



May 25, 2022

TOPY INDUSTRIES, LIMITED

TOPY INDUSTRIES GROUP New Medium-term Management Plan “TOPY Active & Challenge 2025”

- Topy’s 100-Year Spirit - Continuing to Build the Next Generation -

The Topy Industries Group (below, “Topy Group”) has developed and launched its new Medium-term Management Plan, TOPY Active & Challenge 2025, which will cover the period from FY 2022 to 2025.

1. Review of the previous Medium-term Management Plan Growth & Change 2021 (G&C 2021)

The Topy Group has been implementing its Medium-term Management Plan, Growth & Change 2021 (G&C 2021), which covers the period from FY 2019 to 2021. G&C 2021 is positioned as the final stage of a series of Medium-term Management Plans under the slogan “Growth & Change” that have been implemented since FY 2012, and is based on the basic policies of completion of G&C and the next stage of growth, and aims to improve profitability, achieve group synergies, expand strategic products, take on the challenge of innovation, and further enhance our corporate foundation.

During the implementation period of G&C 2021, we were affected by changes in the business environment that greatly exceeded our initial expectations, such as restrictions and self-restraint in socioeconomic activities due to the spread of the coronavirus, a sharp rise in steel scrap and coal prices, and significant automobile production fluctuations due to supply shortages of semiconductors and other materials, and although we were unable to achieve our quantitative targets for sales, profits, etc., we made steady progress in building a business foundation for future growth by implementing structural reforms.

2. New Medium-term Management Plan “TOPY Active & Challenge 2025”

(1) Vision for 2030

Based on the Group Basic Philosophy, the Topy Group aims to solve a wide range of social issues, grow and develop through contributing to the realization of a sustainable recycling society, and become a global company that is trusted by its stakeholders for many years to come, and we have set our vision for 2030 as “a company that creates new value and plays a leading role in solving social issues.”

(2) Basic policy and slogan

To realize our vision for 2030, we have formulated a new Medium-term Management Plan, TOPY Active & Challenge 2025, which will cover the period from FY 2022 to 2025, based on a backcasting approach. Based on the business foundation established in the previous Medium-term Management Plan, we aim to contribute to a sustainable society and further enhance our corporate value by pursuing innovation and becoming carbon neutral for the next stage of growth, while further strengthening our profitability.

Basic Policy

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| (1) Transform earning power to strengthen existing businesses
(2) Pursue innovation for the next stage of growth
(3) Contribute to a sustainable society through our business activities |
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Slogan

“TOPY Active & Challenge 2025 - Topy’s 100-Year Spirit - Continuing to Build the Next Generation”

3. Outline of TOPY Active & Challenge 2025 Strategy

(1) Group Basic Strategy

The Group Basic Strategy is to promote segment management, strengthen overseas profitability, strengthen domestic business base, and contribute to decarbonization, and we aim to steadily implement our business strategies and achieve business growth.

(2) Three key strategies

We will focus on three key strategies: business strategy, financial strategy, and sustainability strategy.

(3) Three strategic foundations for achieving business growth

We have established sustainable growth, structural reform, and strengthening of business foundation as the three basic ideas (strategic foundations) that will serve as the common core in executing each group basic strategy and the three key strategies based on those strategies.

[Sustainable growth]

[Structural reform]

[Strengthen business foundation]

Target

Investment for growth of 26.8 billion yen (4-year cumulative total)
Operating profit margin of 5% or more (FY 2025)*
Free cash flow of 20 billion yen or more (4-year cumulative total)

*Covers major segments



EBITDA 32.0 billion yen Realization (FY 2025)
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4. Business strategy (five key themes)

(1) Improve capital productivity and optimize business portfolio

We will promote management decision-making with an awareness of capital cost and business portfolio management in order to enhance corporate value. As measures to improve capital productivity indicators from a medium- to long-term perspective, we will pursue optimization of its business portfolio and maximize consolidated earnings by reviewing capital investment adoption criteria and considering the introduction of “ICP” (internal carbon pricing), an evaluation of investment efficiency.

(2) Restructuring of the business foundation for enhanced profitability and sustainable growth

In addition to reaping the fruits of the structural reforms implemented in G&C 2021, we will strengthen and stabilize profitability by expanding high-value-added products, further promoting structural reforms, and reinforcing overseas business through sales channel expansion and other measures. In addition, for sustainable growth, we will promote management efficiency through the use of smart factories and DX, and take on the challenge of pioneering new business fields, such as the development of products for EVs.

[Main measures by segment]

Steel Business	<ul style="list-style-type: none"> • Expansion of high value-added products • Improvement of product mix • Optimization of logistics • Further productivity and cost improvement • Upgrading of recycling business
Automotive & Industrial Machinery Components Business	<ul style="list-style-type: none"> • Streamlining of business structure • Efforts to respond to the shift to EVs • Strengthen overseas business • Expansion of construction machinery sales structure • Strengthen partnerships with customers in the Industrial Machinery Components Business and expand sales of spare parts
Power Business	<ul style="list-style-type: none"> • Introduction of biomass co-firing and consideration of stable procurement of biomass fuels (contribution to decarbonization)
Other Business	<ul style="list-style-type: none"> • Strengthen positioning as a stable source of earnings for the Group • Create and expand new businesses

(3) Deepen proprietary technologies and become carbon neutral

We will expand sales of high value-added products and innovate production technologies by deepening our proprietary technologies, and promote initiatives to become carbon neutral.

Further deepen proprietary technologies	Further deepening of proprietary technologies, including deformed steel rolling technology, metalworking technology, and heat treatment, which are the source of our competitiveness
Carbon neutrality	<ul style="list-style-type: none"> i) Reduction of CO₂ emissions <ul style="list-style-type: none"> • Reduction of 46% by FY 2030 (The Company + domestic Group companies, Scope 1 & 2) • Achieve carbon neutrality in FY 2050 (The Company + domestic and overseas Group companies, Scope 1, 2 & 3) ii) Reduction of environmental impact of products throughout their life cycles

(4) Secure and develop human resources to support sustainable growth

We will realize sustainable growth of TopyGroup by making appropriate investments in people to maximize our human resources and by concentrating our limited human resources.

Work style reform	<ul style="list-style-type: none">• Establishment of an environment for flexible work styles and securing of diverse human resources• Provide opportunities for each and every employee to maximize their abilities and improve corporate vitality Human resource development
Human resource development	<ul style="list-style-type: none">• Expand job rotation• Early selection of young and mid-career employees• DX human resource development• Raise the level of employee training
Utilization of human resources	<ul style="list-style-type: none">• Effective use of human resources through DX promotion and business reform• Consider introduction of mandatory retirement age of 65• Shift to high value-added operations through automation of facilities

(5) Enhance management sophistication through promotion of DX strategy

To generate stable profits through the use of DX, we will reform awareness (business reforms) and improve the environment by implementing DX.

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| <ul style="list-style-type: none">• Solve issues using the DX Promotion Council and subcommittees as engines• Develop human resources who are proficient in digital technology• Development of IT infrastructure for DX promotion |
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5. Financial Strategy

We will invest in our core businesses and growth businesses and improve shareholder returns, while maintaining a sound financial base.

Cash flow	<ul style="list-style-type: none">• Secure investment resources through sustainable EBITDA generation• Improve capital efficiency by reducing cash conversion cycles and optimizing asset holdings, etc.
Capital investment	<ul style="list-style-type: none">• Expand cash generation through priority investments emphasizing capital efficiency• Allocate about half of the investment cash flow to growth investments. Appropriate reinforcement of infrastructure through maintenance and renewal investment• Implementing investments that support sustainable growth
Shareholder returns	<ul style="list-style-type: none">• Consolidated dividend payout ratio: approximately 30 to 35%• Consideration to maintain stable dividends

6. Sustainability Strategy

We will implement sustainability management that leverages our strengths to create new value and solve social issues by linking our initiatives based on the Basic Sustainability Policy and materiality (key issues) to the issues of TOPY Active & Challenge 2025.

7. Financial and Non-financial Targets of TOPY Active & Challenge 2025

(1) Financial goals

Index	FY 2021 Results	FY 2025 Goals
Operating profit margin	(0.6)%	4.5% or more
EBITDA	11.1 billion yen	32.0 billion yen
Return on equity (ROE)	0.4%	8.0% or more

(2) Non-financial goals

ESG	Evaluation indicators	Numerical targets
Environment	CO ₂ emissions	Aim to reduce CO ₂ emissions by 46% compared to FY 2013 (FY 2030)*
Social	Ratio of female managers	10% or more (FY 2030)
	Number of work-related accidents in Japan	Aim to achieve zero accidents every year (Lost time injuries or more)
Governance	Serious compliance violations Number of cases	Continue to report zero violations every year

*Covers Scope 1 & 2 of the Company and domestic group companies.