023, we are disclosing supplementary explanatory materials for financial results, which were previously undisclosed for the first and third quarter financial results, and participating in IR events for individual investors.

In addition, from FY2023, we have set the dividend payout ratio guidance to 30-35% of the parent company's current net profit, excluding one-time gains and losses that do not involve changes in cash and deposits. This is part of management that emphasizes cash flow, deciding dividends based on whether cash has been generated, regardless of accounting profit or loss. Moreover, we have changed the dividend amount to one yen increments to realize more precise and flexible shareholder returns.

We aim to stabilize existing businesses and secure a revenue base while venturing into growth markets. Going forward, we intend to continue these efforts to create social value and achieve

sustainable growth. We will continue to endeavor to meet the expectations of our stakeholders, taking the candid opinions of our investors seriously.



Steel Segment

Responding to customer needs by leveraging proprietary technologies and contributing to the realization of a recycling-oriented society through the recycling of resources



Akihiro Noaki

Operating Officer
General Manager of
Steel Division
Responsible for
Steel Business and
General Manager of
Toyohashi Plant
Steel Division



Social Value of Products

Outcomes Created by our Products

The Group contributes to the realization of a recycling-oriented society through the recycling of various resources, including steel scrap, into steel products, and the use of advanced technologies to provide steel products with manufacturing processes that save energy and have a low environmental impact. In addition, our advanced design and development capabilities and manufacturing technologies for deformed steel products contribute to the development of sustainable, high-quality social infrastructure.

Core Competencies

Strengths of the Business

In addition to being able to efficiently produce various types of products, such as steel sections and bars for construction, rims for automobile and construction machinery components, and deformed section steel for track shoes and the like, the Group's strength is product development capabilities that meet the needs of customers and society. This enables us to have a broad and stable customer base. Another of our strengths is our eco-friendly high-efficiency electric furnace, which enables us to recycle steel and save energy.

Our Business Environment

Opportunities and risks

Opportunities

- Global steel demand is expected to grow in the long term, driven by infrastructure-related demand in emerging nations
- In regard to steel demand in Japan, there is continuing demand related to civil engineering projects, such as measures for building national resilience
- Companies are expected to tackle global environmental issues such as reducing greenhouse gas emissions and realizing a recycling-oriented society

Risks

- Steel demand in Japan is shrinking in the long term
- Rising production costs due to higher prices for energy, secondary materials, etc.
- Steel scrap prices remain high despite having peaked

Policies and strategies of the Medium-Term Management Plan

- Expansion of high value-added products
- Optimization of logistics
- Further productivity improvements, cost improvements, and price optimization
- Enhancement of the recycling business
- Creation of new value-added products using DX

Summary of initiatives in FY2022

Although steel scrap prices remained high throughout the year, as well as prices for electricity and other forms of energy and secondary materials, we made steady progress in optimizing steel sales prices to match rising costs and optimizing the product mix with a focus on profit.

Future issues and initiatives

To address the various medium- and long-term issues that need to be addressed in order to realize our Vision for 2030, we have established project teams for improving logistics, procurement, and purchasing, and considering investment in a large rolling mill to clarify the challenges and study countermeasures. We will continue to implement measures to realize our vision going forward. We will also continue our efforts to expand and increase sales of high value-added products, which is a priority issue, and to formulate appropriate sales prices.



Topic

Commenced demonstration testing of an AI system with EVERSTEEL for steel scrap inspection and acceptance

In December 2022, we commenced demonstration testing with EVERSTEEL Corporation, a start-up company from the University of Tokyo, to analyze the grade and dust content of steel scrap and detect non-conforming products using AI. This will address the issues of inconsistencies in the assessment results of iron scrap quality by visual inspection by inspectors at the time of acceptance, and the lack of human resources. Going forward, we will use the iron scrap analysis results to develop optimization of the entire steelmaking process, including the charging of iron scrap into electric furnaces and melting, after the inspection process.



Scrap yard at Toyohashi Plant

Automotive and Industrial Machinery Components Segment (Wheels for Passenger Vehicles)

Maximizing our completed global network
and our technological capabilities and know-how
as a comprehensive wheel manufacturer



Koji Takeuchi

Operating Officer
General Manager of Commercial and
Off the Road Wheel Div., General
Manager of Wheel Division, in
charge of Automotive and Industrial
Machinery Components Business



Social Value of Products

Outcomes Created by our Products

We are constantly pursuing improvements in fuel efficiency and electric power consumption, which are created by lightweight, aerodynamic, and quiet wheel technologies, thereby contributing to the reduction of environmental burdens and supporting motorization around the world.

Core Competencies

Strengths of the Business

The Group has built a global supply steel system for wheels for passenger vehicles by establishing locations in Japan, the U.S., Mexico, China, and India and forming a strategic alliance with MW Italia S.R.L. in Europe. In addition, our aluminum wheels for passenger vehicles are valued for their high design quality and lightweight technology. These strengths enable us to have a broad sales network to the world's major automakers.

Our Business Environment

Opportunities and risks

Opportunities

- As a result of economic growth worldwide, global automobile demand is expected to expand in the medium to long term, particularly in emerging nations
- The automotive industry is advancing technological innovation such as CASE*1 and MaaS*2

*1 Connected, Autonomous, Shared/Service, Electric

*2 Mobility as a Service

Risks

- Production stoppages or significant fluctuations in production volume by automakers due to supply chain disruptions, natural disasters, or the emergence of geopolitical risks
- Rising production costs due to soaring raw material, energy, and transportation costs, etc.
- Decrease in demand due to the spread of sharing, population decline, etc.

Policies and strategies of the Medium-Term Management Plan

- Completion of structural reform of steel wheels for passenger vehicles
- Expansion of aluminum wheels for passenger vehicles business
- Restructuring of global production system (optimization of production bases)
- Initiatives to respond to the shift to EVs

Summary of initiatives in FY2022

Although the external environment was more challenging than initially expected due to the impact of parts supply shortages such as the shortage of semiconductors and the impact of production cutbacks by automakers due to the lockdown in China, we have steadily accumulated the effects of structural reforms through measures such as reviewing our production system while adjusting selling prices to match the rising costs such as those of raw materials.

Future issues and initiatives

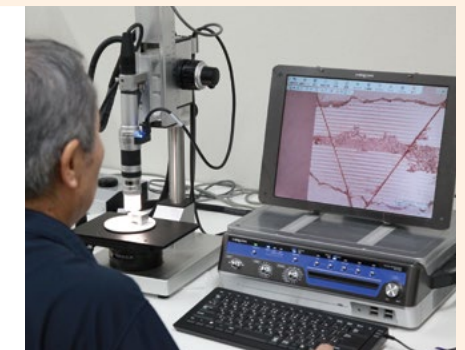
We will continue to optimize selling prices in line with costs, minimize the impact of cost increases on business profitability, and further improve profitability and cost-effectiveness in order to establish a solid business foundation.



Topic

The Group's comprehensive strength in the aluminum wheel business

We have established the Aluminum Administrative Center in Kakegawa, Shizuoka Prefecture, to consolidate the development and operation functions of the aluminum wheel business, promoting integrated operations with Asahi Tec Corporation and Kyushu Wheel Kogyo, Co.,Ltd., our consolidated subsidiaries. We are manifesting synergies through integrated operations, such as sharing manufacturing technologies, promoting optimal production through bridge production (considering each company's production capacity), and personnel exchange. In response to the rapid shift to EVs, rising raw material and energy prices, and changes in the business environment, we aim to capture the growing demand for aluminum wheels for passenger vehicles, which is expected to expand globally, and further increase profits in aluminum wheels for passenger vehicles.



Automotive and Industrial Machinery Components Segment (Commercial and Off the Road Wheels)

Providing products and services that contribute to society on a global scale through advanced technological capabilities and innovation for the next stage of growth



Koji Takeuchi

Operating Officer
General Manager of Commercial and Off the Road Wheel Div., General Manager of Wheel Division, in charge of Automotive and Industrial Machinery Components Business



Social Value of Products

Outcomes Created by our Products

Wheels for commercial vehicles enrich the lives of people and contribute to the logistics society by reducing environmental impact through improved loading efficiency and fuel efficiency through the development of lighter weight wheels. Wheels for mining equipment support the mining of coking coal, iron ore, copper, and other resources as well as the development of social infrastructure around the world, contributing to industrial and economic development worldwide.

Core Competencies

Strengths of the Business

In wheels for commercial vehicles, we have approximately 90%* of the domestic market share thanks to our advanced product development capabilities based on flat materials, in addition to the development of products using deformed steel supplied by the Steel Division. In addition, our production base in Indonesia is meeting the needs of automobile manufacturers for local production. In wheels for mining equipment, we offer SGOR® wheels, the world's largest class of high-strength, high-quality wheels that can withstand the harsh conditions of mine development around the world, as well as new products that improve safety and workability when changing tires, and with high reliability we hold approximately 90%* of the global market share.

* Sales shares for automobile manufacturers and construction equipment manufacturers (new vehicle assembly)

Our Business Environment

Opportunities and risks

Opportunities

- Long-term expansion of demand for commercial vehicles with global population growth
- Long-term expansion of demand for mining equipment in non-ferrous mines due to the shift to EVs in vehicles
- Growing demand for inspection and repair business for wheels for mining machinery providing safety to customers
- Changing customer needs towards the realization of a carbon-neutral society

Risks

- Commercial vehicle production in Japan is decreasing due to a decline in domestic demand and a shift to local production overseas
- Production stoppages or significant fluctuations in production volume by automakers due to supply chain disruptions, natural disasters, or the emergence of geopolitical risks
- Decrease in demand for mining equipment due to the shift to aluminum wheels for commercial vehicles toward a carbon-neutral society and decrease in demand for coal
- Rising production costs due to soaring raw material, energy, and transportation costs, etc.

Policies and strategies of the Medium-Term Management Plan

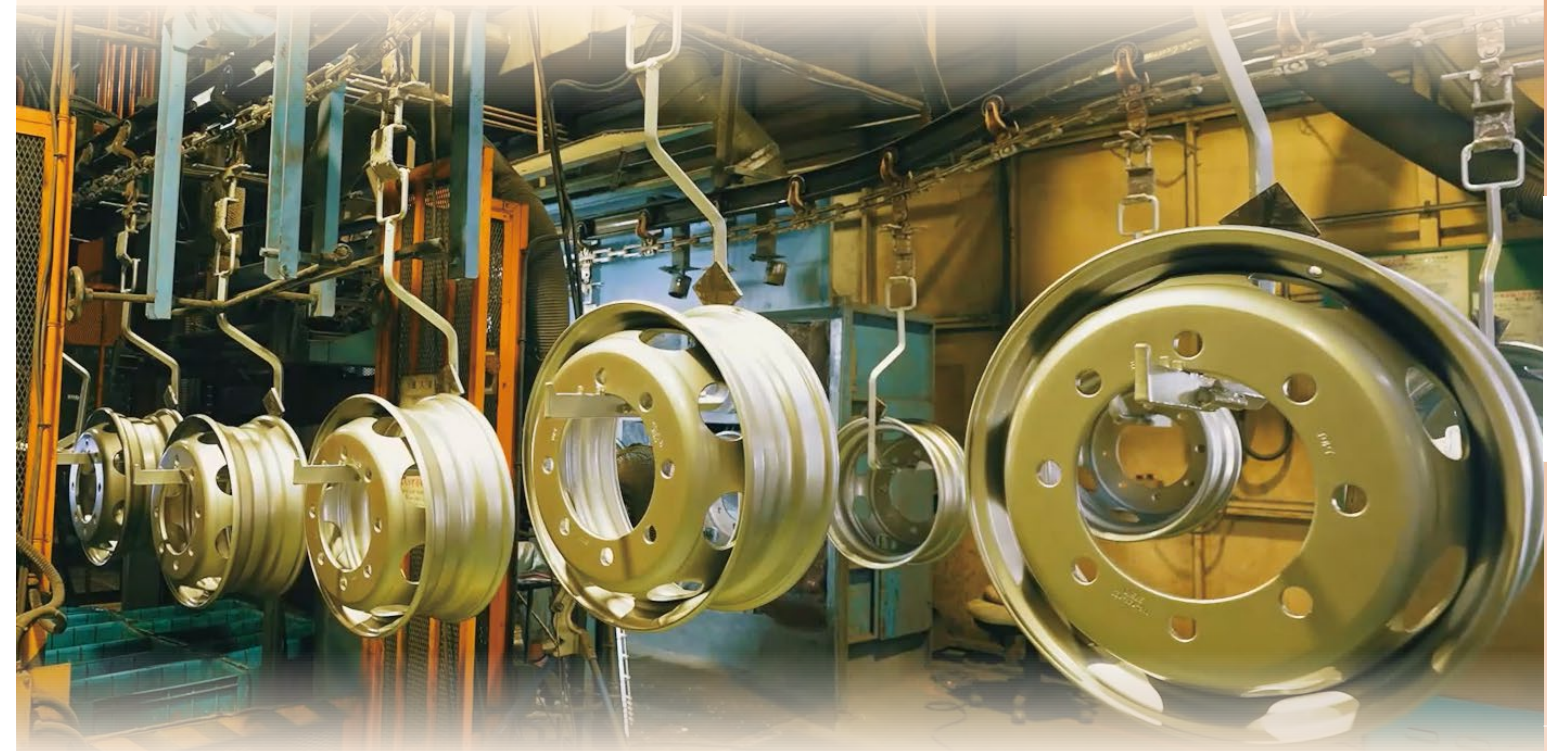
- Completion of structural reform of the wheels for commercial vehicles business (optimization of domestic and overseas production systems)
- Expansion of inspection and repair service business and market sales expansion system for wheels for construction machinery
- Expansion of high-value-added products that respond to the shift to EVs and a carbon-neutral society

Summary of initiatives in FY2022

We implemented structural reform of the commercial vehicle wheel business, streamlining the domestic production system, consolidating product types and transferring production lines, and optimizing the product mix with our production base in Indonesia. In addition, in response to soaring costs of raw materials, energy, and transportation, we worked to optimize selling prices.

Future issues and initiatives

We will continue to streamline manufacturing processes, diversify material procurement, and optimize selling prices in line with costs through structural reforms in the commercial vehicle wheel business. Optimization of the product portfolio of the off the road wheels business, and sophistication and modernization of manufacturing by streamlining the manufacturing process.



Topic

Caterpillar Inc. of the U.S. Receives SER Excellent certification

We received the highest level of Excellent certification in the mining equipment wheel category of the U.S. Caterpillar Inc.'s 2022 SER^{*1} (Supplier Excellence Rating). SER is a system in which Caterpillar certifies suppliers every year based on its own criteria, and comprehensively evaluates a variety of requirements. This time, we achieved high ratings in quality, stable supply, and continuous improvement activities, and other required items, resulting in the acquisition of the Excellent certification, awarded to the top 5% of suppliers. Following the SQEP^{*2} Platinum certification that we have received for more than 10 consecutive years since 2012, very few companies have received SER Excellent certification, making this a prestigious certification. We will continue to promote continuous improvement activities to further enhance the trust of our customers and our overall strength.

*1 SER: Supplier Excellence Recognition

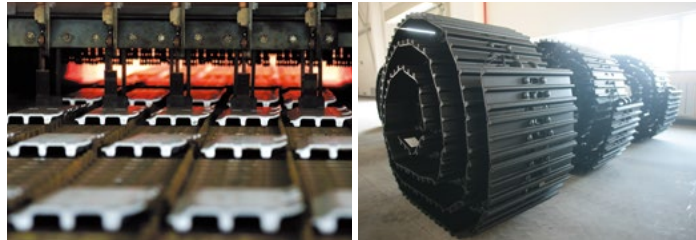
*2 SQEP: Supplier Quality Excellence Process

The requirement for certification has been changed from SQEP (Supplier Quality Excellence Process) to SER from January 2022.



Automotive and Industrial Machinery Components Segment (Undercarriage Parts for Construction Machinery)

Achieve stable earnings and growth
as a leading company in undercarriage parts
for construction machinery



Hideo Katsuyama

Operating Officer
General Manager of Undercarriage
Components Div., in charge of
Automotive and Industrial Machinery
Components Business



Social Value of Products

Outcomes Created by our Products

By providing undercarriage components for construction machinery, we contribute to the realization of a society in which people can live with peace of mind through infrastructure development, resource development, and housing construction in countries around the world.

Core Competencies

Strengths of the Business

We have gained high levels of trust from customers by involving them in the design process from the development stage and supplying high-quality undercarriage parts for construction machinery that meet their needs. In hydraulic excavator tracks and their component parts, such as track shoes, we hold approximately 70% of the domestic market share and 30% of the global market share, and have established a global supply system that includes North America, China, and Indonesia. One of our strengths is our efficient production system, which integrates production from materials to finished products.

Our Business Environment

Opportunities and risks

Opportunities

- Long-term growth of global construction machinery demand, especially in emerging countries
- Increase in mining activities and investment in mining machinery due to sustained high resource prices

Risks

- Increase in manufacturing costs due to high prices of raw materials and energy
- Emergence of low-priced Chinese construction equipment manufacturers
- Sudden decrease in global demand for construction machinery

Policies and strategies of the Medium-Term Management Plan

- Strengthen partnerships with construction equipment manufacturers
- Develop new products and sell high value-added products
- Optimization of production system
- Enhance sales expansion system for supply parts

Summary of initiatives in FY2022

In addition to steadily capturing the demand for undercarriage parts for construction machinery, we advanced appropriate pricing in line with rising costs of raw materials and energy. We also made steady progress in improving cash flow by improving manufacturing costs and reducing inventories.

Future issues and initiatives

We will develop new products based on market needs. In addition, we will optimize our production system and expand sales of supply parts by utilizing our global bases.



Topic

Topy Undercarriage Indonesia (TUI) achieves record annual production volume

In Indonesia in FY2022, demand for construction equipment was strong due to the economic recovery from the COVID-19 pandemic and soaring resource prices, and TUI's track production lines were in full operation throughout the year. Therefore, in order to reduce the risk of strain on employees both mentally and physically, we worked to establish a favorable work environment by implementing various measures to improve job satisfaction, such as establishing new rest areas, improving lunches, and holding company events. As a result, we were able to maintain safety (no accidents) and stable productivity, as well as achieve a record-high annual production volume. We will continue our efforts to maintain a pleasant work environment and further improve productivity.



Business Development Segment

Becoming a global niche leader in innovative technologies

Mica



Core Competencies

Strengths of the Business

Topy Mica, which is refined from natural minerals, the main raw material, is well regarded by not only cosmetic manufacturers, but also overseas cosmetic manufacturers for its safety, high purity, and stable quality without impurities. It is also highly evaluated for its high barrier performance controlling the permeation of gas and other substances as a raw material for food packaging materials.

Topic

To strengthen the global expansion of Topy Mica, we are not only introducing our product (powder) but also developing and proposing cosmetic formulations using our product. This is expected to shorten the time required for the adoption of our products and increase the certainty of their adoption, as the efficacy of our products in final cosmetics will be confirmed. We are also actively developing new customers and proposing formulations for cosmetic formulations such as liquid foundations, which have not been widely adopted in the past.



Undercarriage Technology

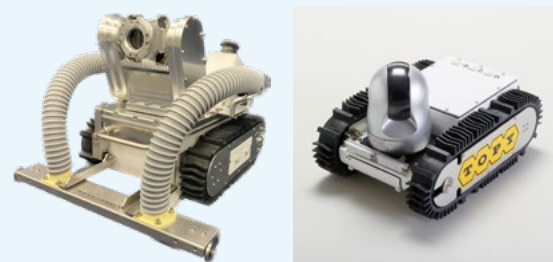
Core Competencies

Strengths of the Business

The robots we manufacture that make use of undercarriage technology are equipped with running functions that can run on steep stairs of buildings and rough roads, and underwater running and swimming functions that can run stably not only on land but also in water.

Topic

We are conducting research and development to improve the functions of our existing products, such as under-floor inspection robots for residential use, underwater cleaning robots, and robots for transporting caged vehicles, in response to customer needs. We are also conducting research and development specifically on the lower traveling belt (undercarriage module) of crawler robots, which can be used in various applications by taking advantage of our undercarriage traveling technology. We will continue to focus on research and development with the aim that our products will be used in more situations and help improve various operations.



Business development strategy center



Tsuyoshi Nakamura

Senior Managing Director
In charge of Corporate Planning,
Business Management,
Sustainability Strategy

We will implement sustainability management based on our long-term goals

We regard the implementation of sustainability management as part of our growth strategy, and in 2022, we formulated our long-term sustainability vision, "TOPY Sustainable Green Vision 2050." To realize this, we have established the Sustainability Strategy Committee and put in place an implementation system, while identifying materialities and clarifying priority issues to be addressed.

Cooperation with our stakeholders is indispensable to realize our goal of "TOPY Sustainable Green Vision 2050." We will create new value through communication with customers, business partners, employees, shareholders and investors, and the local community, contributing to the realization of carbon neutrality and building an affluent society where people can live safely and healthily, and continue various ESG initiatives to ensure the Group remains a company trusted by society for many years.

Stakeholder Engagement

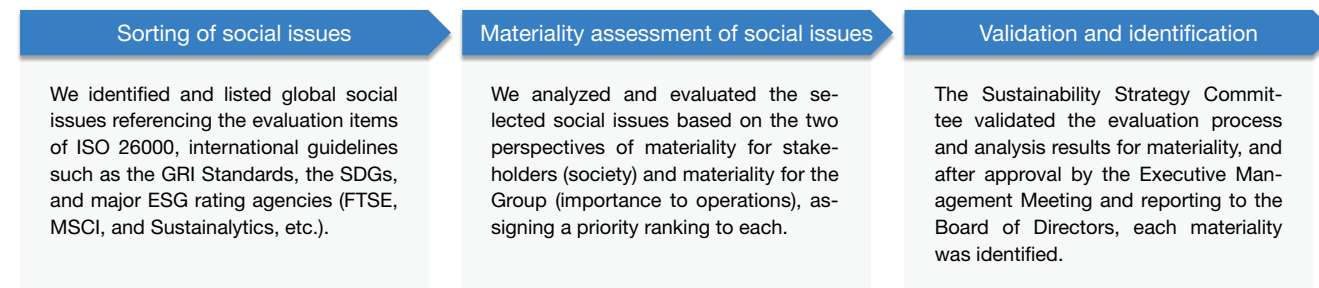
Stakeholders	Particularly related capital	Approach to stakeholders	Key initiatives
Customers	Social capital	We deliver products and services of high quality and excellent environmental performance to our customers, and promptly provide feedback on their evaluations to production sites and other related departments to build relationships of trust with them and enhance the sustainability of the entire supply chain by reducing environmental impact.	<ul style="list-style-type: none"> Proposal of environmentally friendly solutions (reduction of CO₂ emissions throughout the product life cycle by providing green products utilizing electric furnace materials, proposal of lightweight automotive parts, etc.) Establishment of a sustainable supply chain by encouraging customers to optimize transactions (optimization of pricing and payment methods)
Business partners	Social capital Manufacturing capital Intellectual capital	We mutually utilize each company's technologies and values under fair and equitable transactions. We aim for coexistence and co-prosperity throughout the supply chain and new partnerships that transcend scale and affiliations through the provision of technology and the use of systems to improve efficiency.	<ul style="list-style-type: none"> Establishment and dissemination of Procurement Policy and Supply Chain Management Policy Thorough implementation of fair and equitable transactions (proper pricing methods and payment methods) Technical and efficiency support for business partners
Employees	Human capital Manufacturing capital Intellectual capital	We will give the utmost consideration to the growth, health, and safety of the people who work for the Topy Industries Group, and we will maximize the skills and passion of each individual to build a relationship of mutual growth for the future.	<ul style="list-style-type: none"> Human Resources development based on the Human Resources Development Policy Advance diversity & inclusion and work-style reforms Implement efforts to improve ES (employee satisfaction) Promotion of Health Management®
Shareholders and investors	Financial capital Social capital	We live up to the expectations of shareholders and investors in Topy Industries Group through sustainable business development and transparent information disclosure, and pursue optimal utilization of capital.	<ul style="list-style-type: none"> Communication with shareholders through the General Meeting of Shareholders Active disclosure of financial and business information (statutory disclosures, timely disclosures, financial results briefings, IR interviews, participation in IR events, information disclosure on websites)
Local communities	Social capital Natural capital	We will fulfill our responsibilities as a citizen of the local community and actively communicate with our stakeholders, aiming to be recognized as a company that grows together with its stakeholders.	<ul style="list-style-type: none"> Career education for elementary, junior high, and high school students (accepting company visits, etc.) Support through culture and sports Participation and sponsorship in local events Development and provision of products and services that contribute to solving social issues

Sustainability Initiatives of the Topy Industries Group

Identification of Materiality

The Group identified the six forms of materiality (important issues) that it should address based on discussions held by the Sustainability Strategy Committee and Board of Directors as well as the advice of outside experts. The identified materiality has been incorporated into the main measures of the Group's Medium-Term Management Plan, and business activities are being carried out for sustainable growth based on a detailed action plan and targets.

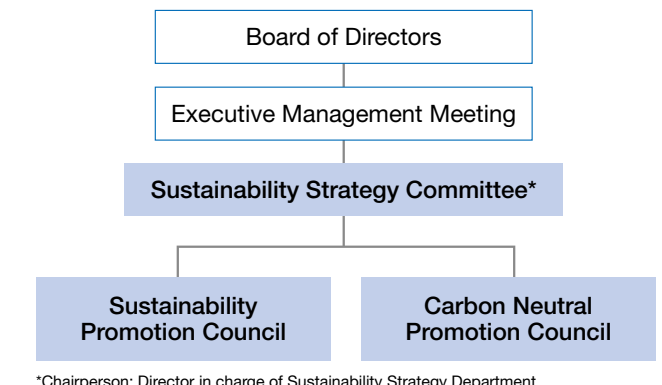
• Materiality identification process



Promotion System for Sustainability Management







The Group has established the Sustainability Strategy Committee (convenes at least twice per year as a general rule) in an effort to promote sustainability management.

The committee discusses and determines important matters involving formulation of basic policy and medium- to long-term strategy. It also conducts monitoring as well as reports its discussions and decisions to the Executive Management Meeting and Board of Directors for deliberation. Furthermore, we have established the Sustainability Promotion Council and Carbon Neutral Promotion Council under the committee to plan and execute specific sustainability measures while facilitating close cooperation within the Group.



Sustainability Topic

We received an ESG Rating of 3.0 (out of 5 points; our highest rating ever) in the FTSE Russell's ESG Rating for 2023, which evaluates environmental, social, and governance initiatives.

Materiality			Key initiatives	KPIs and targets	Initiatives for FY2022	Corresponding SDGs	
Environment E	Promotion of green innovation	▶	<ul style="list-style-type: none">Development of environmentally friendly products (green products)Reduction of CO₂ emissionsExpanding the use of renewable energy	<ul style="list-style-type: none">CO₂ emissions (Scope 1 and 2)Energy consumption per unit	Aim to reduce CO ₂ emissions by 46% compared to FY2013 in FY2030 Continuation of 1% reduction from the previous year	<ul style="list-style-type: none">Reduce CO₂ emissions by 9.6% (compared to FY2013)Reduce energy consumption per unit by 0.7%Introduction of internal carbon pricing (ICP) systemIn-house carbon price: 8,200 yen/t-CO₂; covered by the system: capital investment that increases or decreases CO₂ emissionsConsider the introduction of renewable energy generation facilitiesPromote energy conservation plans	
	Contribution to building a recycling-oriented society	▶	<ul style="list-style-type: none">Reduce and recycle wastePromotion of resource recycling within the GroupBiodiversity conservationWater resource conservation initiativesChemical substance management	<ul style="list-style-type: none">Final disposal volume of industrial waste per unit of productionWater withdrawal per unit of production	Continuation of 1% reduction from the previous year	<ul style="list-style-type: none">Reduce final disposal volume of industrial waste per unit of production by 8%Reduce water withdrawal per unit of production by 5.6%Implementation of environmental improvement activities based on ISO 14001	
Society S	Respect for human rights	▶	<ul style="list-style-type: none">Establishment of human rights policyImplementation of human rights educationAssessment of and response to human rights risks	<ul style="list-style-type: none">Percentage of employees receiving human rights education and trainingEstablishment of human rights due diligence	Maintain 100% every year	<ul style="list-style-type: none">Formulation of the Group Human Rights Policy100% implementation of human rights education and training as planned within the companyPreparation for human rights due diligence, including participation in training sessions	
	Support for diverse human resources	▶	<ul style="list-style-type: none">Global human resources developmentPromotion of diversityHealth management initiatives and promotionImprovement of engagement	<ul style="list-style-type: none">Ratio of female managersNumber of work-related accidents in JapanCertified “White 500” as a good health management corporation	10% or more in FY2030 Aim to achieve zero lost time injuries or more severe incidents every year Aim to obtain certification in FY2025	<ul style="list-style-type: none">Ratio of female managers: 6.3% (1.3% increase compared to the previous year fiscal year)Implementation of planned human resources development and expansion of fields where female managers can excel to improve the female management rateCertified as an Excellent Health Management Corporation 2023	
	Contribute to society through business	▶	<ul style="list-style-type: none">Customer relations (quality)Contribution through businessContribution to local communities	<ul style="list-style-type: none">Implementation of quality educationNumber of complaints	Maintain 100% every year Aiming for zero serious complaints every year	<ul style="list-style-type: none">Implemented education based on ISO9001 as planned, with a 100% implementation rate of quality educationNumber of serious complaints: 0	
Governance G	Build of a solid management foundation	▶	<ul style="list-style-type: none">Corporate governanceComplianceRisk management/BCPSupply chain management	<ul style="list-style-type: none">Number of serious compliance violationsBasic Sustainability Policy awareness rate	Continue to report zero violations every year Maintain 100% every year	<ul style="list-style-type: none">Number of serious compliance violations: 0Formulate a Group Procurement Policy and Supply Chain Management Policy, and disseminate them to 100% of suppliers through the implementation of questionnaires	

Environmental Initiatives

Environmental Management

Environmental
Philosophy

We believe it is our duty to preserve a rich and beautiful world for future generations to enjoy. In partnership and solidarity with local communities, we will work to promote continuous improvement in everything we make from materials to finished products to lay the foundation for the sustainable development of society.

[Basic Environmental Policy]

As part of its duty as a corporate citizen, Topy Industries ranks continuous improvement under the ISO 14001 environmental management system as among its top management priorities. Topy Industries has therefore established and implemented the following policies.

1. Complying with the Law

Topy Industries will comply with all environmental regulations, protocols, and agreements in its manufacturing activities.

2. Working to Save Energy and Prevent Global Warming

In all its manufacturing processes, Topy Industries will proactively strive to save energy and reduce greenhouse gases.

3. Reducing Our Environmental Footprint

In order to bolster environmental management, Topy Industries will undertake cost-conscious efforts to reduce its environmental footprint by saving energy, lowering greenhouse gas emissions, using fewer resources, and recycling.

4. Developing Environmentally Conscious Products

Topy Industries will develop environmentally friendly products at every stage in their life cycle, from design and production to use and disposal.

5. Raising Environmental Awareness and Preserving the Environment at the Global Level

Topy Industries will promote understanding of its environmental policy and raise environmental conservation awareness through environmental training and enrichment for its employees.

6. Conserving the Environment in Overseas Business Activities

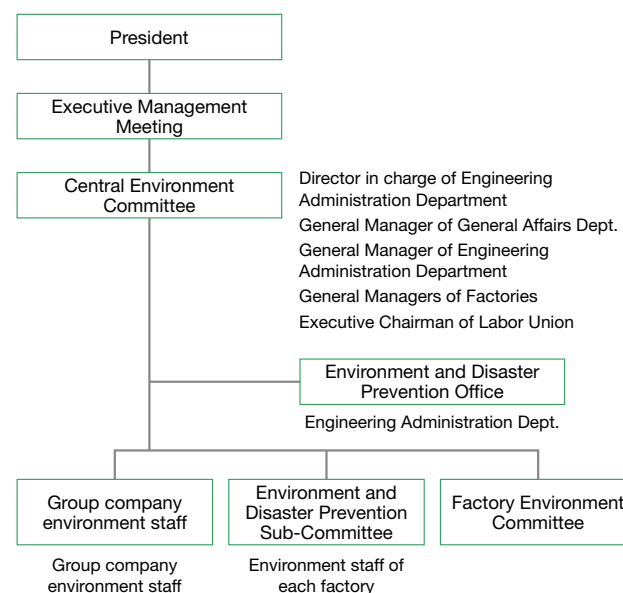
Topy Industries will remain mindful of its impact on local environments and implement measures in accordance with the needs of local communities.

ISO 14001 certification

Since the Toyokawa and Ayase factories launched a program to acquire ISO 14001 certification to promote environmental conservation activities in February 1998, all of the manufacturing facilities of Topy Industries have acquired ISO 14001 certification, and Group companies have also acquired certification.

Proper maintenance of our environmental management system has been confirmed through regular audits after obtaining this certification, and we continue to carry out environmentally friendly production activities by promoting scheduled and systematic environmental initiatives in line with our Basic Environmental Policy.

Environmental conservation structure



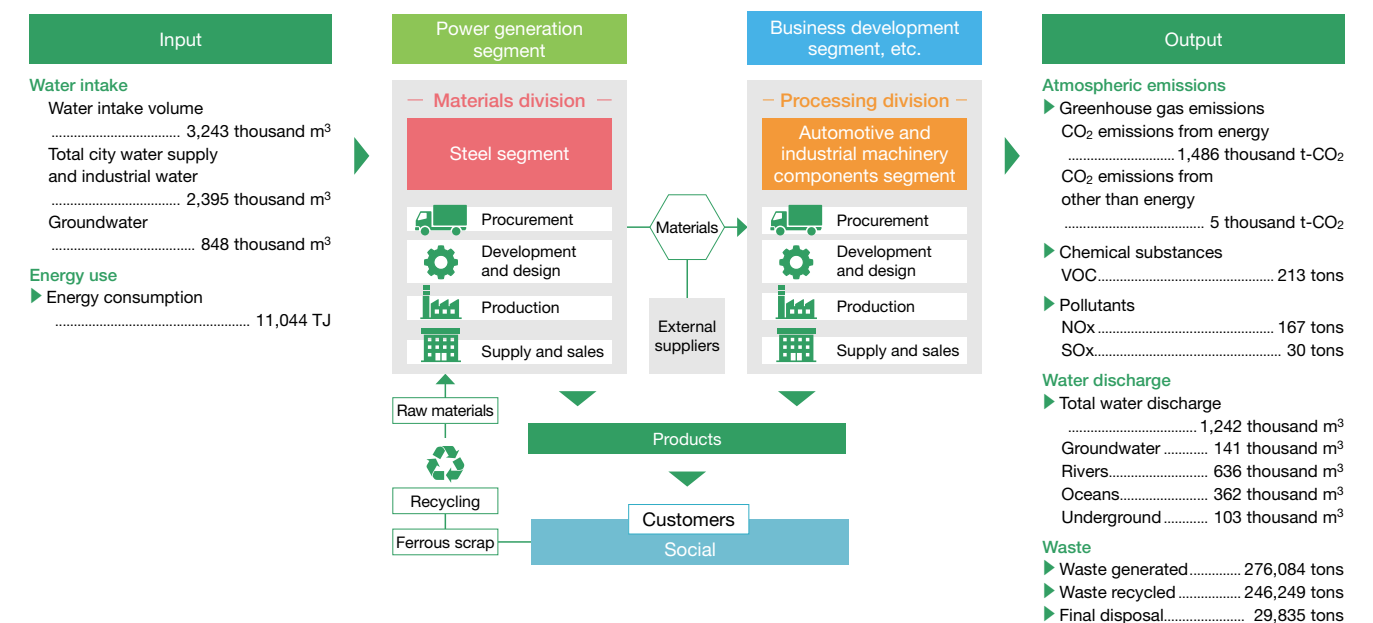
ISO 14001 Certification Status

(Topy Industries + Group companies)

		ISO 14001 certification obtained
Topy Industries	Toyohashi	Apr. 1999
	Toyokawa	Nov. 1998
	Ayase	Nov. 1998
	Kanagawa	Jun. 1999
Domestic Group companies	Topy Fasteners, Ltd.	Sep. 2001
	Kyushu Wheel Kogyo, Ltd.	July 1999
	Tojitsu, Ltd.	Nov. 2005
	Akemi Recycling Center, Ltd.	Mar. 2006
	Ring Techs Co., Ltd.	Aug. 2002
Overseas Group companies	Topy America, Inc.	Jun. 2009
	Topy Fasteners (Thailand) Ltd.	Jun. 2021
	Fujian Topy Autoparts Co., Ltd.	Jul. 2003
	Topy Undercarriage (China) Co., Ltd.	Oct. 2017
	Topy Fastener Vietnam Co., Ltd.	Sep. 2019
	PT. Topy Palingda Manufacturing Indonesia	Dec. 2018
	Topy MW Manufacturing Mexico S.A. de C.V.	Jan. 2017
	Ring-Techs Guangzhou Co., Ltd.	Jan. 2008
Affiliates	Asahi Tec Aluminium (Thailand) Co., Ltd.	Jan. 2003
	Hokuetsu Metal Co., Ltd.	Jan. 2005

Overall environmental impact of the Topy Industries Group

(FY2022 consolidated Japan: Topy Industries + domestic consolidated subsidiaries)



Endorsement of environment-related initiatives

In April 2023, the Group joined the GX League based on the belief that the direction of its activities, which is to promote the examination of medium- to long-term strategies by a specialized organization, is consistent with the objectives of the GX League Basic Concept published by the Ministry of Economy, Trade and Industry. The Group announced its endorsement of the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) in May 2022.



External assessments

In December 2022, the Company received a "B" rating in the CDP Climate Change Questionnaire and the CDP Water Security Questionnaire, which is an increase of one rank from the "B-" rating in FY2021 with respect to climate change. In October 2022, we announced the "TOPY Sustainable Green Vision 2050," and are promoting initiatives aimed at reducing CO₂ emissions Scope 1 and 2 by 46% in FY2030 compared to FY 2013, and achieving carbon neutrality in 2050. We regard addressing sustainability, including climate change, as an important management issue, and aim to contribute to the realization of a sustainable society and enhance our corporate value through various initiatives such as reducing CO₂ emissions and developing environmentally friendly products.

Topic Fostering sustainability literacy (promoting the acquisition of the eco certification test[®]*)

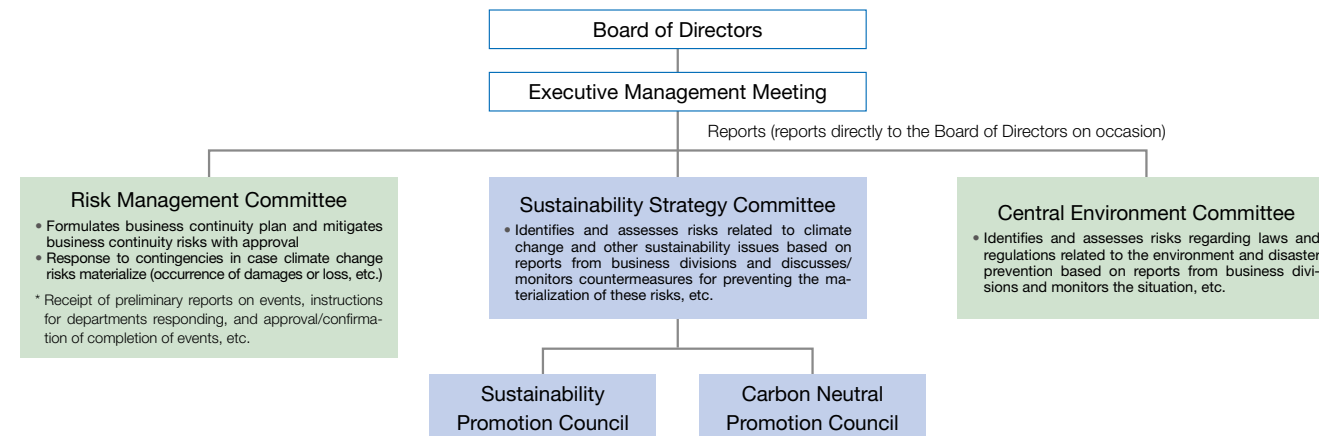
To promote a sustainable society that balances the environment and the economy, we have been promoting the acquisition of the Environmental Society Certification Examination (eco certification test[®]) since FY2022, with the aim of systematically learning a wide range of knowledge about the environment and global environmental issues and applying this knowledge to our respective operations and businesses. We support employees to take the examination by providing subsidies for examination fees and the purchase of reference books, and 72 employees passed the examination in FY2022.

* The eco certification test is a registered trademark of the Tokyo Chamber of Commerce and Industry.

Environmental Initiatives

Response to Climate Change (excerpts from disclosures under the TCFD)

The Group positions sustainability management including response to climate change as one of management's most important issues. A system of supervision led by the Board of Directors has been put into place for these initiatives.



The Group has established long-term targets for CO₂ emissions reduction for FY2030 and 2050 and is now working on initiatives to achieve these targets.

We are not only addressing Scope 1 + 2 by thoroughly conserving energy in the production process through the Energy Conservation Meister Program, but also addressing Scope 3 emissions by reducing energy consumption in product transpor-

tation throughout the value chain and improving fuel efficiency by reducing wheel weight, as it promotes initiatives to ensure strategic responses by the company as a whole, including engineering, sales and production control functions. In this manner, we continue to tackle the challenges toward carbon neutrality by implementing these initiatives.

Targets for CO₂ emissions and results

Scope 1, 2 and 3 targets

FY2030 target	2050 target
CO ₂ emissions Scope 1 and 2	CO ₂ emissions (Scope 1, 2 and 3)
Aim to reduce by 46% compared to FY2013	Tackling the challenge of carbon neutrality
(Topy Industries + Consolidated subsidiaries in Japan)	(Topy Industries + Consolidated subsidiaries)

Scope 1, 2 and 3 results
(Topy Industries + Consolidated subsidiaries in Japan)

Item	Unit	Reporting	FY2013	FY2021	FY2022
Scope 1	1,000 t-CO ₂	Consolidated (Japan)	625	254	233
Scope 2	1,000 t-CO ₂	Consolidated (Japan)	—	310	332
Scope 3	1,000 t-CO ₂	Consolidated (Japan)	—	1,194	1,334

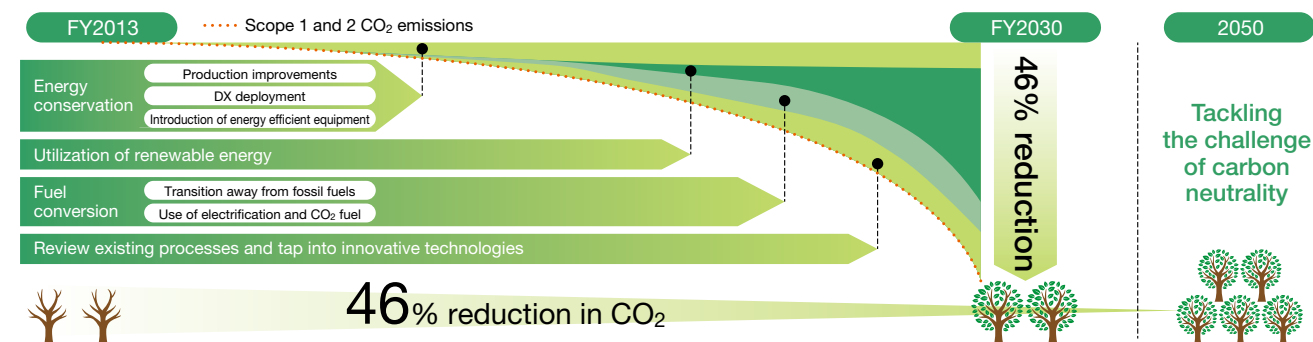
* Not including CO₂ emissions equivalent to electricity supplied externally for selling purposes as part of the Power Generation Business (FY2022: 957 thousand t-CO₂)

* Due to reviews of aggregation content, past fiscal year figures have been changed from the published value of May 2022.

* Scope 1 and 2 are defined as energy-based CO₂ emissions.

* Emission factor for electricity is used as the basic emission factor.

* In FY2013, Scope 3 CO₂ emissions from purchased products (billets) in the steel business are included. Currently, all are handled by in-house production (Scope 1 and 2 CO₂ emissions).

CO₂ emissions reduction roadmap

*Activities after FY2030: Continue energy conservation, use of renewable energy, fuel conversion, review of existing processes and pioneering innovative technologies, etc.

Business and Financial Impacts Associated with Climate Change-Related Risks and Opportunities as Well as Our Response

Risks

Category	Details	Business and financial impacts*1		Topy Industries Group's response	Operations*2
		Less than 2 degrees	4-degree increase		
Policy and regulation	Rising transportation, manufacturing, and CO ₂ emission costs due to carbon pricing and higher energy costs	↑	↑	• Reduction of CO ₂ emissions (~46% by FY2030) • Use of renewable energy and transition of factories and offices to ZEB*3 • Promotion of decarbonization in the supply chain • Enhancement of energy conservation	All
	Rising investment costs for achieving CO ₂ reduction targets	↗	↗	• Utilization of green finance • Expand trademarks through response to CO ₂ reduction	All
Engineering	Rising costs due to response to greenification of commercial facilities	→	—	• Utilization of green finance • Introduction and utilization of internal carbon pricing	Real Estate
	Occurrence of investment costs and running costs from fuel conversion and dual-fuel thermal power generation with biomass fuel	→	→	• Utilization of green finance • Introduction and utilization of internal carbon pricing	Power Generation
Transition risk	Declining revenue caused by delayed response to low carbon products	→	—	• Energy conservation activities based on the Act on Rationalizing Energy Use • Promotion of green procurement	Parts
	Rising procurement costs from higher demand for scrap following the shift from the blast furnace method to the electric furnace method with lower CO ₂ emissions	↗	↗	• Improving productivity of electric furnace method and reduction of electricity per unit of production • Increasing procurement capability (expansion of procurement regions, etc.) • Use of difficult-to-melt scrap due to improving technology	Steel
Reputation	Declining profitability and real estate values due to weaker ability of the Group's commercial facilities to attract customers caused by rising demand for greenification of commercial facilities	→	—	• Promotion of conversion to facilities with lower energy consumption and CO ₂ emissions (promotion of initiatives for using 100% renewable energy)	Real Estate
	Decreasing profitability and rising financing costs due to declining reputation caused by delays in response to climate change or lack of disclosures on response	→	→	• Higher ESG rating from increased information disclosure on climate change response and increased dialogue with shareholders/investors	Power Generation
Physical risk	Acute	↗	↗	• Improved resilience through re-review of and enhancement of BCP • Promotion of BCP including supply chain	All

Opportunities

Category	Details	Business and financial impacts*1		Topy Industries Group's response	Operations*2
		Less than 2 degrees	4-degree increase		
Resource efficiency	Declining energy usage and energy costs from greater energy conservation	↗	↗	• Expanded use of renewable energy (introduction of renewable energy power generation facilities, etc.) • Promotion of energy conservation activities	Parts
	Avoidance of carbon tax costs from initiatives to reduce carbon emissions	↗	↗	• Reduction of CO ₂ emissions (~46% by FY2030) • Promotion of energy conservation activities • Transition of factories and offices to ZEB*3 from use of renewable energy	All
Energy source	Reining in energy costs by switching to renewable energy	↗	↗	• Transition of factories and offices to ZEB*3 from introduction of renewable energy • Enhancement of energy conservation	Steel and Parts
	Increasing profitability from development and market launch of competitive and superior low carbon products in response to societal needs	→	→	• Enhanced development of environmentally friendly products • Development of low carbon products as well as research and conversion to alternative materials (utilization of carbon material substitutes made by solidifying shredder dust with fewer nonferrous metal content in electric furnaces) • Promotion of green procurement • Promotion of decarbonization in the supply chain	Steel and Parts
Market	Growing demand for electricity derived from renewable energy (in case of shift to renewable energy power sources)	→	→	• Tackling challenges of renewable energy power generation (examination of dual-fuel with biomass fuel and single fuel with biomass fuel)	Power Generation

*1 Business and financial impacts (anticipated single year impacts on P/L in FY2030): ↑ over 10 billion yen, ↗ between 1 and 10 billion yen, and → less than 1 billion yen

*2 Operations: Steel stands for Steel Business, Parts for Automotive and Industrial Machinery Components Business, Power Generation for Power Generation Business, and Real Estate for Real Estate Business

*3 Acronym for Net Zero Energy Building. A building that seeks to achieve net zero use of primary energy for an entire year.

* For details of information disclosure based on the TCFD, please see our website.

Environmental Initiatives

Responding to Environmental Risks and Contributing to the

Biodiversity conservation

Biodiversity initiatives

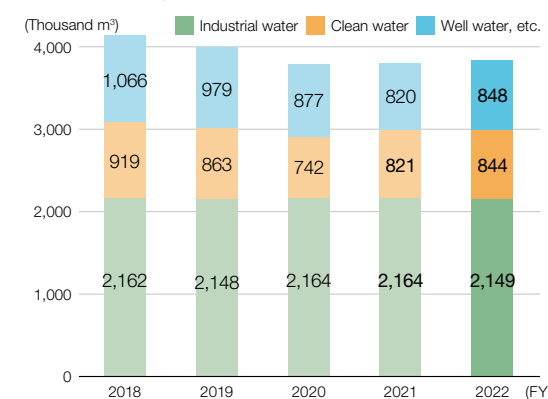
The business and manufacturing operations of the Group does not involve activities such as deforestation and other activities that may disrupt the ecosystem. We recognize that biodiversity conservation and global warming prevention are essential for a sustainable society. As a part of efforts to conserve biodiversity and forest resources in developing countries, the Group encourages the use of paper made from domestically-produced materials and recycled paper that have less environmental impact.

Water resource conservation initiatives

To conserve water resources, the Group is working to reduce water consumption by circulating and reusing cooling water at

its factories. Also, to prevent environmental pollution, we are using treatment facilities to purify our drainage to within environmental regulatory limits.

Water consumption (Topy Industries + Consolidated subsidiaries)

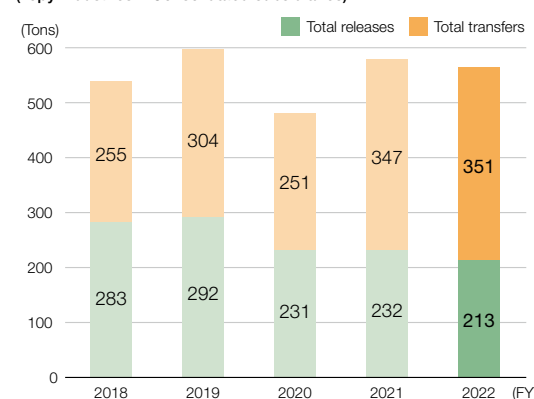


Chemical management

Substance emissions and management under the PRTR Act

In accordance with the PRTR Act (the Pollutant Release and Transfer Register Act; the Act on Confirmation, etc. of Release Amounts of Specific Chemical Substances in the Environment and Promotion of Improvements to the Management Thereof), business entities that handle chemical substances are obliged to manage and report to administrative offices the amount of environmental emissions and transfers of chemical substances that are hazardous to humans and ecosystems at each of their business sites. Based on this system, the Group submits annual reports to the respective regulatory bodies while also using this process to continuously manage chemical substance and emission reductions.

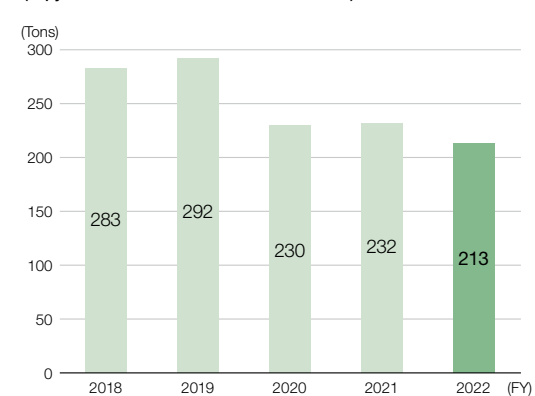
Total amounts of environmental releases and transfers of substances regulated under the PRTR Act (Topy Industries + Consolidated subsidiaries)



Air pollution prevention initiatives

As a proactive approach for the prevention of air pollution, the Group voluntarily measures VOC (volatile organic compounds) concentrations from VOC generating facilities while also reviewing action items related to production technologies for the reduction of emissions.

Total amounts of releases and transfers of VOC (Topy Industries + Consolidated subsidiaries)



Establishment of a Recycling-Oriented Society

Point

Contribution to building a recycling-oriented society

Promote in-house recycling and reduce delivery packaging wastes.

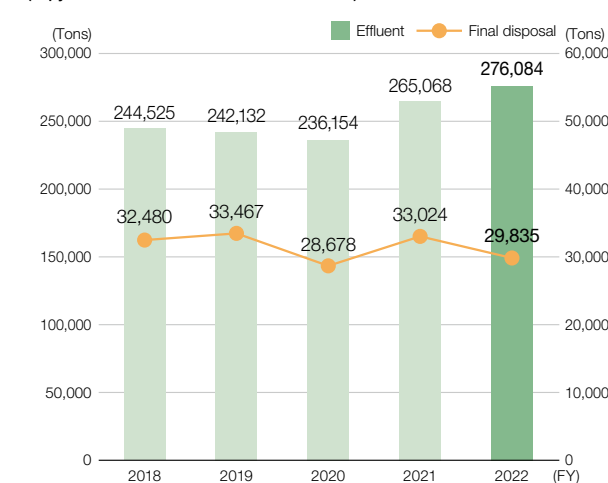
Initiatives for waste reduction and recycling

Waste reduction and recycling

A part of the metal scrap (steel) generated during production activities is reused directly in-house as a raw material in electric furnaces. As for other waste, we are engaged in reducing final waste disposal volumes through re-resourcing efforts such as collecting scrap iron and collecting zinc from melted dust. Oxidized slag generated from steelmaking is recycled and reused for civil engineering and concrete materials.

In FY2022, the total amount of industrial waste generated by the Group companies was 276,000 tons, and the final disposal amount was 30,000 tons. We will continue to promote the expansion and improvement of the 3Rs (reduce, reuse, recycle) to recycle waste and reduce the amount of final disposal.

Industrial waste emissions (Topy Industries + Consolidated subsidiaries)



Effective utilization of electric furnace slag

The Group promotes the effective use of resources by recycling electric furnace slag. We sell recycled products equivalent to the amount of electric furnace slag generated.

Electric furnace oxidized slag aggregate

Toyohashi Plant has deployed a slag cooling facility and crushing facility to separate, treat, process, and recycle oxidized slag generated within the electric furnace during the refining process, and has reduced the slag discharged from the ladle after continuous casting subsequent to the refinery process. In April 2013, the factory obtained "JIS A 5011-4: Slag aggregate for concrete Part 4: Electric arc furnace oxidizing slag aggregate" certification. In December 2013, the factory acquired another certificate for the Revised JIS A 5011-4 and started to produce and sell electric furnace oxidized slag aggregate for concrete.

Oxidized slag aggregate has a larger specific gravity than natural materials such as sand and gravel which have traditionally been used as concrete aggregate materials, and we therefore expect slag to be used for heavy concrete aggregate such as wave dissipation blocks. Increasing sales of oxidized slag aggregate for concrete reduces the extraction of natural aggregate materials and thus mitigates its impact on the natural environment while also curbing energy consumption. We will continue working to reduce our environmental load by reviewing our business activities.

Electric furnace slag for recycled road-bed material

The electric furnace slag for recycled road-bed materials (product name: ECO Stone™) is a recycled roadbed material made by crushing, sieving, and mixing oxidized slag and reduced slag. ECO Stone™ obtained a license on August 31, 2014 under the Aichi Prefecture Recycle Materials Evaluation System (pet name: AIKURU), which started in 2002. The license certifies that the materials meet quality, performance, and environmental safety requirements, and that they can be used for public works (Certificate Number: 2)-201).

ECO Stone™ passes environmental standards by a wide margin in terms of elution and inclusion of hazardous materials.



Environmental Initiatives

Reducing Environmental Impact through Products and Services

Point

Promotion of green innovation ▶

Conversion to power generation methods and fuels with low CO₂ emissions, development of environmentally friendly products, and consideration of LCA

Development of environmentally friendly products

Scope 3 accounts for approximately 70% of our supply chain emissions (total of Scope 1, 2, and 3), and the development of environmentally friendly products will help us live up to society's expectations. We are working to reduce environmental impact through our products and services by improving product durability, weight reduction, efficiency in use, use of raw materials with low environmental impact, and the refinement of recycling.

Lightweight wheel - Super Square Wheel

Success in reducing disc weight

In the automotive industry, efforts to improve fuel efficiency and reduce the weight of vehicles are continuing every day with the aim of reducing environmental impact. Our Super Square Wheel, a steel wheel for passenger vehicles, is a lightweight technology that has succeeded in reducing the amount of material used for the disc by approximately 10% by expanding the window area and increasing strength through higher rigidity by installing a vertical standing vertical wall on the outer circumference of the disc. This wheel contributes to the reduction of environmental burden by reducing the amount of materials used and improving vehicle fuel efficiency.



Vertical standing part

Ultra-large wheels for mining equipment [SGOR®]

The world's largest wheel contributing to efficient mining operations and hauling

SGOR® (Super Giant Off-the-Road Rim) wheels are ultra-large diameter wheels that we have developed for mining equipment used at large mines across the world. These wheels are used at large mines and excavation sites outside of Japan. Currently, the largest wheels available have a rim diameter of 63 inches (about 1.6 meters), are 44 inches (about 1.1 meters) wide, and weigh as much as 2.83 tons each, making them about five times the diameter of ordinary passenger car wheels. SGOR® wheels meet the demanding requirements of mining applications in terms of functionality and hauling capacity, and contribute to reducing environmental burden.



Non-chrome pre-treatment of aluminum wheel painting

An industry first for chromium-free processing

Aluminum alloy wheels have long been surface-treated to achieve long-term corrosion resistance and anti-discoloring, and treatment with chromium was thought to be essential to confer anti-corrosion properties. However, in view of European environmental regulations, Japanese automobile manufacturers have turned their attention to surface treatments that avoid the use of heavy metals such as chromium. Topy Industries has spent substantial time on the study and technological development of alternative materials to replace chromium, and is the first in the industry to succeed in creating a chromium-free process.



Water-soluble coated tracks

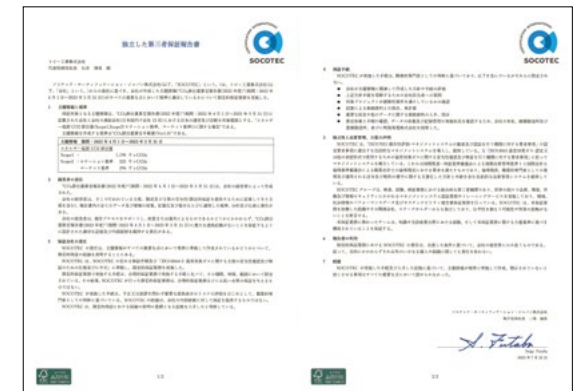
Contributes to a significant reduction in environmental impact

Tracks used in the undercarriage of construction equipment are painted to prevent rust. While solvent-based paints have been used traditionally, we switched to water-soluble paints when a new crawler assembly line was built at Toyohashi Plant in 2019. This has greatly reduced emissions of VOC (volatile organic compounds). In addition, the works has achieved integrated production of tracks from raw materials to finished products, significantly reducing transportation volume and contributing to a reduction in CO₂ emissions.



Independent third-party assurance of environmental data

In July 2023, we obtained an independent third-party assurance report from Socotec Certification Japan Co., Ltd. based on the CO₂ emissions calculation report for FY2022. Please visit our website for more information.



Acquisition of right to use EcoLeaf environmental label

Six of our products, including H-beams, have acquired the right to use the EcoLeaf environmental label certified by the Sustainable Management Promotion Organization (SuMPO). EcoLeaf is one Environmental Product Declaration (EPD) certification system that quantitatively discloses environmental information of a product throughout the course of its entire life cycle, from resource extraction to manufacturing, distribution, use and end-of-life disposal, using the life cycle assessment (LCA) method. Customers can use this system to quantitatively and objectively assess the environmental impacts of the products they use and use this as a determining factor in purchasing environmentally friendly products.



Refinement of recycling by Akemi Recycling Center, Ltd.

Akemi Recycling Center, a consolidated subsidiary with one of the largest shredder plants in Japan, has established a recycling system that minimizes waste generation by shredding waste automobiles and miscellaneous scrap into ferrous and nonferrous scrap, and utilizing shredder dust consisting of plastic and rubber as a substitute for charcoal in our electric furnaces.

Akemi Recycling Center, Ltd. <https://www.akemi-rc.co.jp/>



Topic

Participation in NEDO Green Innovation Fund Project

We have joined the consortium of the Green Innovation Fund Project, Development of Concrete Manufacturing Technology Using CO₂, led by the National Research and Development Agency, New Energy and Industrial Technology Development Organization (NEDO), and we are responsible for developing reinforcement bar steel that does not degrade in performance due to rust progression for use in CP (carbon pool) concrete. The consortium aims to implement CP concrete, a carbon-negative material, in society by 2030 in order to achieve a decarbonized society. The Group aims to contribute to the realization of a sustainable society and enhance our corporate value through various initiatives such as reducing CO₂ emissions and developing environmentally friendly products.



Carbon Pool Concrete Project
<https://www.carbon-pool.com/>

Social Responsibility

Relationship with Customers and Business Partners

Point Contribute to society through business ▶ Strengthen the quality assurance system and management system

Quality Assurance
Philosophy

Topy Industries is committed to making customers its first priority and strives to contribute to society by delivering safe and high-quality products and services that always satisfy customers, while continuously improving the effectiveness of its quality management system (QMS).

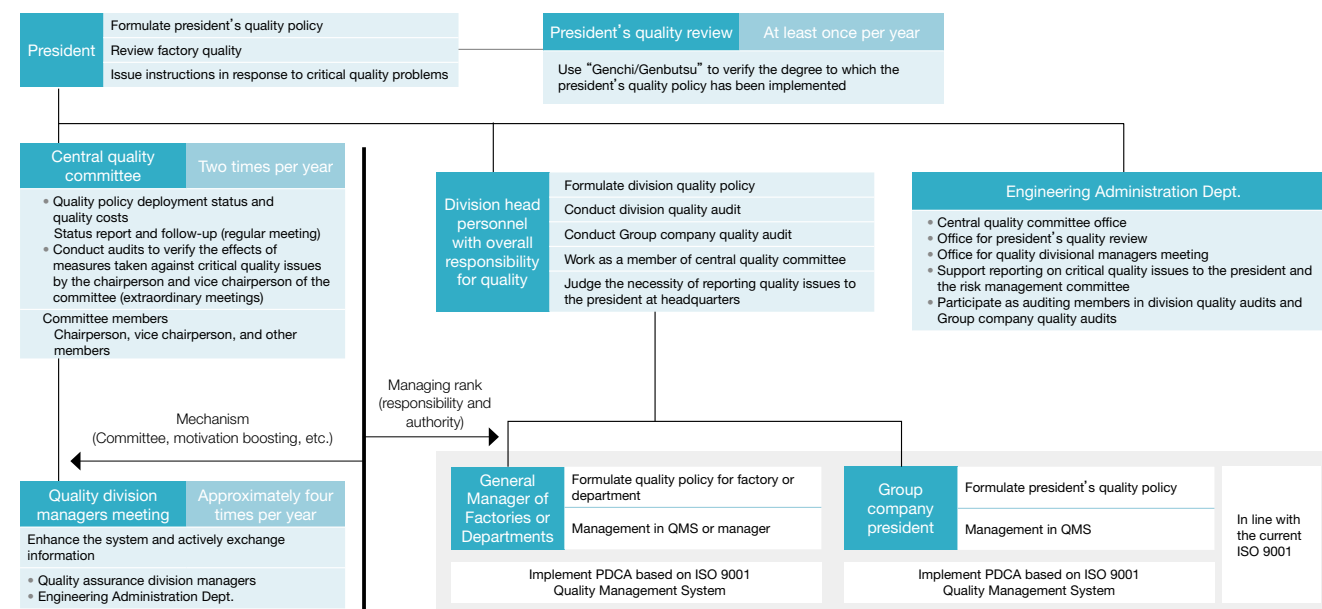
1. Always anticipate the expectations and needs of customers ahead of time, react to their requirements promptly and precisely, and continue to introduce and deliver quality products and services that satisfy customers
2. Focus on building quality in the design and development stages, and stabilize product quality while improving reliability
3. Recognize the importance of education and training and enhance the quality awareness of all employees at the company
4. Recognize that quality defects are caused by multiple factors and promptly investigate the true causes of problems to make substantial improvements

Quality policy for FY2022 to 2023

“Establish a quality assurance system for the next generation of new creation!
Deepen and develop initiatives without fearing change”

—Promote centralized management and utilization of quality information
from the perspective of DX to transform quality control for a new era—

Quality Management Structure



Implementation of quality training

The Group is built on a QMS based on ISO 9001. We disseminate and thoroughly familiarize all employees involved in product quality work with the company-wide quality policy and continuously implement necessary quality education to improve capabilities. In addition to OJT, we also appropriately conduct specialized quality training, including training on the “QC Story.” Furthermore, we periodically evaluate the effectiveness of our

education and training programs and renew them to ensure that the curriculum helps to improve quality. Through these ongoing activities and by having each employee take the lead in quality, we seek to eliminate all quality-related complaints and earn the trust of customers.



Procurement and supply chain management

Basic approach

For current supply chains, response to worldwide issues such as human rights, ethics, the environment, and information security is an important issue facing all companies. Additionally, there are growing risks facing procurement symbolized by political uncertainty, extreme weather, volatility in market prices and exchange rates, and leakages involving technology and confidential information. The Group must achieve procurement that can continuously support its stable and efficient production activities.

In response to these challenges, the Group established the Topy Industries Group Procurement Policy and the Topy Industries Group Supply Chain Management Policy. Following these policies, the Group builds relationships of trust and mutual understanding with all of its business partners in the supply chain and follows a high level of ethical values in building and maintaining a safe and secure supply chain with consideration for protecting human rights and the environment, which enables us to contribute to a sustainable society. At the same time, by maintaining a high level of quality, delivery and cost with suppliers, the Group is able to achieve stable and efficient production activities.

We have also released the Declaration of Partnership Building, promoting coexistence and co-prosperity throughout the supply chain and new close cooperation that goes beyond scale and affiliations, and compliance with the Promotion Standards (note), advancing better relationships with our business partners.

Note: The Promotion Standards refer to a set of standards for maintaining desirable business practices between the subcontracting party and subcontractor. Topy Industries has set five priority areas for transaction optimization: (1) optimization of pricing methods; (2) optimization of cost burden such as mold management; (3) optimization of payment terms such as bills; (4) protection of intellectual property and know-how; and (5) prevention of any toll associated with work style reforms.

* For details about the Topy Industries Group Procurement Policy, the Topy Industries Group Supply Chain Management Policy and the Declaration of Partnership Building, please see our website.

Dissemination of the basic approach and examples of initiatives in accordance with the approach

- Dissemination of the Topy Industries Group Procurement Policy and the Topy Industries Group Supply Chain Management Policy to domestic and overseas Group companies (translated versions distributed to overseas Group companies)
- Distributed the Topy Industries Group Procurement Policy and the Topy Industries Group Supply Chain Management Policy to business partners who are major suppliers. At the same time, we conducted a survey on the policies (with a 100% response rate for collected questionnaires)
- *We plan to continue conducting surveys regularly
- Shortened the payment deadline to 60 days for our business partners who are subcontractors under the Act against Delay in Payment of Subcontract Proceeds, Etc. to Subcontractors, with whom the Company has direct transactions (from May 2023)
- Declared our refusal to accept iron scrap originating from so-called inappropriate yards as scrap yards that are operating in violation of laws and regulations (from September 2023)

Ensuring fair trade

The Topy Industries Group Corporate Code of Conduct states that we will “operate business in a fair and transparent manner under free competition.” In order to conduct fair transactions in accordance with domestic laws and regulations such as the Act on Prohibition of Private Monopolization and Maintenance of Fair Trade (Antimonopoly Act) and the Act against Delay in Payment of Subcontract Proceeds, etc. to Subcontractors (Subcontract

Act), as well as related overseas laws and regulations, we are thoroughly educating and disseminating information to employees, creating and utilizing formats for basic transactional contracts in accordance with the intent of laws and regulations, and confirming the status of compliance with laws and regulations through internal audits.

Topic

Received the Gold award in the EcoVadis (France) Sustainability Rating for the fourth consecutive year

For the four year in a row, the Toyohashi Plant received the Gold award in the sustainability assessment conducted by EcoVadis, an international supply chain evaluation organization, placing it among the top 5% of approximately 100,000 companies surveyed worldwide. This Sustainability Rating is a comprehensive assessment in four areas: environment, labor and human rights, ethics, and sustainable procurement. We received particularly high marks in the areas of the environment, and also improved scores in the areas of labor and human rights and ethics.



Social Responsibility

Contribute to Society through Business

Evolution Type SGOR®
Wheels for Mining Vehicles

Wheels for mining equipment

Evolution Type SGOR® wheels for mining vehicles make it possible for tire changes without having to remove the wheel from the mining vehicle, addressing the needs of mining companies to a much higher degree, including increasing the utilization rate of mining vehicles, streamlining of maintenance work, and improving safety.

- 1) Product name: Evolution Type SGOR®
- 2) Sizes: 57-inch and 63-inch
- 3) Weight: around 2 to 3 tons
- 4) Features:
 - (1) Tires can be changed without removing the wheel from the mining vehicle.
 - (2) This not only greatly reduces the time spent on tire changes, but also can reduce hazardous work by streamlining the work process.
 - (3) The wheels completely eliminate the need for an impact wrench, mitigating the risk of vascular related neurological disorders (Raynaud's disease).

Tire change in progress
(Tires can be changed without removing the wheel from the mining vehicle)TACoil®
Deformed Reinforcing Bars

TACoil® is an advanced solution to problems faced by users in rebar industry, such as labor shortages, processing losses, and storage space.

- 1) Product name: TACoil®
- 2) Sizes: D10, D13, D16
- 3) Weight: 2 tons, 3 tons
- 4) Features:
 - (1) Combined with an NC processor, it significantly increases processing efficiency and resolves labor shortages.
 - (2) It is capable of minimizing the loss generated during the process and increasing the yield rate.
 - (3) Highly dense and compact, it saves storage space while enabling excellent transportation efficiency. In addition, it offers excellent transportation efficiency.
 - (4) Maintains the same performance as existing deformed reinforcing bars even when used as a straightened bar.



Densely rolled compact coil is drawn and put into the NC processor



NC processor



Examples of a TACoil® processed with an NC processor

Social Responsibility

Contribution to Local Communities

Support for the Shinagawa Kids' Cafeteria Network
and reduction of food loss

We have donated stockpiled food at our head office for disaster prevention, which will expire in one year, to the Shinagawa Kids' Cafeteria Network operated by the Shinagawa City Council of Social Welfare in Shinagawa Ward, since 2019. By donating these stockpiled foods prior to their expiration date, we not only help to prevent food loss and waste, but also provide these products to people truly in need of food. Through this initiative, we hope to contribute not only to the reduction of food loss but also to the enrichment of the lives of local residents. We also received a letter of appreciation from the Council for our contribution to the development of the local community and the improvement of social welfare.

Career education for elementary, junior high,
and high school students

Our Head Office accepts junior high and high school students from all over Japan for company visits as part of the career education support activities conducted by the NPO School Support Center.

In addition, each plant accepts factory tours from local elementary schools. It has been well received as a valuable opportunity to see, touch, and feel the manufacturing process.



In addition, at the Toyohashi Plant, we made visits to local junior and senior high schools in Toyohashi-shi as part of a career education program sponsored by the Toyohashi Chamber of Commerce and Industry to introduce the Group's history and businesses and to teach the students about the appeal of steel.

Support through sports and culture

Under the Group Basic Philosophy, the Group works closely with local communities to actively support sports and culture as a good corporate citizen.

In the field of sports, since 2018 we have become an official sponsor of the San-En Neophoenix, a member of a Japanese professional basketball league (B.LEAGUE) whose hometown is the Mikawa area where our manufacturing plant is located. We support the team together with the fans in the hope of further development of the Mikawa area as part of our active involvement in the local community. At our sponsored games held in April 2023, we set up a booth and organized a quiz event to foster community interaction through sports.



In the cultural field, we have sponsored events related to our business, such as special exhibitions at the National Museum and the National Museum of Emerging Science and Innovation. We will continue to consider sponsoring events and exhibitions that align with the Group's philosophy.

Other local community initiatives

Each of our manufacturing plants is working together with local communities on environmental conservation activities. In FY2022, the Toyohashi Plant implemented a zero waste movement for environmental conservation.



At the Kanagawa Plant, in response to requests from local residents, we lend out the tennis courts within the plant, enhancing understanding of our daily manufacturing activities through interaction.

Social Responsibility

Respect for Human Rights

Basic approach

The Topy Industries Group supports and respects international human rights norms such as the United Nations Guiding Principles on Business and Human Rights. In accordance with the Group's Basic Philosophy and Basic Sustainability Policy, we are also committed to respecting the fundamental human rights that all people are born with. Specifically, we will practice prohibition of discrimination, child labor, and forced labor, prevention of harassment, promotion of diversity and inclusion, and respect for fundamental rights at work.

The Group's basic philosophy concerning respect for human rights can be found in the provision on "Respect the individual character and personality of employees" in the Group Code of Conduct. In addition, we have established the Topy Industries Group Human Rights Policy that sets forth specific thoughts on various initiatives for respecting human rights within our Group, declaring respect for human rights as a materiality. Under this policy, the Group is working to ensure even greater respect for human rights going forward.

Human rights training and establishing a culture that respects human rights

The Group is working on various initiatives to increase awareness of human rights among officers and employees and establish corporate culture that respects human rights. These include actively holding training sessions led by outside instructors and persons in charge of human rights inside the Company, posting of internal rules related to human rights including harassment prevention guidelines to the Company intranet, and taking disciplinary action against violations of provisions on human rights in employment regulations.

In addition, we receive consultations and reports on human rights violations or suspected cases through two whistleblower hotlines: the Topy Industries Group Basic Corporate Ethics Consultation Office and the Topy Industries Group Compliance Hotline.

Number of human rights training sessions
(Topy Industries + domestic and international Group companies)

Number of sessions held in FY2022	31
Number of locations where sessions were held in FY2022	9

* This is the number of training sessions and locations confirmed by our human rights division. In addition to the above, each Group company and office implements initiatives to respect human rights.

Compliance with labor standards on working hours and wages (Topy Industries, Ltd.)

Number of labor standards violations in FY2022	0
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Initiatives in the supply chain

The Group engages in business globally and has established a diverse supply chain. To facilitate global business operations, we recognize the importance of supply chain actors working closely together to address issues such as respect for human rights.

In 2022, the Group established the Topy Industries Group Supply Chain Management Policy in order to contribute to a sustainable society by fulfilling our social responsibilities in various issues within the supply chain. This policy contains provisions concerning matters on human rights and labor, and declares the Group will work on respecting human rights in the supply chain. The Group is now working to promote initiatives for respect for human rights in the supply chain by gaining the understanding and cooperation of its initiatives from suppliers to ensure it grows together with them.

In addition, we take measures to respect human rights at the contract level, such as stipulating compliance obligations with labor-related laws and regulations in our basic transactional contracts with domestic business suppliers.

We take measures to correct and remedy human rights problems in the supply chain, such as accepting consultations and reports on human rights issues from suppliers at the Group's whistleblower hotlines.

Considerations for implementing human rights due diligence

The Group advocates the establishment of human rights due diligence as one of the goals related to the materiality of respect for human rights. We are gathering information and considering the development of an effective due diligence mechanism for the Group, including conducting interviews with companies participating in human rights awareness organizations we are affiliated with.

* For details about the Topy Industries Group Human Rights Policy and the Topy Industries Group Supply Chain Management Policy, please see our website.

Social Responsibility

Strengthening Human Capital

Initiatives for employees

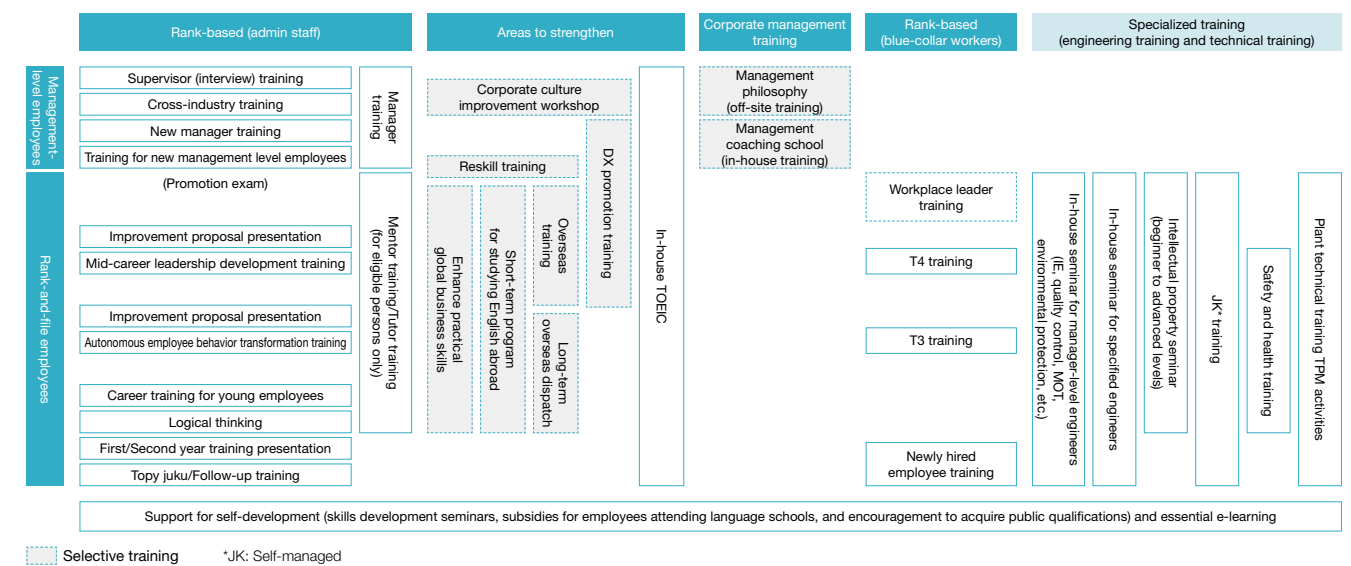
Human resources development

Our philosophy and basic policy on human resources development

The Topy Industries Group declares in Article 3 of the Group Corporate Code of Conduct (for the benefit of employees) that it will "Respect the individual character and personality of employees, and provide safe working environments that allow them to work with enthusiasm, and attain fulfilling lives." We promote initiatives for reinforcing our human resources in the belief that they are our greatest asset and that improving their capabilities creates our value itself.

- Create human resources who continue to develop
- Strengthen employees' capability to respond to environmental changes
- Support employees in their autonomous career development
- Continue to produce future business leaders
- Create an organizational environment that permits diverse human resources to work actively in various ways

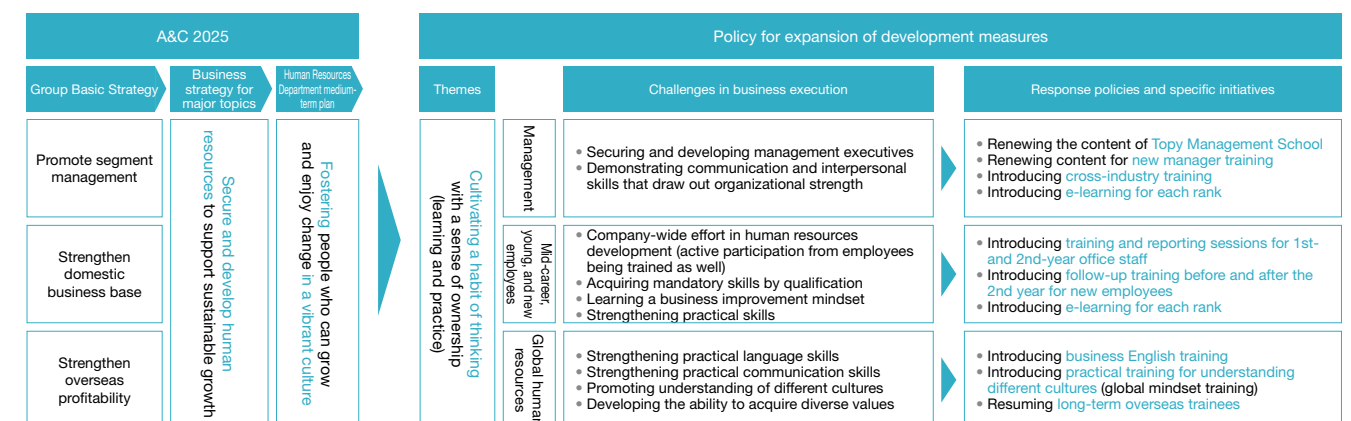
Training System



FY2022 training results (Topy Industries)

Number of participants: over 1,100 employees Training hours: over 14,000 hours

Development of human resources for strengthening human capital



New employee training

We conduct training (Topy juku) for university graduates recruited during the regular hiring period spanning a four-month period after joining the Company. In FY2022, in addition to classroom training to learn about business content, basic knowledge of the Company as a whole, and business etiquette, the training held at the head office included a five-day training camp where new hires learned IE basics, quality control, and improvement methods through hands on exercises and other means.

After the training at the head office, the trainees were divided into different manufacturing sites and on-site training and improvement theme training were held. The on-the-job training saw participants learn the fundamentals of manufacturing through actual tasks at production sites, while in the improvement theme training they took part in continuous improvement activities using the methods learned at training camp under the guidance of senior workers. On the last day of Topy juku, participants reported on the achievements of improvement themes to executive management at the head office.

Managerial (management level employees) training

We also provide systematic training for managers according to their position. New managers undergo training to learn their roles as managers first hand, the basics of organizational management, and methods for solving issues in their organization through a cycle of knowledge acquisition and workplace practice. We also incorporate training for higher-level members of management, promoting the demonstration of organizational capabilities expected of future business leaders.

Moreover, every other year, we conduct the “Topy Management Survey (360-degree Survey)” for all management level employees, providing feedback training that enables each member of management to reflect on their workplace behavior and gain insights.

Global HR development

In FY2017, we introduced Long-Term Overseas Training with the aim of developing young employees who can demonstrate their capabilities in the different cultural environments of other countries. The employees who undergo this training are dispatched to overseas Group companies for one year as trainees and receive practical on-the-job training under the guidance of local managers in accordance with a training plan, thereby experiencing and learning about overseas work. They also acquire the ability to communicate in different languages, along with intercultural skills.

Furthermore, with the aim of securing excellent overseas human resources at overseas Group companies and Topy Industries, we host internships in close collaboration with overseas universities.

To create an environment where employees can feel close to globalization even in Japan and to improve their motivation to learn a second language, we have begun distributing English e-mail newsletters in-house since FY2021. From FY2023, we introduced business English online training, where participants

communicate with multinational attendees online to improve their language skills, actively providing learning opportunities.

We believe that it is important to develop human resources who can respond to diversity in language, nationality, culture, values, and gender, both domestically and internationally, rather than just the idea that “global = overseas.” Going forward, we will continue to develop global human resources who not only improve their language skills, but who can also respond to diversity based on the three axes of vision, skills, and mindset.



Introduction seminar for business English online training

Overview of long-term overseas training system (Topy Industries)

Period: One year
Destination: Overseas Group Company
Requirement for trainees: TOEIC® score of 600 or higher



Trainees at Topy America, Inc.

Point

Support for diverse human resources

Advance diversity & inclusion and work-style reforms

Diversity initiatives

The Group sets “Respect the individual character and personality of employees” in Article 3 (For the benefit of employees) of the Topy Industries Group Corporate Code of Conduct and positions “Supporting diverse human resources” as one form of its materiality (important issues). Under our Medium-Term Management Plan, TOPY Active & Challenge 2025, too, we are implementing a number of initiatives to promote diversity as a main measure.

Status of and approach to appointing managers (executives)

Topy Industries promotes employees to management positions (executives) based on a fair evaluation of their abilities, insight, and personality, regardless of gender, nationality, or whether they are new graduates or mid-career workers.

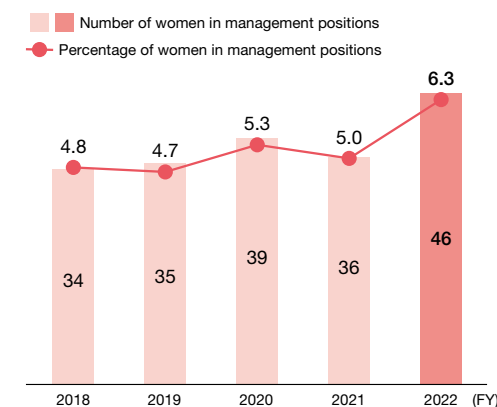
Regarding the percentage of women in management positions, we have formulated an Action Plan based on the Act on Promotion of Women’s Participation and Advancement in the Workplace. For details, please see the section on “Support for women’s empowerment.” Within our Medium-Term Management Plan starting in FY2022, we have established a target to increase the ratio of female managers in the Group as a whole to 10% or more by FY2030 (from 6.3% as of March 31, 2023). To achieve this target, we are quickly developing employees who can become candidates for future managerial positions from among young and mid-career employees.

Although we have not set specific targets for appointing non-Japanese and mid-career hires to management positions based on the above approach, we will appoint suitable candidates to management positions regardless of their nationality or whether they are new graduates or mid-career hires (as of June 30, 2023, non-Japanese: 1.2%, mid-career hires: 25.9%).

Point

Ratio of female managers (FY2022)

6.3% (2030 target of 10% or more)

Data on women in management positions**Our philosophy and basic policy on human resources development for the promotion of measures to promote diversity**

We conduct employee education and others to ensure diversity based on our human resources development policy: “Create an organizational environment that permits diverse human resources to work actively in various ways.” Examples include training on human rights and holding seminars on different cultures focused on the home countries (Indonesia and Vietnam so far) of foreign national employees as part of building a workplace that embraces employees of different nationalities.

Environmental improvement policy for promoting diversity and its implementation status

Topy Industries promotes the utilization of human resources that respect the individuality of each employee, and is introducing systems to realize diverse and flexible work styles and improving the workplace environment in order to foster a corporate culture

where employees and the Company can grow together.

As part of our efforts to achieve this goal, we are promoting an action plan based on the Act on Advancement of Measures to Support Raising Next-Generation Children with the following goals in order to enable employees to balance work and child rearing and to enable all employees to fully demonstrate their abilities.

(Plan period: July 1, 2020 to March 31, 2025)

- Increase the rate of taking childcare leave to the standard or a higher level during the plan period.
Male employees: Achieve the rate of taking childcare leave of 7% or higher.
Female employees: Achieve the rate of taking childcare leave of 75% or higher.

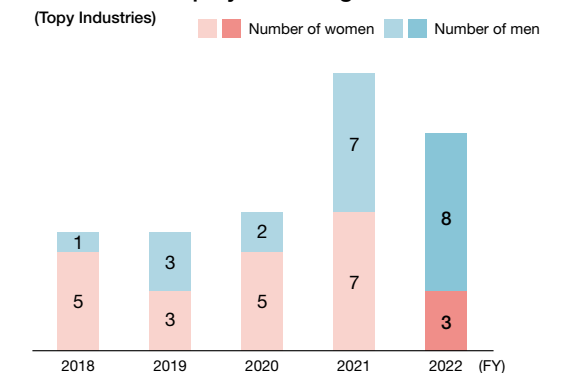
In FY2022, the percentage of employees acquiring childcare leave were 27% for males and 100% for females, achieving the plan’s targets for both.

- We will examine and develop systems to enable employees to achieve a work-life balance and promote flexible work styles.

With the advancement of employee diversity, we introduced a telework system in FY2020 and a flextime system in FY2021.

Furthermore, in FY2023, we introduced an hourly leave system and support for infertility treatment, enhancing environments for diverse human resources to thrive long-term.

In addition, we are actively promoting our childcare leave system through leaflets and other means so that employees can balance work and childcare. We introduced a job return system as a reemployment system for employees who unavoidably left the Company due to childcare or nursing care.

Number of employees taking childcare leave (Topy Industries)**Support for women’s empowerment**

We launched a diversity promotion project in FY2014 and have since enhanced related programs and introduced measures related to career development support. Specifically, to provide employees with access to flexible working hours after childcare leave so that they can balance childcare and work, we have established a childcare support system that allows employees to work shorter hours until their youngest child is in the third grade of elementary school. In addition, to ensure that all female employees can fully utilize their skillsets and play an active role, we

conduct ongoing career interviews and surveys to confirm their needs and consider necessary measures.

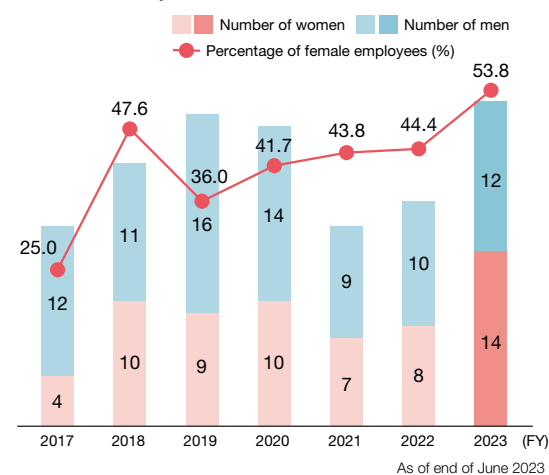
We are also expanding the scope of women's jobs by assigning them to operational, engineering, and sales positions, where there were few female employees in the past.

We are currently implementing an Action Plan based on the Act on Promotion of Women's Participation and Advancement in the workplace with the following goals.

(Plan period: April 1, 2021 to March 31, 2026)

- Maintain a percentage of 40% or more for female new graduates hired for career-track positions.
- We will support the career development of employees and promote the use of various systems for female employees.
- Maintain the average length of service of female employees at 13 years or more.
- We will double the percentage of women in management positions (executives) from the current level (at the time of formulation of the action plan on April 1, 2021; a benchmark of 2.4% (6 employees)).

Percentage of female new graduates hired for career-track positions (Topy Industries)



Promoting employment of people with disabilities

Topy Industries actively employs people with disabilities, and with an employment rate of 2.41% (as of March 31, 2023), the Company is above the legal employment rate (2.3%). Employees with disabilities are actively working in a wide range of workplaces, from manufacturing sites at each plant to administrative departments at the head office.

We are also working on creating a work environment where employees with disabilities can work with peace of mind and on promoting understanding among other employees to work together in the same workplace, through means such as study sessions. Furthermore, anticipating future increases in the statutory employment rate, we are actively building relationships with special needs schools and employment transition support facilities, and we will continue to promote further employment opportunities and expansion of roles for people with disabilities.

Efforts to improve ES (employee satisfaction)

Communication promotion committee

With the goal of nurturing and enriching the human resources who support technological innovation and further growth for the Company around the world, Topy Industries established the Job Satisfaction Improvement Committee led by young employees in 2016, and we studied and implemented more than 20 measures to improve job satisfaction.

In FY2019, we renamed the Communication Promotion Committee as a project team across all divisions that focuses more on communication closely related to job satisfaction, and implemented a total of 99 measures over the four years until FY2022. Through activities to improve communication in the workplace, we aim to make the Company more attractive in a wide range of themes, and we are working on various measures such as improving job satisfaction, increasing operational efficiency, and actively sharing information among departments.

The committee provides an opportunity for various employees across divisions and generations to brainstorm ideas and work together, and it also serves as a venue for the human resources development of participating members.

Based on the results of the employee satisfaction survey conducted every year, we consider new measures and verify the effectiveness of existing measures.

Employee satisfaction survey

Since 2016, the Company has been conducting an ES (employee satisfaction) survey every year.

Based on the issues identified from these survey results, they are shared within the Human Resources Department to work on solutions and are also addressed through activities of the Communication Promotion Committee and District-specific Subcommittee, established under the ES Improvement Promotion Office, to improve ES (consideration of new measures and verification of the effectiveness of policies). The ES survey results are provided as feedback to each business division and department, and each business location also undertakes its own improvement activities.

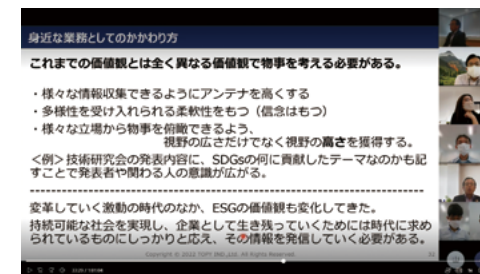
ES has been showing an annual increase in scores, and in FY2022, it reached 3.23 (out of 5).

Activities

[Corporate climate and culture]	[Labor conditions]	[Business strategy]
Implementing measures to strengthen internal communication, such as live streaming of the President's speech and Topy Talk to the entire company	We introduced a flextime system in April 2022 based on employees' requests for flexible working styles	Announced the Medium-Term Management Plan TOPY Active & Challenge 2025, and conducted briefings and internal communication to inform employees
Introducing team improvement activities where each department's team freely chooses themes and works towards achieving goals, aiming to improve organizational culture and a sense of unity	Expanding the childcare, family care, and infertility treatment leave systems and creating a workplace culture that facilitates the use of these systems	Implementing corporate activities conscious of solving social issues, such as sustainability and health management

Topy Talk (a company-wide communication program between management and employees in the form of dialogue)

With the aim of creating a culture (climate) that allows for open discussion and fostering a sense of unity through increased corporate transparency, we are implementing Topy Talk, a communication promotion program that allows for real-time dialogue between management and employees. Participants can listen to management speak and interact with them directly in real-time using the chat and questionnaire functions, which presents the opportunity to feel closer to management and learn more about the Company and to think about the Company's growth as a whole. Topy Talk was held a total of six times in FY2022 with total attendance of more than 800 employees.



Team improvement activities (a measure where each department's team freely chooses themes and works towards achieving goals)

Since FY2022, we have been conducting team improvement activities, where teams set goals and take on challenges based on themes together to foster a sense of unity. The purpose of this activity is to build a better organizational climate (trust, respect, and mutual recognition) in the workplace as employees view their work as a personal concern, take on challenges, and to contribute to corporate profits through communication.

In FY2022, we invited applications for free participation, and a total of 280 employees in 33 teams from throughout the company participated over the six months of the second half of the year, leading to improved teamwork and deeper communication in many teams.

At the end of the activity, the entire company voted for teams that had fun together, showed initiative, and took on challenges, and the top three teams were recognized by the President as teams that conducted outstanding activities, chosen by everyone.



List of major measures implemented by FY2022

(1) Mentor program	(12) Discussions with managers (Topy Talk / Employee Satisfaction Improvement Meetings)
(2) Corporate culture improvement workshop for managers	(13) Encouraging interpersonal greetings
(3) Establishment of website introducing each department	(14) Activity-Based Working (ABW) implementation
(4) Topy Café (an exchange of opinions between staff employees and skill-based employees)	(15) Establishment of satellite offices and communication spaces
(5) Manager meetings	(16) Promotion of 5S in the workplace
(6) Operational improvement activities	(17) Improving the Company cafeteria
(7) Thanksgiving activities	(18) Re-examination of age restrictions for bachelor dormitories
(8) Women's meetings	(19) Establishment of information sharing site (Topy's Pearls of Wisdom)
(9) Topy's WA (circle) Talk (Inter-departmental mixers)	(20) Installation of solo work spaces
(10) External mixers	(21) Team improvement activities (a measure where each department's team freely chooses themes and works towards achieving goals)
(11) Roundtable meeting for employees who have taken childcare or maternity leave	

Basic Philosophy of Safety and Health

Based on the belief that the basis of safety is health, the Topy Industries Group places safety above all else and promotes the creation of a sustainable, safe, and comfortable work environment through the participation of all employees of the Group in ongoing health promotion and essential safety activities.

Employee health & safety

Point

Number of work-related accidents in Japan

Aim to achieve zero accidents every year (Lost time injuries or more)

Initiatives to eliminate all workplace accidents

At Topy Industries Group, our primary corporate responsibility is to ensure the health and occupational safety of our workers. Based on this basic concept, we have set the highest priority on safety and are implementing a variety of actions to achieve zero accidents. We also report the results of statistical surveys on workplace accidents through the Company's intranet and in-house newsletters among other media, to raise the awareness of each and every employee.

The priority implementation items for health and safety management in 2023 are based on an analysis of the Basic Philosophy of Safety and Health established in September 2022 and the accident situation in 2022, and are designed to be put into practice through practical actions.

[Priority implementation items for occupational safety management in 2023]

Creating safe individuals who can reliably practice daily health management and hazard prediction actions (KY actions)*

Creating a workplace based on 3S principles that is *akaruku, anzen, and anshin* (bright, safe, and reassurance) (3As)

Eliminating dangers through the continuous practice of mutual caution, reporting, and communication

* *kiken yochi* (hazard prediction) actions

Labor accident statistics survey sheet

(Period: January to December 2022)
(Topy Industries + domestic Group companies)

	Total working hours	Work-related accidents (cases)	Frequency rate of absenteeism	Severity (%)
Topy Industries, Ltd.	5,661,150	6	1.06	0.05
Domestic Group companies	4,963,177	4	0.81	0.04
Total	10,624,327	10	0.94	0.05

* Domestic Group companies include equity method affiliates.

* Frequency rate of absenteeism = $\frac{\text{Work-related accidents}}{\text{Total working hours}} \times 1,000,000$

* Severity = $\frac{\text{Number of lost workdays}}{\text{Total working hours}} \times 1,000$

Promotion of Health Management®

Since 2020, Topy Industries has been promoting health management initiatives to enhance the attractiveness of the Company and the workplace by creating an environment where employees can exercise their abilities in good health and with peace of mind under the Health Management Declaration and Policy, as activities that directly lead to SDG 3, "Health and well-being for all."

Health Management® Declaration

At Topy Industries, we believe that by keeping our employees healthy both physically and mentally, our workplaces are filled with smiles and vitality, and this allows employees to fulfill their potential. We declare that we will do our utmost to create a healthy work environment to further energize the Company and its employees.

Three Principles of Healthy Behavior

1. Employees will proactively think, learn, and practice how to maintain and promote their own health.
2. The workplace will recognize its health challenges, work on improvements, and promote health creation by caring for each other's health among colleagues.
3. The company will implement concrete systems and measures to facilitate health creation for employees and the workplace.

* These represent actions for employees and the company to work together on health creation and creation of a healthy workplace.

Physical health



- Health guidance
- Eating habits
- Exercise habits

Mental health



- Stress check
- Prevention of overwork
- Harassment education

Work-life balance



- Labor efficiency improvements
- Promotion of leave acquisition
- Support for childcare and family care

Our initiatives

- Establishment of wellness leaders
 - Implementation of various measures linked to Active 7
- To create an environment where each employee can work brightly, safely, and with reassurance, and fully demonstrate their abilities, we have selected seven items that could affect mental and physical health and productivity, and designated them as Active 7. We are implementing various measures such as habituating exercise and smoking cessation challenges based on these 7 items.

- (1) Exercise: exercise your body for at least one hour every day
- (2) Sleep: get a good night's sleep
- (3) Meals: eat at least two hours before bedtime
- (4) Drinking: drink less than two servings of alcohol per day and take two days off from drinking per week
- (5) Smoking: quit smoking cigarettes
- (6) Weight: maintain an appropriate weight
- (7) Stress: manage stress effectively

- Enhancement of employees' health literacy through My Health Declaration
- Utilizing our target management system, a part of our evaluation system, every year, all employees must make a My Health Declaration. This is aimed at improving the health literacy of each and every employee, and by setting challenging targets for each employee to tackle from the above Active 7, we aim to reduce health risks and improve productivity by raising health awareness and encouraging changes in behavior.

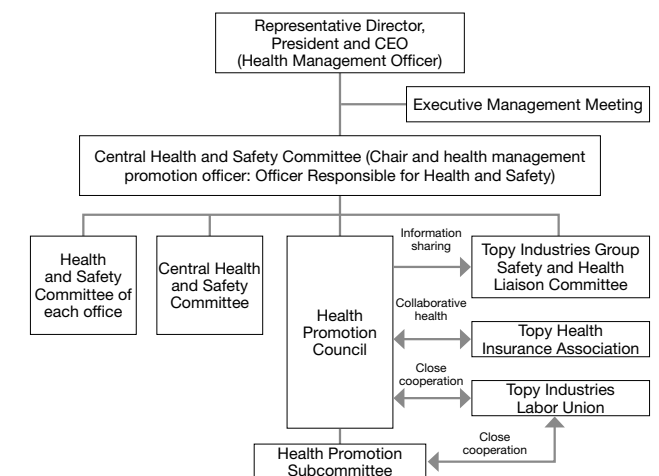
- Implementation of various training programs
- To ensure the mental and physical health of our employees, as stated in our Health Management Declaration, we conduct various training programs to promote health and create a healthy work environment.

[Examples of training]

- Mental health training
 - Line care training (for managers)
 - Self-care training (for all employees)
- Women's health seminars
- Tobacco video seminars

- Initiatives to reduce the smoking rate
- Since our smoking rate is as high as 36.9%, we are striving to foster employees' awareness to quit smoking by holding anti-smoking health seminars and introducing a simplified smoking cessation support program in collaboration with the Topy Health Insurance Association. In addition, to prevent passive smoking, we are implementing non-smoking during working hours and reducing the number of smoking areas, and are working toward the future realization of a non-smoking policy on our business premises.

Health management promotion system



Certification for health management

We were recognized as a Health and Productivity Management Outstanding Organization 2023 (Large Corporation Category) by the Ministry of Economy, Trade and Industry and the Japan Health Council for considering employee health management from a managerial perspective and strategically working on it. We were also recognized as a Sports Yell Company by the Sports Agency in 2023 for actively working on implementing sports for promoting the health of employees.



Corporate Governance

Management Team



Nobuhiko Takamatsu
Director and Chairman



Hiromi Ishii
Representative Director,
President and CEO



Shinichi Kijima
Director and
Executive Vice President



Masayoshi Takezawa
Senior Managing Director
Assistant to the President,
in charge of Finance



Tsuyoshi Nakamura
Senior Managing Director
In charge of Technology,
Safety & Health, DX Strategy,
and the Business Development
Strategy Center



Shuichi Tachibana
Managing Director
In charge of Corporate Planning,
Business Management,
Sustainability Strategy



Takeshi Kiriya
Director (Independent, Outside)
In charge of General Affairs,
Personnel, and Risk Management,
Assistant in charge of
Health & Safety



Hiroko Kaneko
Director (Independent, Outside)



Takahiro Mikami
Director (Independent, Outside)



Takanori Kawano
Audit & Supervisory
Board Member



Shinya Hayakawa
Audit & Supervisory
Board Member



Tetsuya Kawagishi
Audit & Supervisory
Board Member
(Independent, Outside)



Akio Sakai
Audit & Supervisory
Board Member
(Independent, Outside)

Managing Executive Officers	Hideki Aoyama	General Manager of Overseas Business Strategy Department, Deputy General Manager of Sales Division, Headquarters, General Manager of Aluminum Administrative Center, Wheel Division
	Masahiro Abe	General Manager of Engineering Administration Dept.
	Katsuyoshi Tanaka	General Manager of Corporate Planning Department, Headquarters
	Tetsuya Sakai	General Manager of General Affairs Dept.
	Yu Yasuhara	General Manager of Sales Div.
	Masatoshi Takahashi	General Manager of Finance and Accounting Department, Headquarters
Operating Officers	Koji Nanayama	Deputy General Manager of North America Administrative Division and Sales Division, Headquarters, Overseas Business Strategy Department, Deputy General Manager of Wheel Division, Deputy General Manager of Commercial and Off the Road Wheel Division
	Hideo Katsuyama	General Manager of Undercarriage Components Div., in charge of Automotive and Industrial Machinery Components Business
	Toshihito Kano	General Manager of Business Development Strategy Center
	Koji Kawakami	General Manager of DX Strategy Department
	Koji Takeuchi	Operating Officer in charge of the automotive and industrial machinery components business General Manager, Commercial and Off the Road Wheel Division
	Go Iizuka	Deputy General Manager of Business Development Strategy Center, Representative Director, President and CEO of Topy Marine Transport, Ltd., General Manager of Business Development Strategy Center
	Shinichiro Tada	General Manager of Internal Audit Dept.
	Tomoki Oyaizu	General Manager of Off the Road Sales Department, Sales Division, Headquarters and in charge of Overseas Sales, Overseas Business Strategy Department
	Akihiro Noaki	General Manager of Steel Division Responsible for Steel Business and General Manager of Toyohashi Plant Steel Division
	Hiroshi Ogawa	General Manager of Steel Department, Sales Division, Headquarters

Directors' Skills Matrix

Name	Skill/Experience							
	Corporate management	Finance and accounting	Legal affairs / Risk management	Global business operations	Human resources / labor / human resources development	Sales and marketing	Technology / safety IT / DX	ESG Sustainability
Nobuhiko Takamatsu	●	◆	●	●	◆	●	●	●
Hiromi Ishii	●			●			●	●
Shinichi Kijima	●	●	●	◆	●	◆		
Masayoshi Takezawa	●				●		●	●
Tsuyoshi Nakamura		●			●		●	●
Shuichi Tachibana			●	●	●	●		
Takeshi Kiriya	●	●	●	●	◆	◆		●
Hiroko Kaneko			●	●				
Takahiro Mikami	●	◆	●	◆	●	●	●	

For ◆, the skills listed are as Representative Director.

The listed skills of executive directors excluding representative director are limited to four.

Corporate Governance

Corporate Governance

Basic Policy on Corporate Governance

Topy Industries pledges to enhance corporate value in the medium to long term by establishing a corporate governance system that is appropriate for the Company from the standpoint of management soundness, transparency, and efficiency in order to maintain and improve the trust of stakeholders. This comes from the Group Corporate Basic Philosophy: "Contribute to the realization of a sustainable recycling-oriented society through the continuance and development of the Topy Industries Group's business and the execution of one's duty as a public institution."

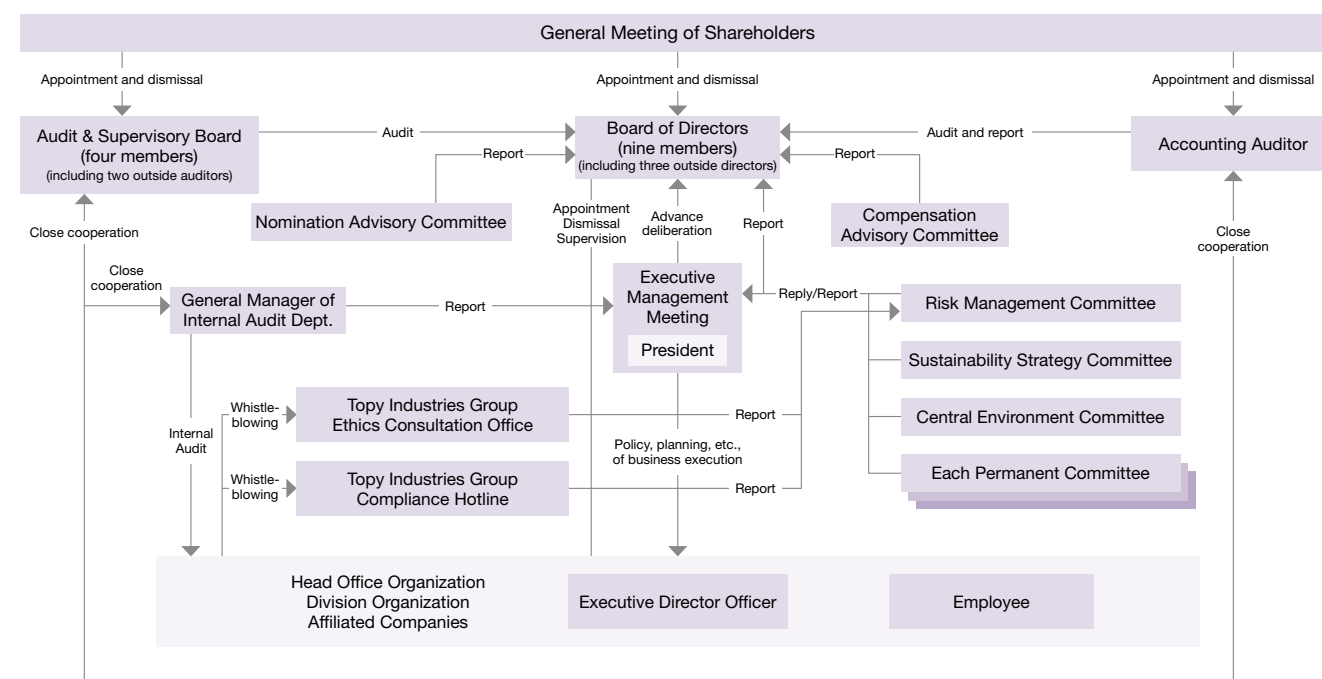
Overview of corporate governance system

Topy Industries has an Audit & Supervisory Board, while the Board of Directors comprises executive directors well-versed in the Group's business and independent outside directors. The Board of Directors makes decisions on important managerial matters and oversees Company management, while the Audit & Supervisory Board, which has a legally stronger right to audit, oversees the Company's management. Through this system, we maintain and strengthen the soundness and efficiency of the Company's management and improve corporate value.

Business execution structure

Our management functions consist of a management decision-making function and a business execution function, and we employ an executive officer system to vitalize and improve the efficiency of Company management.

Corporate governance structure



Nomination Advisory Committee

To ensure the fairness and transparency of director nominations, we have a Nomination Advisory Committee chaired by an outside director and comprising the President and three outside directors. The committee serves as an advisory body to the Board of Directors.

Compensation Advisory Committee

To ensure the fairness and transparency of director compensation, we have a Compensation Advisory Committee chaired by an outside director and comprising the President and three outside directors. The committee serves as an advisory body to the Board of Directors.

* For details on the activities of the Nomination Advisory Committee and the Compensation Advisory Committee in FY2022 (attendance of individual members), please refer to the Company's annual securities report submitted on June 23, 2023.

Initiatives to increase board effectiveness

Composition of the Board of Directors

The Company's Articles of Incorporation state that the number of directors shall not exceed nine and the Board's composition shall include the appropriate and necessary number of directors to ensure an effective management system and substantive discussions at the Board of Directors. In order to ensure diversity and expertise among the Board of Directors Members, the Board of Directors shall be composed of persons deemed appropriate in consideration of the balance between executive directors who have excellent personality, insight, and execution skills, and are familiar with the Group's business and outside directors in an independent position.

The Company believes that it is important to appoint diverse outside directors with a high level of independence and expertise in order for outside directors to fulfill the role of advising and checking management as expected by society. In addition, outside directors include persons with executive management experience at other companies.

Execution of duties by directors

The Board of Directors resolves matters required by laws and regulations or the articles of incorporation, as well as important issues of the Company as stipulated in the Board of Directors Regulations. Moreover, prior deliberations of matters to be resolved by the Board of Directors are held at the Executive Management Meeting, which comprises the Executive Directors and others. Prior explanations of the agenda for the Board of Directors are provided to Outside Directors who do not attend the Executive Management Meeting. In addition, as a means of communication between outside directors and business execution divisions, in addition to the Board of Directors meetings, division heads of each division hold meetings to report the status of division operations to outside directors (held 7 times in FY2022). In addition, the Company endeavors to ensure efficient deliberations by the Board of Directors and rationality in the course of its decision-making by means such as establishing bylaws concerning the preparation of agenda documents for the Board of Directors.

* For details on the activities of the Board of Directors in FY2022 (including the attendance of individual members), please refer to the Company's annual securities report submitted on June 23, 2023.

Evaluating board effectiveness

Every year, the Board of Directors analyzes and evaluates the effectiveness of the Board of Directors as a whole. It then discusses issues identified as a result and strives to utilize this knowledge in improvements to the operations of the Board of Directors in the future.

Major improvements in FY2022

- Institutionalize periodic reporting to the Board of Directors on the status of the Company's initiatives in response to proposals made by outside Directors and outside Audit & Supervisory Board Members at meetings of the Board of Directors
- Establishment of a new reporting session for outside Directors and outside Audit & Supervisory Board Members on the status of operations of the Company's divisions, etc.

An overview of the analysis and evaluation of the effectiveness of the Board of Directors as a whole in FY2022 is provided as follows.

Summary of the evaluation of the effectiveness of the Board of Directors in FY2022

Implementation method	(1) Utilized an independent third-party organization to ensure objectivity and transparency of the evaluation (2) Survey conducted of all Directors and Audit & Supervisory Board Members (response rate of 100%) (3) Evaluation conducted at the Board of Directors held in June 2023 based on the survey results
Evaluation results	The majority of the respondents gave positive evaluations (5 or 4 out of 5 points on a scale of 1 to 5), and in particular, open and vigorous discussions, operations of the Board of Directors, and responsibilities of independent outside directors received extremely high marks. The Company's Board of Directors is functioning well and its effectiveness has been ensured.
Awareness of issues	Further enhancement of selection of appropriate agenda items and provision of information necessary for deliberation of strategies, such as review of the criteria for agenda items for the Board of Directors meetings, and discussion from the perspective of overall optimization and appropriate allocation of management resources as a Group, rather than partial optimization by business segment

Based on this evaluation of the effectiveness of the Board of Directors, efforts will be made to review and implement specific measures required to further increase the effectiveness of the Board of Directors.

Visits by outside directors to offices and domestic and overseas Group companies

Visits by outside directors to business sites and domestic and overseas Group companies are conducted on a systematic basis to deepen outside directors' awareness of the business conditions of the Company and its Group companies, and to ensure that the Board of Directors holds fruitful discussions with a bird's-eye view of the entire Group.

Visits in FY2022

(The Company's offices: 5 sites)
Toyohashi Plant, Toyokawa Plant, Ayase Plant, Kanagawa Plant, Akemi Factory

(Domestic Group companies: 3 companies)
Akemi Recycling Center, Ltd., Sanwa Buhin Co., Ltd., Asahi Tec Corporation

(Overseas Group companies: 2 companies)
Topy America, Inc.
Topy MW Manufacturing Mexico S.A. de C.V.

At each office and Group company, the participants toured the plants and conducted interviews on profit levels, current issues, and proposed countermeasures, as well as exchanged opinions with the management of offices and the management of the Group companies.

Message from an Outside Director

I look forward to the creation of an organization that makes the most of diversity for future growth.

Message

Hiroko Kaneko
Outside Director



Background of appointment

As an attorney, I have been involved in a wide variety of cases, focusing on issues facing corporations, and I have dealt with many labor issues recently. In 2001, I went to the US to study at a law school, followed by practical training at a local law firm. I have served as an outside director of the Company since June 2021, and I look forward to continuing to contribute by applying my legal experience and knowledge with respect to compliance and governance.

When I became a lawyer, the presence of female legal professionals was less than it is today, but today, I am seeing an expansion of opportunities for female legal professionals and a change in the awareness of society as a whole. I hope that my experience of the transition from the time when I was a minority, so to speak, to the present will be useful in some way to improve the diversity of the Company.

Evaluating board effectiveness

In the evaluation of the effectiveness of the Board of Directors meetings held in FY2022, our Board of Directors was rated extremely high in terms of open and vigorous discussions and operations of the Board of Directors. In particular, open and vigorous discussions is a characteristic of the Company's Board of Directors, and lively discussions sometimes result in resolutions that differ from the original policy.

In addition, the use of a third-party organization from this year's effectiveness evaluation made it possible to compare the Company's performance with other companies' information (average of other companies). It is worth mentioning that our evaluation is higher than the average of other companies for all items.

Although there have been points raised as issues, such as discussions from a perspective of the overall optimization for the Group rather than a perspective of partial optimization for each business division, at the Company's Board of Directors, all directors share the awareness of steadily addressing these issues, and therefore, we believe that improvements to further enhance effectiveness will continue in the future.

As chairman of the Nomination Advisory Committee

I have served as chairman of the Nomination Advisory Committee since FY2022. The role of our Nomination Advisory Committee is to report to the Board of Directors and the Audit & Supervisory Boards on candidates for Directors and Audit & Supervisory Board Members.

The unique feature of our Nomination Advisory Committee is that prior to the first meeting of the committee each year, each director, except for the members of the Nomination

Advisory Committee, recommends candidates for Directors and Audit & Supervisory Board Members. When making a recommendation, the reason for recommending an individual candidate and the future officer personnel plan, including operating officers, are described, and each director explains the proposed recommendation in a creative way, such as using a skills matrix. We believe that the committee's discussions are enhanced by taking into account the opinions of directors who are not members of the committee.

The committee discusses candidates based on recommendations from each director and the opinions of the committee members, as well as the skill matrix of the directors. In the process, the committee also conducts interviews with candidates as necessary.

In 2023, there have been significant changes in our executive structure, including the replacement of the Representative Director, President and CEO and all full-time audit & supervisory board members (two), and in reporting on candidates, we have taken into consideration our challenges in global business development and the need to further enhance our governance structure accordingly. Looking ahead to next year, while confirming the status of the current structure, we intend to further enhance the discussions by the committee, as it is expected to be the year for discussing the structure to drive the further growth of the Group in the Medium-Term Management Plan and further beyond.

Toward 2030

The Company provides high-quality products and services produced by its superior technology and know-how. I believe that this is supported by our history and pride in the tireless efforts of our sincere and talented human resources. I believe that this history, including our experience, knowledge, and confidence in dealing with past changes, is an important asset of the Group.

The future will be an era of rapid change and difficulty in foreseeing the future. In order to survive and grow in the coming era, it is important to further diversify our human resources in addition to our existing assets. Although our management is already highly aware of the importance of promoting the advancement of women, I believe there is still room for improvement in increasing diversity. Diversity is not limited to gender. I would like to see a new history of a corporate culture and systems that allow people to make use of their various experiences, knowledge, and talents, and to make this a strength that will continue into the future.

Compensation for Directors and Audit & Supervisory Board Members

Basic Policy on Compensation for Directors

In accordance with its basic principle of improving company performance and value, the Company uses compensation standards and a compensation system appropriate to individual employees' job responsibilities. The Company also uses survey data compiled by outside experts to improve the objectivity of compensation standards.

The compensation limit for Directors was resolved to be within 40 million yen per month (excluding salaries for employees) at the 121st Ordinary General Meeting of Shareholders held on June 25, 2015. Separately, the 122nd Ordinary General Meeting of Shareholders held on June 23, 2016 resolved that the amount of performance-based stock compensation for Directors, excluding outside directors, would not exceed 100 million yen over three years.

Compensation composition and performance-based compensation for Directors

Compensation	Basic compensation		Stock-based compensation (medium- to long-term incentives)
	Fixed basic compensation	Performance-based compensation in the previous fiscal year (short-term incentives)	
Payment model	Cash	Cash	Stocks (partial cash)
Details of compensation	<ul style="list-style-type: none"> Fixed amount based on position 70% of the basic compensation 	<ul style="list-style-type: none"> This is linked to company performance and individual performance in the previous fiscal year The standard amount of this compensation is 30% of the basic compensation, varying from 0% to 75%. The portion based on the Company's business performance ranges from 0% to 65%, while that based on individual performance ranges from 0% to 10% 	<ul style="list-style-type: none"> The amount of this compensation is linked to the level of achievement of the Medium-Term Management Plan The standard amount of this compensation is 5% of the basic compensation, varying from 0% to 10%
Performance indicators		<ul style="list-style-type: none"> In principle, a quantitative evaluation based on the achievement of consolidated EBITDA (consolidated operating income plus consolidated depreciation and amortization) and net income attributable to shareholders of the parent company, with qualitative evaluation taking into account management activities and other conditions as necessary Level of achievement of individual mission 	<ul style="list-style-type: none"> Quantitative indicators calculated according to the level of achievement of each performance indicator of consolidated operating profit, return on equity (ROE) and return on assets (ROA)
Reduction or denial of remuneration	A malus clause has been introduced that allows, under certain conditions, reduction of compensation before payment or non-payment of stock-based compensation in the event of a director's serious failure to perform his or her duties or violation of laws, regulations, or internal rules, etc.		

Compensation for outside directors consists of only fixed basic compensation. This is in consideration of their independent position, which is unaffected by the Company's business performance in principle.

Procedure for determining compensation for Directors

The Compensation Advisory Committee deliberates on the policy for determining compensation and the level of compensation in consideration of the business performance of the Company, and other factors. According to the results of the deliberation, the President, who has been delegated the authority based on a resolution of the Board of Directors, determines the amount of compensation for each director within the total amounts of compensation for which resolutions were passed in advance at the General Meeting of Shareholders. Also, the Compensation Advisory Committee shall confirm the appropriateness of the amount of compensation for each director in advance to ensure that the delegated authority is appropriately exercised by the representative directors, in addition to the percentage of performance-based compensation for the previous fiscal year that is linked to company performance,

and which is determined by the Board of Directors based on the report of the Compensation Advisory Committee.

The Compensation Advisory Committee shall consist of three external members and one internal member, and shall be chaired by an external member to ensure the fairness and transparency of compensation system.

Compensation for Audit & Supervisory Board Members

The compensation for Members of the Audit & Supervisory Board is determined through deliberation by all members of the Audit & Supervisory Board within the total amounts of compensation for which resolutions were passed in advance at the General Meeting of Shareholders in accordance with the regulations on compensation for Members of the Audit & Supervisory Board resolved by the Audit & Supervisory Board. The Members of the Audit & Supervisory Board may consult with the Compensation Advisory Committee as necessary.

The compensation limit for Members of the Audit & Supervisory Board was resolved to be within 8 million yen per month at the 118th Ordinary General Meeting of Shareholders held on June 28, 2012.

Compensation for the Audit & Supervisory Board Members consists of only fixed basic compensation. This is in consideration of their independent position, which is unaffected by the Company's business performance.

Compensation for Directors and Audit & Supervisory Board Members in FY2022

Position	Total amount of compensations (million yen)	Amount of compensation by type (million yen)			Number of subject officers
		Fixed basic compensation	Performance-based compensation in the previous fiscal year	Stock-based compensation	
Directors (excluding outside directors)	208	152	55	—	8
Members of the Audit & Supervisory Board (excluding outside members)	49	49	—	—	2
Outside Officers	53	53	—	—	5

Training of next-generation management candidates

Overview of training of next-generation management candidates

The Nomination Advisory Committee carefully deliberates on the development of candidates for successors to directors and other management personnel. Based on the recognition that the management trustee has a mission to ensure the sustainable growth of the Group and increase its corporate value from a company-wide perspective, systematic training is provided for each level of management from the time of their appointment as members of management, according to their position. In addition, the Company strives to develop human resources by giving them experience in a wide variety of operations, including management responsibilities in various divisions of the Company and Group companies, as well as through participation in management through attendance at important management meetings, such as the Board of Directors and the Executive Management Meeting.

In addition, we have been conducting the Topy Management School, a training program for developing internal management candidates, since FY2005. In FY2018, a comprehensive review was conducted, and the New Topy Management School was held to improve the qualities of next-generation management candidates, along with dispatching selected talented individuals to external management training programs, striving for the development and securing of next-generation management candidates.

Risk management and compliance

Internal control systems in general

To ensure the effectiveness of the internal control systems of Topy Industries and its Group companies, and to make continuous improvements to these systems, the Company’s Internal Audit Department monitors Topy Industries Group companies for compliance with internal control rules established by the Companies Act and Financial Instruments and Exchange Act based on the Company’s annual auditing policies and plans.

Risk management system

Under the leadership of the Risk Management Committee of the Company, employees in each department of the Company and Group companies formulate annual activity plans for risk management and engage in risk management improvement activities. When an issue related to risk management occurs or is likely to occur in the Topy Industries Group, it is reported to organizations including the Risk Management Committee, with the necessary instructions provided through the risk management system. The activities of the Risk Management Committee are reported to the Board of Directors to confirm their effectiveness. In the event of a major disaster, a special task force headed by the Representative Director and President is established to respond to the situation. We also work to improve the earthquake resistance of our buildings and production facilities while regularly conducting drills and other activities to cope with emergencies.

Business management of the Group Companies

In accordance with the Group Company Management Regulations, the division of the Company supervising the Group companies receives reports therefrom regarding their business policies, plans, results and other matters as necessary, while important matters are resolved at Executive Management Meetings or the Board of Directors. In addition, the Company promotes the autonomous management of each Group Company and conducts management soundness evaluations to ascertain business results and risk management status, among other aspects, of each Group Company for every fiscal year. Based on the results of such evaluations, the division of the Company supervising the Group companies provides instructions and support to the Group companies.

Compliance system

We have formulated the Group Corporate Basic Philosophy and the Group Corporate Code of Conduct and ensure that all the officers and employees of the Topy Industries Group are familiar with them through such means as our websites, in-house newsletter, and Group Compliance Guidebook. Moreover, under the leadership of the Risk Management Committee of the Company, employees in each department of the Company and Group companies formulate annual activity plans to ensure full compliance, engage in compliance improvement activities, and share relevant information. In addition, our divisions that include those supervising compliance provide a range of compliance education to employees at each level of the Topy Industries Group.

The effectiveness of the Group Basic Philosophy and the Group Code of Conduct is confirmed annually through the Board of Directors’ review of their maintenance and operation to ensure the appropriateness of operations, and they are revised as necessary (the last revision date for both was May 11, 2022).

Whistle blowing system

To strengthen compliance, the Group has established offices internally and externally that accept consultations and whistleblower reports concerning general matters relating to corporate ethics from Group employees and suppliers. Consultations and whistleblower reports can be made anonymously and the confidentiality of these communications is protected. The consultant or whistleblower and cooperating parties will be protected from unfair treatment.

(Overview of whistle blowing system)

Consultation and whistle-blowing offices	(1) Internal: Topy Industries Group Basic Corporate Ethics Consultation Office (2) External: Topy Industries Group Compliance Hotline (outside law office)
Eligibility	The Group’s officers, employees and their families, former employees, and suppliers (including contractors, partners in joint ventures, and other partners)
Scope	Acts that appear to violate laws and regulations, corporate ethics, the Group Corporate Basic Philosophy, the Group Corporate Code of Conduct, or internal rules in relation to the Group’s business (including violations of human rights such as harassment and child labor and matters concerning corruption such as bribery)
Investigation and correction	<ul style="list-style-type: none">• The content of the consultations and reports will be promptly reported to the chairman of the Risk Management Committee of the Company.• Within 20 days of receipt of the report, the Risk Management Committee or the chairperson of the committee will decide whether or not to conduct an investigation, and will inform the whistleblower whether or not an investigation will be conducted and, if so, the reason for such investigation.• The Risk Management Committee or the chairperson of the committee will instruct the department or Group company where the incident occurred to conduct the investigation.• The results of the investigation will be reported to the Risk Management Committee or the chairman.• If it is determined that there is a violation of laws and regulations, the Risk Management Committee will order corrective action.• Notification of the results of the investigation and corrective action will be given to any informant who wishes to be notified of the results of the investigation and corrective action.

Audits by the Audit & Supervisory Board

Through the Board of Directors’ attendance, as well as by Executive Management Meeting and other important meeting attendance by full-time members of the Audit & Supervisory Board, Audit & Supervisory Board Members receive reports on the activities of such organizations as the Internal Audit Department and Risk Management Committee and other matters that have a significant influence on the Topy Industries Group. In addition, the Representative Director and Audit & Supervisory Board Members hold regular meetings to exchange opinions. Information sharing sessions are also conducted among outside Directors and Audit & Supervisory Board Members. When an issue related to risk management occurs or is likely to occur in the Topy Industries Group, it is also reported to Audit & Supervisory Board Members in accordance with the Group Risk Management Regulations. In addition, the Company has developed a structure in which whistle blowing is reported to Audit & Supervisory Board Members in accordance with the Rules Concerning the Topy Industries Group Basic Corporative Ethics Consultation Office and the Topy Industries Group Compliance Hotline.

Anti-corruption initiatives

The Group recognizes that corrupt practices such as corruption and bribery are risk factors that could substantially damage trust. As such, the Group has established the Topy Industries Group Anti-Corruption Policy that declares the Group will not engage in any form of corrupt practices and build fair and transparent relationships with all stakeholders (customers, suppliers, community members, etc.) in order to promote sound corporate activities and business growth. The Topy Industries Group Supply Chain Management Policy also contains provisions on anti-corruption. Under this policy, we are working with suppliers to prevent corrupt practices.

In addition to establishing rules, we are also promoting operational anti-corruption initiatives, such as providing anti-corruption training to Group officers and employees and establishing a system for accepting consultations and whistle blower reports at the Group’s whistleblowing offices on suspected corrupt practices such as corruption and bribery.

* For details about the Topy Industries Group Anti-Corruption Policy and the Topy Industries Group Supply Chain Management Policy, please see our website.

Tax compliance and governance

At the Group, we believe that it is necessary to increase tax transparency for various stakeholders. Toward this end, we have established the Topy Industries Group Tax Policy, which sets forth compliance and governance related to taxation.

* For details about the Topy Industries Group Tax Policy, please see our website.

Intellectual property compliance and governance

We have established the Topy Industries Group Intellectual Property Policy. This policy positions intellectual property as a tool that supports the sustainable growth of our business, defines it as including know-how not limited to patents, promotes stricter management, and creates innovative intellectual property strategies by visualizing, analyzing, and utilizing intellectual properties. Under this policy, the Group strives to create intellectual property and improve compliance and governance related to it.

* For details about the Topy Industries Group Intellectual Property Policy, please see our website.

Dialogue with shareholders and investors

Financial results briefings

After the announcement of full-year and second quarter financial results, Topy holds financial results briefings for analysts and institutional investors, where the Representative Director, President and CEO directly explains the contents of the briefings. This management plan session can be watched via streaming from the IR Library on our website for shareholders and investors.

Financial results briefings held in FY2022

Date	Details	Number of participants
November 24, 2022	2Q financial results briefing	21 members Streaming views: 788
May 25, 2022	Full-year financial results briefing	36 members Streaming views: 654

* Streaming views represent data as of September 13, 2023.

Meetings with institutional investors

The Company conducts meetings with institutional investors to discuss topics such as responses to IR inquiries regarding financial results and engagements about initiatives related to ESG, during which we explain the Group’s management situation and various initiatives. We disseminate information from these interviews to directors, Audit & Supervisory Board members, and the management administration department as monthly flash reports, and regularly report in the Executive Management Meeting with analysis, striving to feedback market opinions into our management.

(Status of meetings with institutional investors in FY2022)

Number of meetings: 39
Respondents from the Company: IR staff
(Finance and Accounting Department, General Affairs Department, Corporate Planning Department)
* Some meetings include the director in charge of corporate planning.

(Main themes in dialogues)

- | | |
|--|---|
| <ul style="list-style-type: none">• Company overview• Performance trends• Medium-Term Management Plan• Strategies for stock price improvement | <ul style="list-style-type: none">• Future prospects of the business• Initiatives related to ESG• Content of information disclosure |
|--|---|

Dialogue with individual investors

Until now, the Company has primarily engaged in dialogue with individual investors through responses to individual inquiries, but starting from FY2023, we are enhancing our engagement with individual investors by participating in booths at IR fairs targeted at individual investors. Going forward, we will continue our efforts to enhance dialogue with individual investors through enhanced information disclosure and participation in IR events.

Our History

1921
Miya Steelworks (predecessor of Toto Steel Mfg., Co., Ltd.) was founded

1922
Miya Steelworks succeeded in hot-rolling of steel sash bars

1926
Tokyo Shearing Co., Ltd. (predecessor of Toto Steel Mfg., Co., Ltd.) was founded

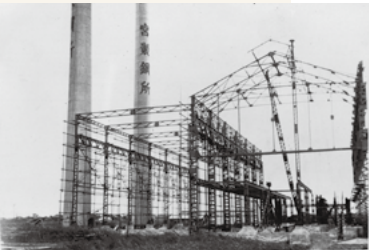
1930
Teikoku Hatsujo Seisakusho (the predecessor of Japan Motor Wheel Co., Ltd.) commences the production of prototype steel wheels for automobiles

1934
Tokyo Sharin Seisakusho Co., Ltd. (predecessor of Japan Motor Wheel Co., Ltd.) was founded

1936



Toshihide Kozuma
Founder of Miya Steelworks



Open hearth furnace plant under construction at Miya Steelworks

1961
Chigasaki Seisakusho of Toto Zoki Co., Ltd. (current Kanagawa Plant of Topy Industries, Ltd.) was established
Toyokawa Factory of Japan Motor Wheel Co., Ltd. (current Toyokawa Plant of Topy Industries, Ltd.) was established

1964
Ayase Factory of Japan Motor Wheel Co., Ltd. (current Ayase Plant of Topy Industries, Ltd.) was established
Japan Motor Wheel Co., Ltd., Toto Steel Mfg. Co., Ltd., Toto Zoki Co., Ltd., and Toto Tekko Co., Ltd. merged to form Topy Industries, Ltd.



Signing ceremony for the merger of four companies

1969
Topy International, Inc. (current Topy America, Inc.) was founded

1972
Technology Research Center (current R&D Center) was opened at Toyohashi Plant

1977
Sales of synthetic mica started

1990
Akemi Factory of Toyokawa Plant commenced operation

1991
Kimi to Boku Hall was completed at Toyohashi Plant



1992
Kurate Factory of Toyokawa Plant commenced operation

1995
Bar Mill Factory of Toyohashi Plant commenced operation

1998
Obtained ISO 9001 certification at all production sites

1999
Topy International, U.C.A. Inc. (current Topy America, Inc.) was founded
ISO 14001 certification was obtained at all production sites

2011
Topy Undercarriage (China) Co., Ltd. was founded

2013
PT. Topy Palingda Manufacturing Indonesia was founded
PT. Topy Undercarriage Indonesia was founded
Topy MW Manufacturing Mexico S.A. de C.V. was founded

2014
PT. Topy Undercarriage Indonesia commenced operation
The New Steelmaking Factory commenced commercial operation at Toyohashi Plant

2015
Topy Fasteners Mexico S.A. de C.V. was founded

2016
The business and capital alliance with MW Italia S.R.L. was strengthened

2017
Joint venture with Wheels India Limited
WIL Car Wheels Limited established

2018
Ring Techs Co., Ltd. was made into a wholly-owned subsidiary
Asahi Tec Corporation was made into a wholly-owned subsidiary



1941
Tokyo Sharin Seisakusho and Abe Tekkoshu Co., Ltd. merged to form Japan Motor Wheel Co., Ltd.

1943
Miya Steelworks and Tokyo Shearing Co., Ltd. merged to form Toto Steel Mfg., Co., Ltd.

1955
Toto Zoki Co., Ltd. was founded

1956
Toto Tekko Co., Ltd. was founded

1958
Toyohashi Steel Mill Plant of Toto Steel Mfg., Co., Ltd. (current Toyohashi Plant of Topy Industries, Ltd.) was established



1980
Concluded a technical assistance agreement with PT. Inkoasku (Indonesia)

1982
Concluded a technical assistance agreement with PT. Pallingda Nasional (Indonesia)
Developed tubeless tire wheels for heavy- and medium-duty commercial vehicles at Ayase Plant
Ultra-large wheels for mining equipment [SGOR®] were developed

1985
Topy Corporation (current Topy America, Inc.) was founded



1987
Succeeded in the practical application of high-quality synthetic mica for cosmetics

1988
Concluded a technical assistance agreement with PT. Pakoakuina (Indonesia)

1989
A plant for undercarriage components for construction equipment commenced operation at Toyohashi Plant

2000
Akemi Electric Power Ltd., which engages in the power supply business, commenced operation



2003
Took a stake in Fujian Yuan Shing Topy Ltd. (current Fujian Topy Autoparts Co., Ltd.)

2004
Hamura Factory of Ayase Plant commenced operation

2007
Topy America, Inc. was founded (merger of Topy International, Inc., Topy Corporation, and Topy International U.C.A. Inc.)
Head Office moved to Osaki, Shinagawa-ku, Tokyo

2008
Science Division was established
Concluded an agreement with Nippon Steel Corporation to strengthen general business cooperation

2021
100th anniversary



Logo mark for the 100th anniversary

Consolidated Financial Performance for the Past 11 Years

Fiscal year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Operating Results (Fiscal year) (Million yen)											
Net sales	226,912	234,682	237,677	215,872	208,237	230,462	286,227	263,305	225,121	271,178	334,496
Operating profit (loss)	6,990	5,308	6,422	10,000	7,180	7,997	7,505	2,851	(2,943)	(1,706)	7,175
Ordinary profit (loss)	6,234	4,485	6,037	8,806	6,116	8,034	9,357	3,597	(575)	(1,401)	8,043
Profit (loss) before income taxes	5,842	4,249	4,476	4,681	10,897	7,933	10,345	1,741	856	1,790	7,421
Profit (loss) attributable to owners of parent	3,409	1,914	2,360	1,700	7,191	5,500	7,114	(4,497)	578	386	6,321
Capital expenditure	20,477	25,458	20,374	8,815	9,874	12,132	25,100	13,397	10,371	8,429	8,939
Depreciation and amortization	8,957	10,086	10,315	11,321	10,631	10,599	11,110	12,332	12,515	12,775	13,295
EBITDA*1	15,947	15,394	16,737	21,322	17,812	18,596	18,616	15,184	9,571	11,068	20,471
Research and development costs	1,212	1,519	1,202	1,059	1,137	1,131	1,096	1,115	1,057	1,107	1,045
Financial Position (End of fiscal year) (Million yen)											
Total assets	208,781	232,714	252,456	231,583	223,050	248,102	284,198	254,659	264,672	282,195	292,322
Shareholders' equity	89,522	94,363	106,187	98,893	103,951	108,959	111,304	102,732	107,428	112,657	120,265
Net assets	91,258	96,219	107,941	99,973	104,853	109,859	112,362	103,800	108,385	113,703	121,425
Interest-bearing debt	53,534	62,453	77,516	70,070	55,831	61,096	79,676	76,782	81,075	86,035	83,587
Cash Flows (Fiscal year) (Million yen)											
Cash flows from operating activities	16,770	7,251	19,440	19,346	10,130	10,780	11,725	16,206	5,730	(5,528)	15,058
Cash flows from investing activities	(14,770)	(17,478)	(29,141)	(7,529)	(1,016)	(5,861)	(20,835)	(16,048)	(8,931)	(2,609)	(8,360)
Cash flows from financing activities	(4,997)	7,538	13,157	(8,391)	(16,861)	1,834	15,936	(6,461)	3,668	3,527	(4,677)
Per Share Information (Yen)*2											
Net profit (loss) per share	143.76	80.76	99.65	71.80	303.90	234.25	302.85	(191.42)	24.70	16.61	276.51
Dividends per share	40	20	40	60	80	80	90	40	20	20	88
Financial Indices (%)											
Operating profit margin	3.1	2.3	2.7	4.6	3.4	3.5	2.6	1.1	(1.3)	(0.6)	2.1
Return on equity	4.0	2.1	2.4	1.7	7.1	5.2	6.5	(4.2)	0.6	0.4	5.4
Equity ratio	42.9	40.5	42.1	42.7	46.6	43.9	39.2	40.3	40.6	39.9	41.1
Number of employees at period end [Average number of temporary employees not included in the above]	4,374 [491]	4,515 [538]	4,596 [573]	4,408 [597]	4,568 [587]	5,034 [581]	6,241 [869]	6,181 [1,016]	6,153 [756]	5,897 [779]	5,706 [842]

*1 EBITDA is calculated by adding the amount of depreciation and amortization to the amount of operating profit (loss).
 *2 A one-for-10 reverse stock split of common stock went into effect on October 1, 2016. Data per share is thus calculated on the assumption that the reverse stock split was executed at the beginning of FY2012.

For detailed financial data, please see the Securities Reports and other reports page on our website.

Non-Financial Highlights

Environment

	Unit	Reporting scope	FY2018	FY2019	FY2020	FY2021	FY2022
Environmental management system							
ISO 14001 acquisition rate	%	Consolidated*1 Production base	67%	71%	71%	75%	75%
Greenhouse gas emissions							
Scope 1	1,000 t-CO ₂	Consolidated Japan*2 (Partially excluded)	246	228	234	254	233
Scope 2*3	1,000 t-CO ₂	Consolidated Japan (Partially excluded)	353	322	307	310	332
Scope 3	1,000 t-CO ₂	Consolidated Japan (Partially excluded)	—	—	1,301	1,194	1,334
Energy use							
Energy consumption	TJ	Consolidated Japan (Partially excluded)	10,951	10,439	10,552	11,249	11,044
Water intake							
Total city water supply and industrial water	Thousand m ³	Consolidated	3,081	3,012	2,906	2,985	2,993
Groundwater intake volume	Thousand m ³	Consolidated	1,066	979	877	820	848
Water discharge							
Total water discharge	Thousand m ³	Consolidated	2,206	2,055	1,819	1,869	1,927
Waste							
Recycling volume	t	Consolidated	222,304	221,721	217,248	248,521	246,249
Waste emissions	t	Consolidated	244,525	242,132	236,154	265,068	276,084
Chemical substances							
Emissions of substances regulated under the PRTR Act*4	t	Consolidated Japan	283	292	231	232	213
Transfers of substances regulated under the PRTR Act	t	Consolidated Japan	255	304	251	347	351
Total amounts of releases and transfers of VOCs*5	t	Consolidated Japan	283	292	230	232	213
Pollutants							
Air pollutants - NOx (nitrogen oxides)	t	Consolidated Japan	166	158	189	146	167
Air pollutants - SOx (sulfur oxides)	t	Consolidated Japan	135	124	85	92	30

*1 Items whose scope is presented as "consolidated" cover consolidated subsidiaries unless otherwise stated.
However, environmental items do not include Asahi Tec North America, Inc. and Guangzhou Asahi Dongling Research & Development Co., Ltd.
*2 Items presented as "partially excluded" do not include figures equivalent to electricity related to power transmission sold outside the Company as a power generation business.
*3 Emission factor for electricity is used as the basic emission factor.
*4 Act on the Assessment of Releases of Specified Chemical Substances in the Environment and the Promotion of Management Improvement
*5 Volatile organic compounds

Social

	Unit	Reporting scope	FY2018	FY2019	FY2020	FY2021	FY2022
Employee composition*6							
Number of employees - consolidated	Persons	Consolidated	6,241	6,181	6,153	5,897	5,706
Number of employees - male - consolidated	Persons	Consolidated	5,079	5,021	4,974	4,742	4,585
Number of employees - female - consolidated	Persons	Consolidated	1,162	1,160	1,179	1,155	1,121
Ratio of females - consolidated	%	Consolidated	19%	19%	19%	20%	20%
Managerial staff composition							
Total number of managers - consolidated	Persons	Consolidated	713	742	739	721	735
Number of managers - male - consolidated	Persons	Consolidated	679	707	700	685	689
Number of managers - female - consolidated	Persons	Consolidated	34	35	39	36	46
Ratio of female managers - consolidated	%	Consolidated	4.8%	4.7%	5.3%	5.0%	6.3%
Total number of managers - non-consolidated	Persons	Non-consolidated	247	256	255	248	242
Number of managers - female - non-consolidated	Persons	Non-consolidated	2	2	6	6	6
Ratio of female managers - non-consolidated	%	Non-consolidated	0.8%	0.8%	2.4%	2.4%	2.5%

Recruiting							
Number of university graduates hired - men	Persons	Non-consolidated	39	38	44	40	35
Number of university graduates hired - women	Persons	Non-consolidated	15	9	11	10	9
Number of mid-career hires - men	Persons	Non-consolidated	43	25	14	8	10
Number of mid-career hires - women	Persons	Non-consolidated	4	4	1	0	5
Ratio of mid-career hires	%	Non-consolidated	47%	38%	21%	14%	25%
Average years of service							
Men	Years	Non-consolidated	19	19	19	19	19
Women	Years	Non-consolidated	13	13	13	13	13
Composition of persons with disabilities							
Employment rate of persons with disabilities*7	%	Non-consolidated	2.3%	2.4%	2.4%	2.5%	2.5%
Use of leave programs							
Average ratio of days of paid leave taken	%	Non-consolidated	74%	82%	67%	76%	72%
Average number of days of paid leave taken	Days	Non-consolidated	14	15	13	15	16
Employees using childcare leave	Persons	Non-consolidated	6	6	7	14	11
Employees using family care leave	Persons	Non-consolidated	1	0	0	0	0
Social contribution spending							
Donations	Million yen	Non-consolidated	5.4	1.9	1.0	0.4	1.6
Workplace accidents and illnesses*8							
Frequency rate of lost work-time workplace accidents (employees)	Cases/1Mh Consolidated	Consolidated Japan	0.56	0.52	0.74	1.01	1.13
Number of fatalities (employees)	Cases	Consolidated	0	0	0	1	0
Number of workplace accidents	Cases	Consolidated	19	12	11	15	17
Number of workplace accidents	Cases	Consolidated Japan	6	6	8	11	12

*6 Items related to employees in "society" cover full-time employees in Japan, unless otherwise stated.
*7 Includes employees on fixed-term labor contracts.
*8 Does not include Asahi Tec North America, Inc. and Guangzhou Asahi Dongling Research & Development Co., Ltd. However, equity method affiliate Hokuetsu Metal Co., Ltd. is included. Includes workplace accidents that occur at Group business sites, including partner companies, regardless of the attribution of the victim.

Governance

	Unit	Reporting scope	FY2018	FY2019	FY2020	FY2021	FY2022
Board of Directors							
Number of male directors	Persons	Non-consolidated	6	6	6	6	7
Number of female directors	Persons	Non-consolidated	0	0	0	1	1
Number of outside directors	Persons	Non-consolidated	2	2	2	2	3
Number of designated independent officers among outside directors	Persons	Non-consolidated	2	2	2	2	3
Number of non-executive directors or independent directors	Persons	Non-consolidated	2	2	2	2	3
Number of outside members with industry experience or non-management members	Persons	Non-consolidated	0	0	0	0	0
Number of Board meetings	Times	Non-consolidated	17	16	17	18	17
Attendance rate at Board meetings	%	Non-consolidated	100%	100%	100%	100%	100%
Average term of office of directors (covers directors in office as of the fiscal year end)	Years	Non-consolidated	1.8	1.9	1.9	2.1	2.1
Audit & Supervisory Board							
Number of Audit & Supervisory Board Members	Persons	Non-consolidated	4	4	4	4	4
Number of outside Audit & Supervisory Board Members	Persons	Non-consolidated	2	2	2	2	2
Number of Audit & Supervisory Board meetings	Times	Non-consolidated	16	16	15	16	15
Average attendance rate at Audit & Supervisory Board meetings	%	Non-consolidated	100.0%	100.0%	100.0%	100.0%	100.0%
Nomination and Compensation Committees							
Number of Nomination Advisory Committee meetings	Times	Non-consolidated	3	3	3	3	5
Number of Compensation Advisory Committee meetings*9	Times	Non-consolidated	2	3	4	3	2
Compliance and risk management							
Number of whistle blower reports and consultations	Cases	Consolidated	15	7	8	14	10

*9 Only meetings on determining the compensation of directors. Meetings on review of the compensation system are held separately.

Major Subsidiaries & Affiliates

Company name	Head office location	Capital (million yen)	Business segment	Voting rights held or owned by (%)
(Consolidated Subsidiaries) Topy Enterprises, Ltd.	Shinagawa-ku, Tokyo	480	Steel, Automotive and Industrial Machinery Components	100
Topy Marine Transport, Ltd.	Toyohashi-shi, Aichi Pref.	225	Steel	100
Topy Fasteners, Ltd.	Matsumoto-shi, Nagano Pref.	310	Automotive and Industrial Machinery Components	100
Topy-Rec, Ltd.	Koto-ku, Tokyo	300	Others	100
Kyushu Wheel Kogyo, Ltd.	Miyako-gun, Fukuoka Pref.	100	Automotive and Industrial Machinery Components	100
Tojitsu, Ltd.	Toyohashi-shi, Aichi Pref.	80	Steel	100 (100)
Autopia, Ltd.	Hachioji-shi, Tokyo	30	Automotive and Industrial Machinery Components	100 (100)
Akemi Recycling Center, Ltd.	Toyohashi-shi, Aichi Pref.	200	Steel	100 (30)
Sanwa Buhin Co., Ltd.	Bando-shi, Ibaraki Pref.	200	Automotive and Industrial Machinery Components	100
Akemi Electric Power, Ltd.	Toyohashi-shi, Aichi Pref.	205	Power Generation	100
Ring Techs Co., Ltd.	Kurashiki-shi, Okayama Pref.	100	Automotive and Industrial Machinery Components	100
Seibu Wheels Co., Ltd.	Kurashiki-shi, Okayama Pref.	10	Automotive and Industrial Machinery Components	100 (100)
ATC Holdings Co., Ltd.	Kakegawa-shi, Shizuoka Pref.	100	Automotive and Industrial Machinery Components	100
Asahi Tec Corporation	Kakegawa-shi, Shizuoka Pref.	100	Automotive and Industrial Machinery Components	100 (100)
Topy America, Inc.	Kentucky, U.S.A.	600 U.S. dollars	Automotive and Industrial Machinery Components	100
Topy Precision Mfg., Inc.	Illinois, U.S.A.	50,000 U.S. dollars	Automotive and Industrial Machinery Components	100 (100)
Topy Fasteners (Thailand) Ltd.	Chonburi, Thailand	50 million bahts	Automotive and Industrial Machinery Components	90 (55)
Fujian Topy Autoparts Co., Ltd.	Fujian, China	194 million renminbi	Automotive and Industrial Machinery Components	100
Topy Undercarriage (China) Co., Ltd.	Qingdao, China	606 million renminbi	Automotive and Industrial Machinery Components	100
Topy Fasteners Vietnam Co., Ltd.	Yen My District, Hung Yen Province, Vietnam	6,240,000 U.S. dollars	Automotive and Industrial Machinery Components	100 (80)
PT. Topy Palingda Manufacturing Indonesia	Karawang Regency, West Java, Indonesia	710.5 billion rupiahs	Automotive and Industrial Machinery Components	90
PT. Topy Undercarriage Indonesia	Bekasi Regency, West Java, Indonesia	41.2 billion rupiahs	Automotive and Industrial Machinery Components	100 (3)
Topy MW Manufacturing Mexico S.A. de C.V.	Silao City, State of Guanajuato, Mexico	867 million pesos	Automotive and Industrial Machinery Components	95
Topy Fasteners Mexico S.A. de C.V.	San Luis Potosi City, State of San Luis Potosi, Mexico	331 million pesos	Automotive and Industrial Machinery Components	100 (100)
Ring-Techs Guangzhou Co., Ltd.	Guangzhou City, Guangdong Province, China	188 million renminbi	Automotive and Industrial Machinery Components	100 (100)
Asahi Tec Aluminium (Thailand) Co., Ltd.	Khlong Tamru, Chonburi, Thailand	1,480 million bahts	Automotive and Industrial Machinery Components	100 (100)
Asahi Tec North America, Inc.	Troy, Michigan, U.S.A.	90,000 U.S. dollars	Automotive and Industrial Machinery Components	100 (100)
Guangzhou Asahi Dongling Research & Development Co., Ltd.	Guangzhou City, Guangdong Province, China	11 million renminbi	Automotive and Industrial Machinery Components	51 (51)
(Equity-method affiliate) Hokuetsu Metal Co., Ltd.	Nagaoka-shi, Niigata Pref.	1,969	Steel	35.1 (1.3)
Guangzhou Wheelhorse Asahi Aluminium Co., Ltd.	Guangzhou City, Guangdong Province, China	216 million renminbi	Automotive and Industrial Machinery Components	49 (49)
Guangzhou Dicastal Asahi Aluminium Co., Ltd.	Yingde City, Guangdong Province, China	40 million renminbi	Automotive and Industrial Machinery Components	25 (25)
(Other affiliates) Nippon Steel Corporation	Chiyoda-ku, Tokyo	419,524	Manufacture and sales of steel products and engineering	0.1 (Owned by) 21.4 (0.3)

*1 The respective business segments are listed in the "Business segment" column (excluding other affiliated companies).
*2 Topy America, Inc. and Topy Precision Mfg., Inc. have paid premiums of U.S. \$62,999,400 and U.S. \$4,950,000, respectively, aside from the capital mentioned above, totaling capital of U.S. \$63,000,000 and U.S. \$5,000,000, respectively.
*3 Topy Enterprises, Ltd., Topy America, Inc., Fujian Topy Autoparts Co., Ltd., Topy Undercarriage (China) Co., Ltd., PT. Topy Palingda Manufacturing Indonesia, Topy MW Manufacturing Mexico S.A. de C.V., Ring-Techs Guangzhou Co., Ltd., and Asahi Tec Aluminium (Thailand) Co., Ltd. are specified subsidiaries.
*4 Hokuetsu Metal Co., Ltd. and Nippon Steel Corporation issue official financial statements separately.
*5 The values in parentheses in the "percentage of voting rights held or owned by" column represent indirect holding percentages or percentages of voting rights indirectly owned by the company, which are each included in the value above.
*6 Non-consolidated subsidiaries and non-equity-method affiliates are not listed.

As of March 31, 2023

IR Information

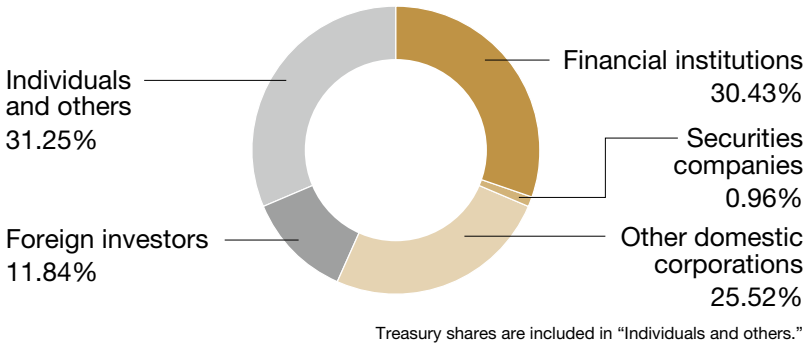
Stock exchange listings Tokyo Stock Exchange Prime Market & Nagoya Stock Exchange Premier Market (Securities code 7231)
Number of authorized shares 88,300,000 shares
Number of outstanding shares .. 24,077,510 shares
Number of shareholders 12,588 members

Top 10 major shareholders

Name	Number of shares held	Shareholding ratio (%)
Nippon Steel Corporation	4,818,264	21.07
The Master Trust Bank of Japan, Ltd. (trust account)	2,053,000	8.98
Topy Fund Business Association	1,097,210	4.80
Meiji Yasuda Life Insurance Company	975,134	4.26
Mizuho Bank, Ltd.	787,802	3.45
Employee Shareholding Association of Topy Industries Group	745,731	3.26
Custody Bank of Japan, Ltd. (trust account)	614,127	2.69
Resona Bank, Limited	413,605	1.81
Sompo Japan Insurance Inc.	374,600	1.64
MWITALIAS.R.L.	367,200	1.61

Notes: 1. Topy Industries, Ltd. owns 1,212,022 treasury shares but is excluded from the major shareholders listed above.
Treasury shares do not include the Company's shares held in trust for the stock compensation plan for directors.
2. The shareholding ratios were calculated by excluding treasury shares.
3. Topy Fund Business Association is the name of the shareholding association of Topy Industries, Ltd., its affiliates, and its business partners.

Breakdown of shareholders by type



Fiscal year end March 31
Ordinary general meeting of shareholders June
Record date March 31 (ordinary general meeting of shareholders, year-end dividend)
September 30 (interim dividend)
Share unit number 100 shares
Shareholder registry administrator Sumitomo Mitsui Trust Bank, Limited 1-4-1 Marunouchi, Chiyoda-ku, Tokyo
(special account management institution)
Contact for inquiries Stock Transfer Agency Business Planning Dept.
Sumitomo Mitsui Trust Bank, Limited 2-8-4 Izumi, Suginami-ku, Tokyo 168-0063
Phone: 0120-782-031 (toll free)

As of March 31, 2023