



FY2022-FY2025

New Medium-term Management Plan

May 25, 2022

TYO 7231

TOPY INDUSTRIES, LIMITED

TOPY Active & Challenge 2025

Review of Previous Medium-term Management Plan “Growth & Change 2021”

Overview of Previous Medium-term Management Plan

“Growth & Change 2021”



Basic Policy

**For the Completion of G&C
and Future growth**

Major Topics

- 1 Increase in earnings power
- 2 Manifestation of the Group synergies
- 3 Enhancement of strategic products
- 4 Taking on the challenge of innovation
- 5 Further strengthening of the management foundation

Targets for FY2021

Net sales	320.0 billion yen
Operating profit	16.0 billion yen
Profit attributable to owners of parent	11.0 billion yen
Operating profit margin	5.0 %
Return on equity	8.5 %
Return on assets	5.7 %
Debt-equity ratio	0.52

Overview of Previous Medium-term Management Plan

“Growth & Change 2021” (Qualitative)

Implemented structural reforms and other initiatives to strengthen the business foundation, while action to reach quantitative targets produced disappointing results. Addressed emerging risks and issues such as a rapidly changing business environment.

Key Themes	Evaluation
1 Increase in earnings power	Structural reforms and other initiatives to improve sales & purchase activities did not lead to achieving the goal despite our redoubled efforts. Need to further reinforce the foundation for generating earnings.
2 Manifestation of the Group synergies	Implemented structural reforms for steel wheels for domestic passenger and commercial vehicles. For aluminum wheels, further integrated procurement and manufacturing technologies, and established the Aluminum Business Integration Center. Established the Sales Headquarters to further increase synergies.
3 Enhancement of strategic products	Developed TACoil® and high-luminance metallic color wheels. Continued working on development of high value-added products and environmentally friendly new products.
4 Taking on the challenge of innovation	Promoted conversion to smart factories, and established the Business Development Strategy Center. Built a foundation for developing new products and businesses by promoting innovation and human resource development.
5 Further strengthening of the management foundation	Promoted sustainability and carbon-neutral initiatives under the newly organized specialized team.

Review of Previous Medium-term Management Plan

“Growth & Change 2021” (Quantitative)

The business environment remained challenging due to a large fluctuations in auto production resulting from supply shortages of semiconductors, a rise in the price of steel scrap, and a surge in the price of coal fuel, among other factors.

Steps to improve sales and profits have been delayed.

Targets for FY2021

Operating profit margin

5.0 %

ROE

8.5 %

ROA

5.7 %

Debt-equity ratio

0.52

Net sales

320.0 billion yen

Operating profit

16.0 billion yen

Net income attributable to owners of parent

11.0 billion yen

Results for FY2021

(0.6)%

0.4%

(0.3)%

0.76

293.9 billion yen

(Under the new accounting standard: 271.2 billion yen)

(1.7) billion yen

0.4 billion yen

FY2022-FY2025

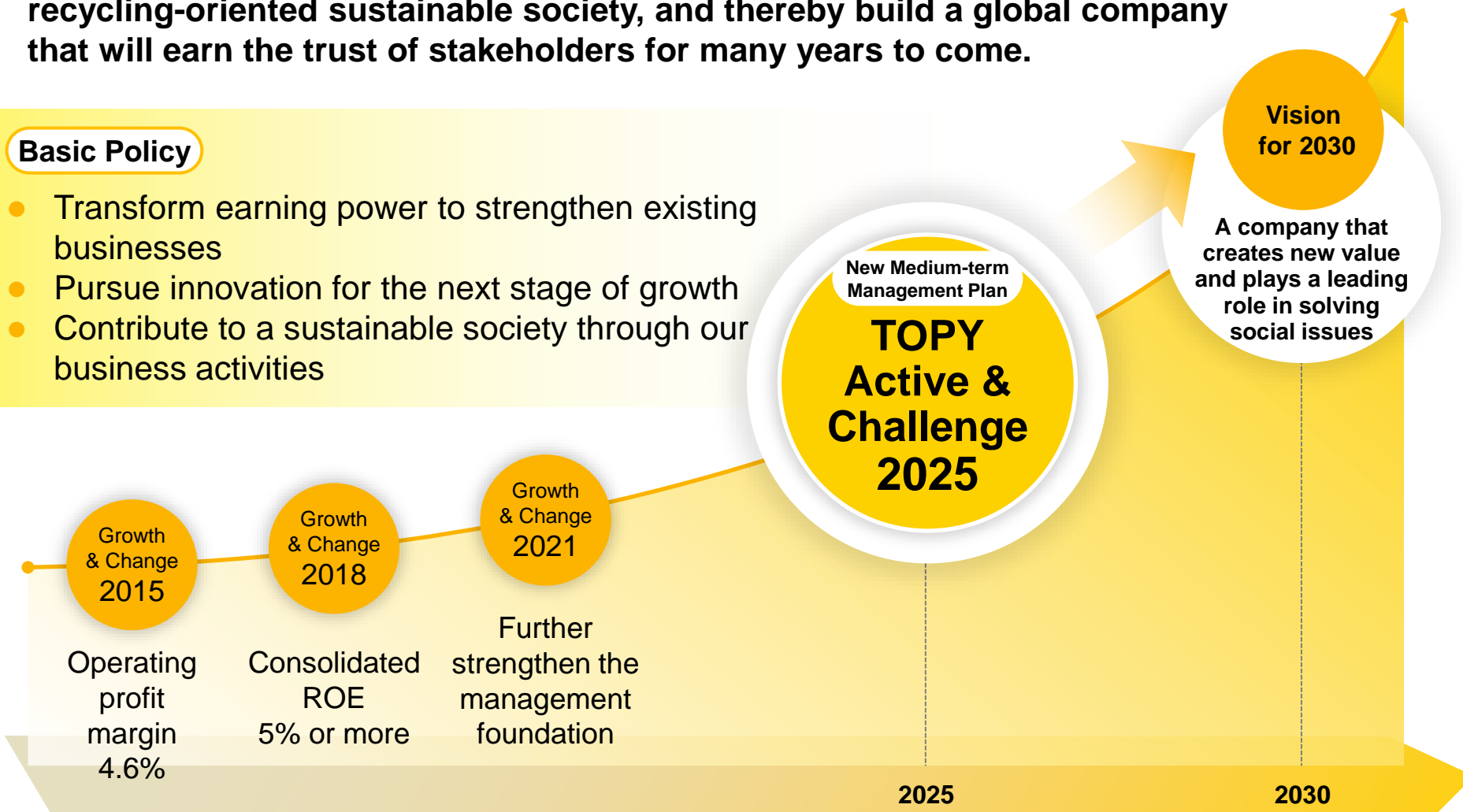
New Medium-term Management Plan

Positioning of New Medium-term Management Plan

Under the Group Basic Philosophy, we are pursuing growth and development while solving a wide range of social issues and helping to bring about a recycling-oriented sustainable society, and thereby build a global company that will earn the trust of stakeholders for many years to come.

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



Slogan

TOPY Active & Challenge 2025

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

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

**We celebrated our 100th anniversary last October.
Looking at the next 100 years, we are launching initiatives to create new value.**

**Our top priority is to build a solid foundation
for generating stable earnings to continue to meet the needs of the times
and society and demonstrate our purpose.**

**In restoring the Group's earning power,
we are shifting into a growth phase and further improve corporate value.**

New Medium-term Management Plan Policy to Achieve Business Growth



FY2022-FY2025 TOPY Active & Challenge 2025

Group Basic Strategy

Three key strategies (Business, financial, and sustainability strategies)

Sustainable growth

- Optimize the business portfolio
- Accelerate the business strategy globally
- Expand the aluminum wheel business
- Create high value-added advanced products
- Enhance the recycling business

Investment for growth

26.8 billion yen
(4-year Cumulative Total)

Structural reform

- Complete structural reforms in the Automotive and Industrial Machinery Component Business
- Fundamentally reform the steel bar business
- Maximize the effectiveness of new organizational structure to strengthen competitiveness

Operating profit margin

5% or more*

(FY2025)

*Major segments

Strengthened business foundation

- Ensure appropriate selling prices and expand our domestic and overseas customer bases
- Improve our financial position
- Pursue HR and DX strategies

Free cash flow

20.0 billion yen

or more

(4-year Cumulative Total)

Final FY of
TOPY Active &
Challenge 2025

EBITDA

32.0

**billion yen
Realization**

Harvest
investments in
growth areas and
invested capital
in the next
medium-term
management plan

Earnings growth
through growth-oriented
investment

Structural reforms

Reap the results of investments +
Structural reforms of low profitability business

Developments (Shrinking domestic demand + Impacts of environmental change)

Group Basic Strategy and Three Key Strategies: Strategic Framework

Group Basic Strategy

Promote segment management

Strengthen domestic
business base

Strengthen overseas
profitability

Contribute to
decarbonization

**Business
strategy**
Five key
themes

- 1 Improve capital productivity and optimize business portfolio
- 2 Restructuring of the business foundation for enhanced profitability and sustainable growth
- 3 Deepen proprietary technologies and become carbon neutral
- 4 Secure and develop human resources to support sustainable growth
- 5 Enhance management sophistication through promotion of DX strategy

Make growth-oriented
investments backed by
consistent EBITDA
generation and return
profits to shareholders

Financial objectives

**Financial
strategy**

**Sustain-
ability
strategy**

Incorporate initiatives
based on the
Sustainability Basic
Policy into the Medium-
term Management Plan

Non-financial objectives

Business Strategy

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.

Improve KPIs for capital productivity from a medium- and long-term perspective

Review the criteria for capital investment and assess investment efficiency

Consider introducing an ICP (internal carbon pricing) scheme

Promote low-carbon investment and reduce ICP transition risks

Select and execute suitable investment deals

Produce sound investment results

Optimize the business portfolio and maximize consolidated earnings

2

Restructuring of the business foundation for enhanced profitability and sustainable growth

We will extend the range of high value-added products, implement business structure reforms, explore new overseas markets, and lift production capacity to increase and stabilize earning power. For sustainable growth, we will improve management efficiency by utilizing SF and DX, and venture into new areas including development of EV-related products.

Steel Business

- Expansion of high value-added products
- Improvement of product mix
- Optimization of logistics
- Further productivity and cost improvement
- Upgrading of recycling business

Automotive and Industrial Machinery Components Business

- 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

- Introduction of biomass co-firing and consideration of stable procurement of biomass fuels (contribution to decarbonization)

Other Business

- Strengthen positioning as a stable source of earnings for the Group
- Create and expand new businesses

Steel Business

- Expansion of high value-added products
- Improvement of product mix
- Optimization of logistics
- Further productivity and cost improvement
- Upgrading of recycling business

Extend the range of high value-added products by offering a wider lineup of sizes of mast rail materials and increasing the sales bases.

Focus on investment in upgrading the recycling business to achieve growth and help bring about a recycling-oriented society.

Enhancing our recycling business

(Akemi Recycling Center, Ltd.)



We will continue to increase processing capacity during the Medium-term Management Plan period to help increase the sales of metals and reduce CO₂ emissions.

Increase in the capacity of Akemi Recycling Center

Processing capacity

Monthly
Approx. 4,000 tons

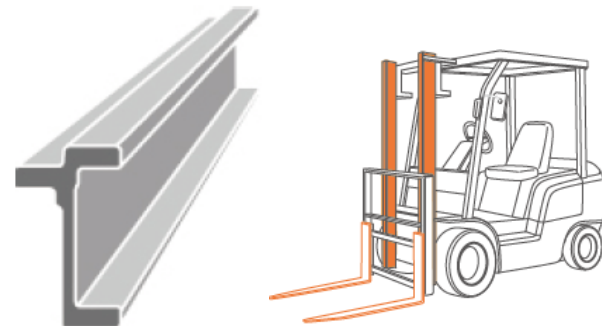


2025
Approx. 10,000 tons

Reduction of CO₂ emissions from electric furnace due to recycling of dust

Approx. 17,000 tons/year

Mast rail materials for forklift trucks



Currently we deliver about 10 different sizes of products to customers in Korea and China. We are planning to offer a wider range of sizes and expand the sales bases.

Business Strategy Topics: Automotive and Industrial Machinery Components Business

Automotive and Industrial Machinery Components Business

- **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

Expand our range of green products to address the shift toward EVs.

Promote development using lightweight technology and environmentally friendly materials.

Streamline the business structure by consolidating domestic production bases for steel wheels for passenger cars and integrating development and operational functions for aluminum wheels for passenger cars.

Initiatives to expand the range of green products

1

Contribute to improving fuel efficiency of automobiles

- Reinforce development and production of lightweight wheels using flow-forming technology
- Develop wheels with improved aerodynamics



2

Develop products using low-carbon materials

- Develop aluminum wheels using green aluminum
- Develop steel wheels for passenger cars using electric furnace steel



Steel wheels for trucks and buses



Aluminum wheels for passenger cars



Steel wheels for passenger cars

Business Strategy Topics: Automotive and Industrial Machinery Components Business

Automotive and Industrial Machinery Components Business

- 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**

Reinforce the sales system and optimize the production bases to strengthen the global production and supply system.

The aim is to maximize profits of the fastener business, optimize the global supply chain by increasing the manufacturing capacity of Asian locations, and develop new products and markets.

Expansion of sales system and optimization of production system

- **For ultra-large wheels for mining equipment (SGOR®), upgrade the inspection and repair services and strengthen the frameworks to boost sales.**
- **Optimize the global production bases.**
 - Restructuring of global production system for passenger car steel wheels.
 - Transfer a part of the production of wheels for commercial cars from Japan to PT. Topy Palingda Manufacturing Indonesia (TPMI).
 - Restructure the global production system for the fastener business.
- **Make capital investments to improve the process capacity of Topy Fasteners, Ltd. and other Asian locations.**
 - Enhance design capabilities, promote automation, and invest in development.



Power Business

- Introduction of biomass co-firing and consideration of stable procurement of biomass fuels (contribution to decarbonization)

Consider introducing biomass co-firing toward decarbonization. We have begun to study ways to ensure stable procurement of biomass fuel, aiming at producing effects in 2025.

2022	2023	2024	2025	2026	2027	2028	2029	2030
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Examine and prepare for the introduction of biomass co-firing

- Study the types, procurement, co-firing, logistics, storage, transportation, and sale of electric power of biomass fuel
- Establish storage and transportation facilities

Gradually expand biomass co-firing

<Reduction of CO₂ emissions (%) = Biomass co-firing rate (%)>

10%

20%

30%

40%

46%

46%

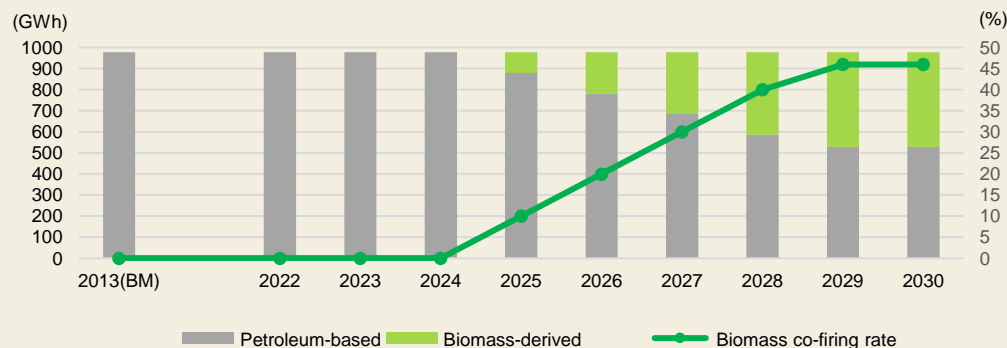
Estimated biomass co-firing as a % of generated power

Possible effects of introducing biomass co-firing in 2024

Effect of reducing CO₂ emissions

2025 ▶ 10% (Target)

2030 ▶ 46% (Target)



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

- Expand sales of high value-added products using the technology for rolling deformed section steel.
- Promote innovation of production technology by combining heat treatment and processing technologies.
- Pursue high-quality designs leveraging the painting technology.
- Develop EV-related products by converting and deepening the steel wheel manufacturing technologies.
- Introduce automatic defect inspection equipment using AI-based measurement techniques.

Carbon neutrality

- Reduce CO₂ emissions.
- Reduce environmental burden of our products across the lifecycle.
- Enable smart and innovative manufacturing processes by leveraging energy-saving technologies and renewable energy, etc.
- Examine introducing an internal carbon pricing (ICP) scheme.

Targets and results of CO₂ emissions reductions

Targets for Scope 1, 2 and 3

Targets for FY2030

Scope 1 and 2
CO₂ emissions

**Reduce 46%
vs. FY2013**

(Topy Industries +
Domestic Group Companies)

Targets for FY2050

Scope 1, 2 and 3
CO₂ emissions

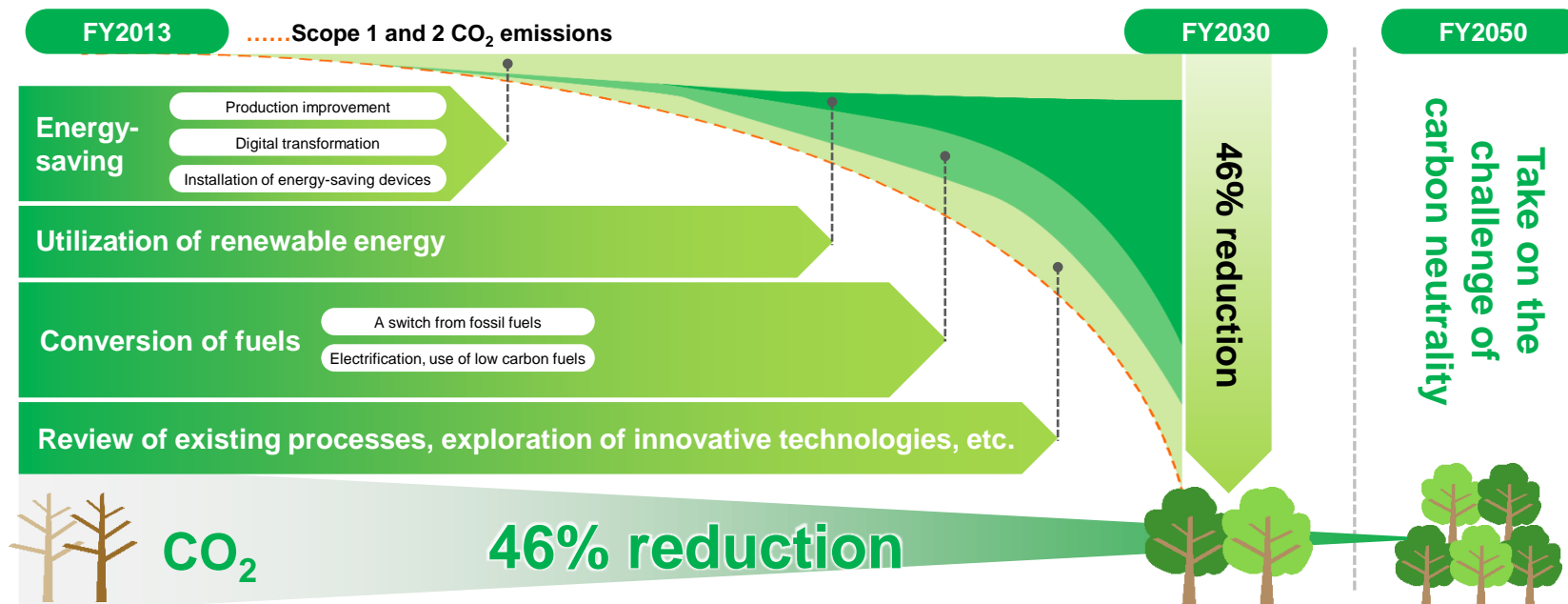
**Take on the challenge
of carbon neutrality**

(Topy Industries + Domestic and
Overseas Group Companies)

Results for Scope 1, 2 and 3 (Topy Industries + Domestic Group Companies)

Item	Unit	Coverage	FY2013	FY2020
Scope 1	Thousand t -CO ₂	Consolidated	540	229
Scope 2	Thousand t -CO ₂	Consolidated		309
Scope 3	Thousand t -CO ₂	Consolidated	-	1,376

* Results for Scope 1, 2 and 3 exclude CO₂ emissions from the power sold externally as part of our power business. (FY2020: 887 thousand t-CO₂)



4

Secure and develop human resources to support sustainable growth

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



- Expand job rotation
- Early selection of young and mid-career employees
- DX human resource development
- Raise the level of employee training

- 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
- 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
- Reform operations through DX

- Develop employees who understand the essence of work, act accordingly, and help shape the future of the Group.
- Promote diversity of human resources and raise employees' awareness (diversity and inclusion).
- Build a group-wide structure to develop and utilize human resources, our important management resources.

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.

Illustrative constant profit generation made possible by digital utilization

Structural reforms

Improve the visibility of profit/loss by utilizing the smart factory foundations.

Operational reforms

Visualize proprietary technologies and insight using the technology information foundation, and develop customer-oriented products.

Work-style reforms

Utilizing data, transform work styles to encourage analysis, suggestions and improvements.

ESG management

Connecting recycling-based businesses, including external players, with data, develop a new framework that helps solve social issues.

Business DX strategy and initiatives

Solve issues using the DX Promotion Council and subcommittees as engines

- (1) Identify the effects and objectives and choose themes in collaboration with the operations division.
- (2) Repeat proof of concept (PoC) in a short period of time to confirm the effects.
- (3) Pick up themes that could be effective even they are small in scale and promote them among team members.

Develop human resources who are proficient in digital technology

- (1) Promote communication through thematic activities.
- (2) Provide educational support for data utilization and analytics.

Development of IT infrastructure for DX promotion

- (1) Build a foundation for data collection and collaboration, improve information accuracy, and consider utilization thereof.
- (2) Develop and standardize the system foundation.
- (3) Enhance cyber security measures.

Financial Strategy

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

Cash flow

- Secure investment resources through sustainable EBITDA generation
- Improve capital efficiency by reducing cash conversion cycles and optimizing asset holdings, etc.

Capital investment

- 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

- Consolidated dividend payout ratio: approximately 30 to 35%
- Consideration to maintain stable dividends

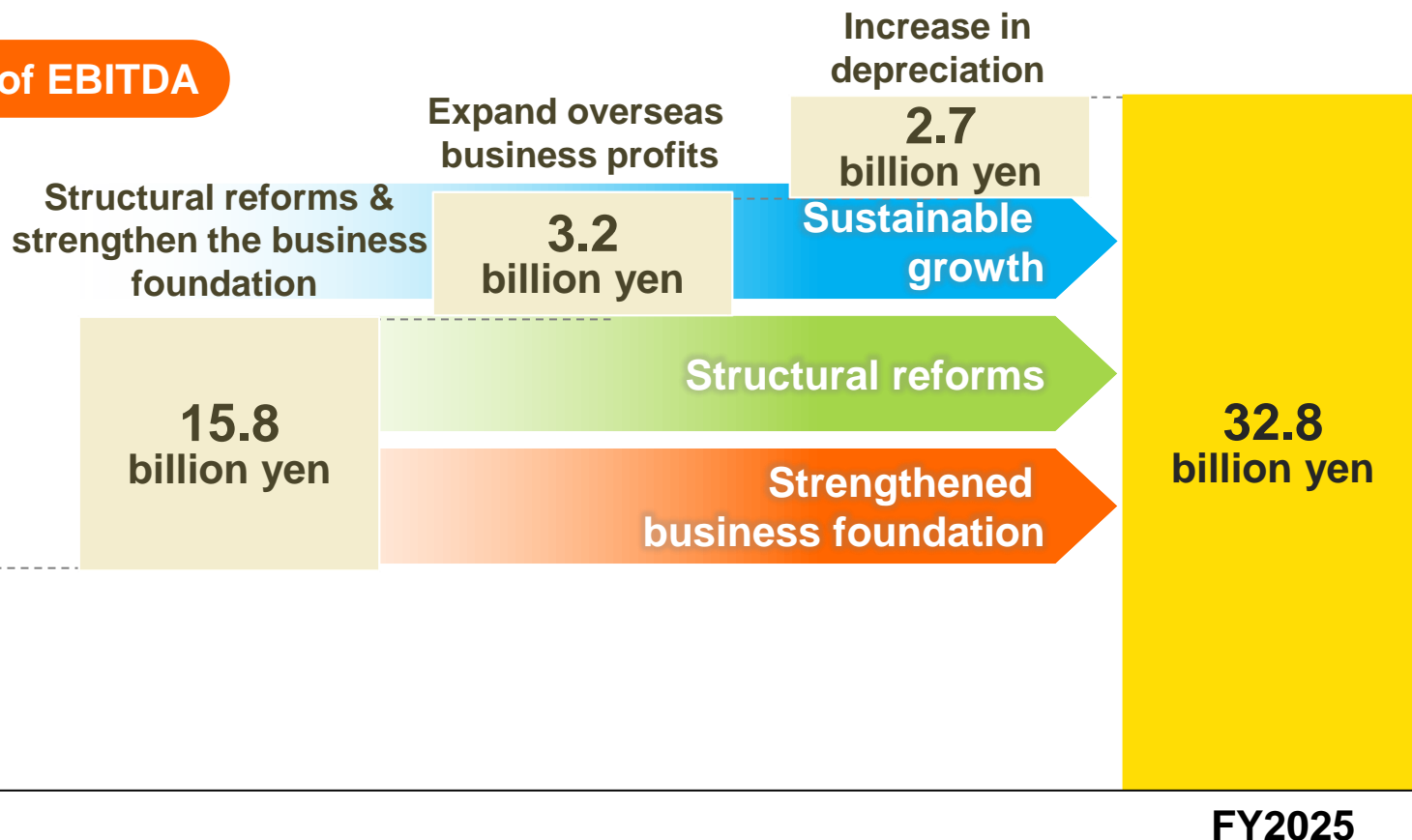
*CCC: CCC stands for cash conversion cycle. It refers to the time between the outlay of cash for purchases of raw materials, etc. and the collection of cash from the sale of finished goods. A shorter cycle indicates greater liquidity.

Growth Driver of EBITDA

Operating profit is expected to return to the black in FY2022 due to a revision of sales prices and an increase in overseas sales, and continue to increase through FY2025. Operating and recurring profit margins are projected to increase to the high 4% range in FY2024.

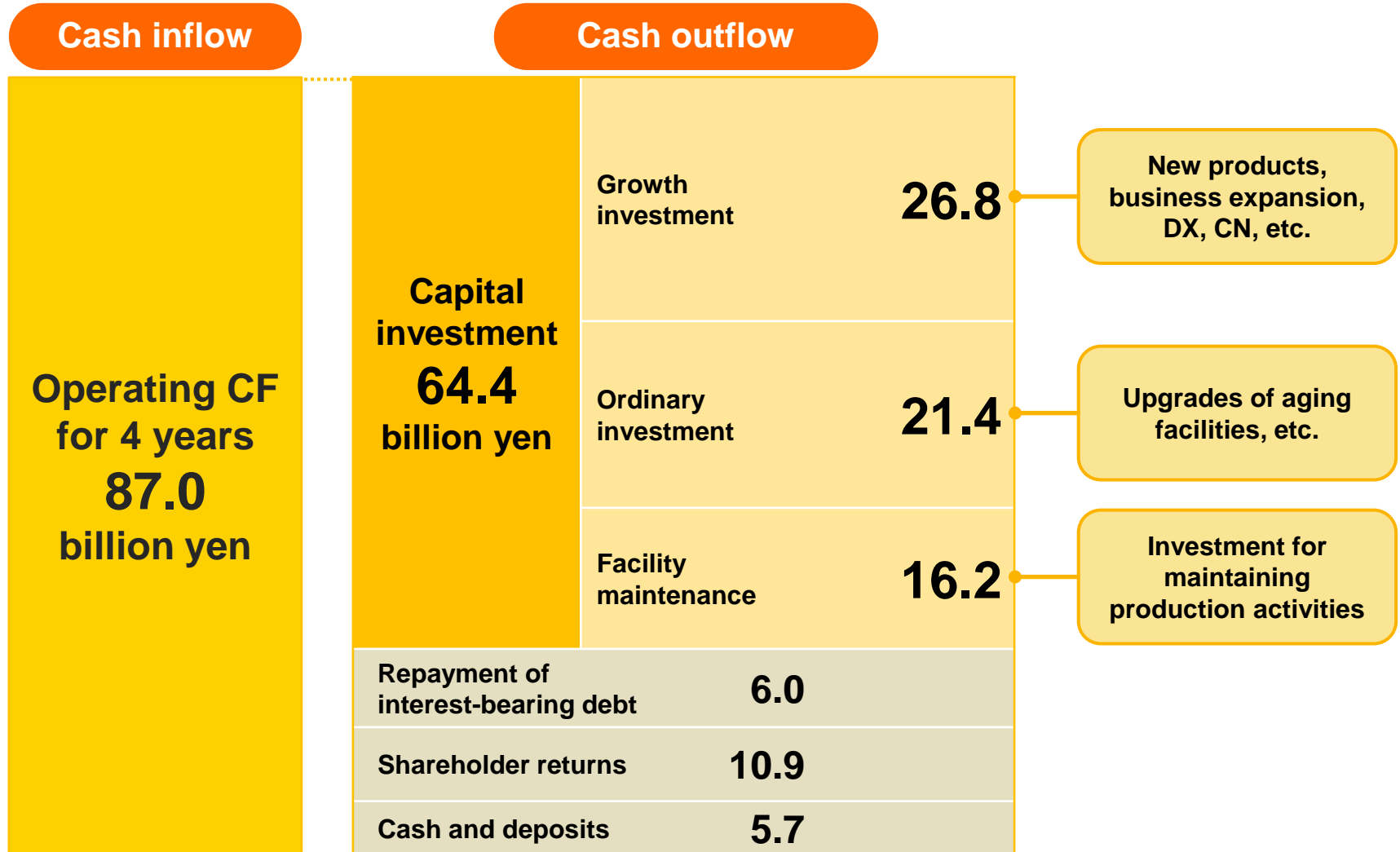
We expect EBITDA to grow tripled from 11.1 billion yen in FY2021 to 32.8 billion yen in FY2025.

Growth driver of EBITDA



Cash Allocation (4-year Cumulative Total)

Aim to generate free cash flow of 20.0 billion yen or more, reduce interest-bearing debt, and improve the financial position.



Financial Targets

During the term of this Medium-term Management Plan, we will replace the KPIs of Operating profit with EBITDA.

*Focus on cash flow, perspective of promoting CN and DX investments and strategic investments

G&C2021		A&C2025		FY2021 results	FY2025 goals
Operating profit margin		Operating profit margin		(0.6)%	4.5% or more
ROE					
ROA					
Debt-equity ratio		EBITDA		11.1 billion yen	32.0 billion yen
Net sales					
Operating profit		ROE		0.4%	8.0% or more
Net income					

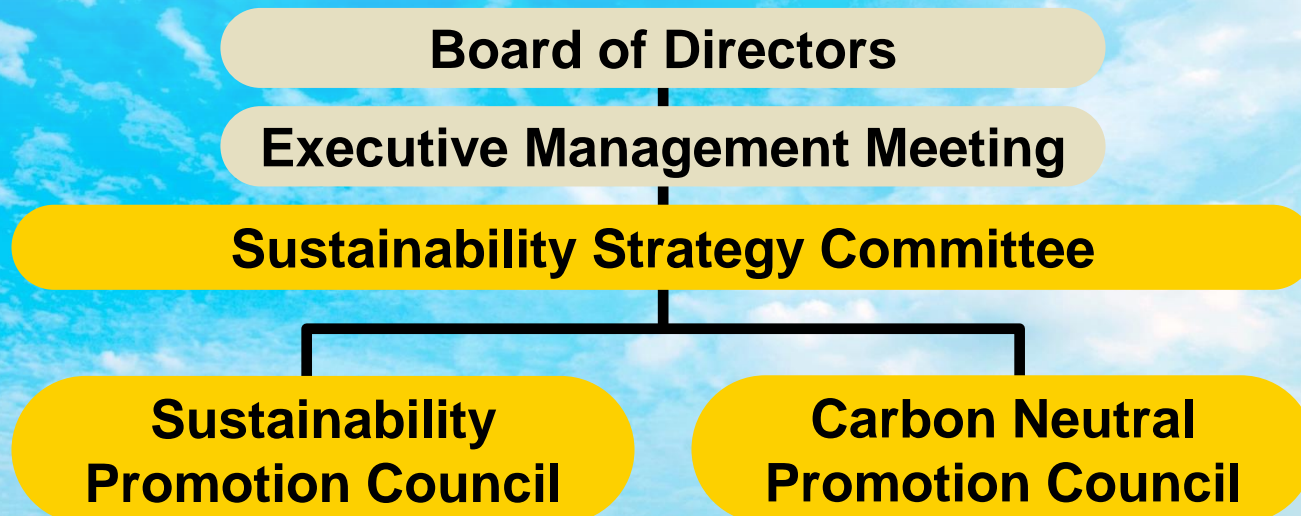
Sustainability Strategy

Utilizing the Group's strengths, we practice sustainable management to help create new value and solve social issues.

Basic Policy on Sustainability



























The Topy Industries Group will promote management based on the Group Basic Philosophy and aim to enhance sustainable corporate value and contribute to the sustainable development of society through the pursuit of technological innovation and the resolution of social issues.

Our structure to promote sustainable management



Sustainability Strategy













Six material issues, major initiatives under the new Medium-term Management Plan, and corresponding SDGs

Materiality (material issues)		Initiatives under the new Medium-term Management Plan	Corresponding SDGs
Environment 	Promote green of innovation	Conversion to power generation methods and fuels with lower CO ₂ emissions, development of environmentally friendly products and consideration of LCA.	   
	Contribute to building a recycling-oriented society	Promote in-house recycling and reduce delivery packaging wastes.	 
Social 	Respect human rights	Accelerate initiatives to respect human rights.	   
	Support for diverse human resources	Advance diversity & inclusion and work-style reforms.	   
	Contribute to society through business	Strengthen the quality assurance system and management system.	   
Governance 	Build of a solid management foundation	Build a foundation for the autonomous internal control system and enhance the supervisory function of the Board of Directors.	 
			  

Non-Financial Targets

Align our Medium-term Management Plan
closer to our sustainability goals (materiality)

Adopt basic
ESG indicators

ESG	Evaluation indicators	Numerical targets	Corresponding SDGs
Environment	CO ₂ emissions (Scope 1 and 2)	Aim to reduce CO ₂ emissions by 46% compared to FY2013 (FY2030)	    
Social	Ratio of female managers	10% or more (FY2030)	    
	Number of work-related accidents in Japan	Aim to achieve zero accidents every year (Lost time injuries or more)	
Governance	Serious compliance violations of cases	Continue to report zero violations every year	 



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