



Financial Results for FY2021

May 25, 2022

TYO 7231

TOPY INDUSTRIES, LIMITED

- 1. Full-year financial results for FY 2021
(FY ended March 31, 2022)**
- 2. Full-year forecast for FY 2022
(FY ending March 31, 2023)**
- 3. New Medium-term Management Plan
“TOPY Active & Challenge 2025”**
- 4. Q&A**

1. Full-year financial results for FY 2021 (FY ended March 31, 2022)

- Both net sales and profits improved due to improved sales prices and recovery in demand for undercarriage parts for construction machinery and super-large wheels for mines.
- The business environment surrounding the Company remained severe and difficult to project due to rising costs for raw materials and logistics, and **cost burdens resulting from sudden changes in orders from automobile manufacturers** due to supply shortages of semiconductors and other materials.

2. Full-year forecast for FY 2022 (FY ending March 31, 2023)

- **We will see the effects of structural reforms implemented under the previous Medium-term Management Plan Growth & Change 2021**
 - We forecast an increase in both sales and profit due to higher sales volume in the Automotive & Industrial Machinery Components Business and improvement in sales prices in each segment.
 - The annual dividend is 70 yen per share.
- Issues for FY2022: Product price correction
(promptly pass on higher costs of raw materials, energy, etc., to products)

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

- Basic Policy (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

Full-year financial results for FY 2021 (FY ended March 31, 2022)

Full-year financial results for FY 2021

(compared to FY 2020)



Net sales increased by 46.1 billion yen from the previous year due to improved sales prices and recovery in demand for undercarriage parts for construction machinery and super-large wheels for mines. Operating profit increased by 1.2 billion yen.

(100 millions of yen)

	FY2020	FY2021	YoY	
			Change	Increase/Decrease (%)
Net sales	2,251	2,712	461	20.5%
(Former standard)	—	(2,939)	(688)	
Operating profit	(29)	(17)	12	—
(Operating profit margin)	(1.3%)	(0.6%)	(0.7P)	(—)
Ordinary profit	(6)	(14)	(8)	—
Profit (loss) attributable to owners of parent	6	4	(2)	—
Dividend per share (yen)	20	20	—	—

Business environment (compared to FY2020)

■ External environment

Overseas:

Although the situation remained severe due to the impact of the coronavirus mutant strain infections etc., vaccination against the coronavirus progressed mainly in developed countries, **leading to an overall pickup in the market.**

Japan:

The economy is generally picking up, although it has yet to fully recover from the coronavirus pandemic.

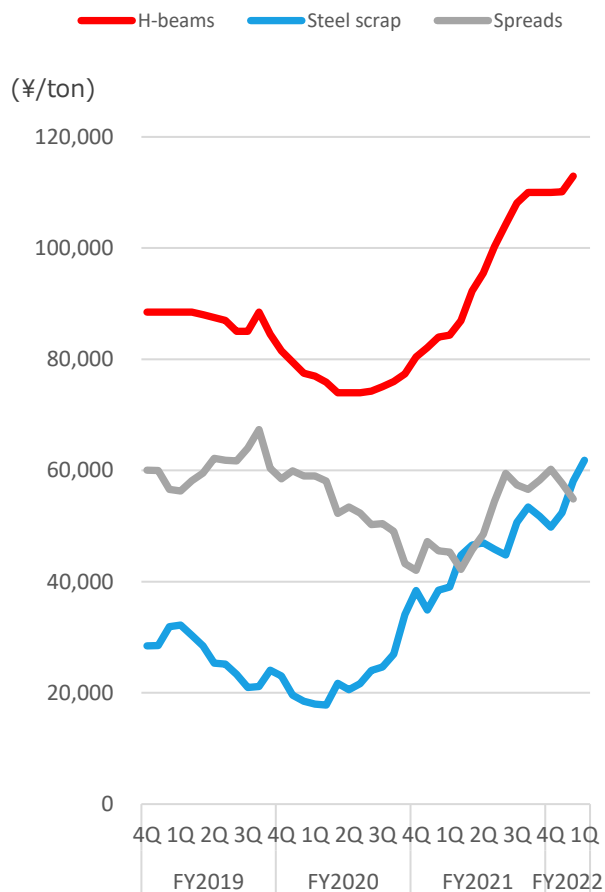
The future remains difficult to project due to factors including the rising costs of raw materials, coal, energy, sub materials, logistics, etc., tight supply-demand balance in marine container transport, and automobile production cutbacks due to supply shortages in semiconductors.

■ The Group

Steel Business	○	Demand for steel products for construction and manufacturing industries remained strong	
	×	Steel scrap prices continued to rise from the second half of the previous fiscal year	
	×	Rising energy and sub materials costs	
Automotive & Industrial Machinery Components Business	×	Automobile wheels	Shortage of semiconductors and other products caused sudden fluctuations in orders from automobile manufacturers
			Aluminum ingot prices continue to rise
	○	Tracking plates and crawler tracks	Recovery trend with the resumption of economic activities
	○	Wheels for mining equipment	Strong demand for mining equipment due to rising resource prices
Power Business	×	Rapid rise in fuel (coal) prices	

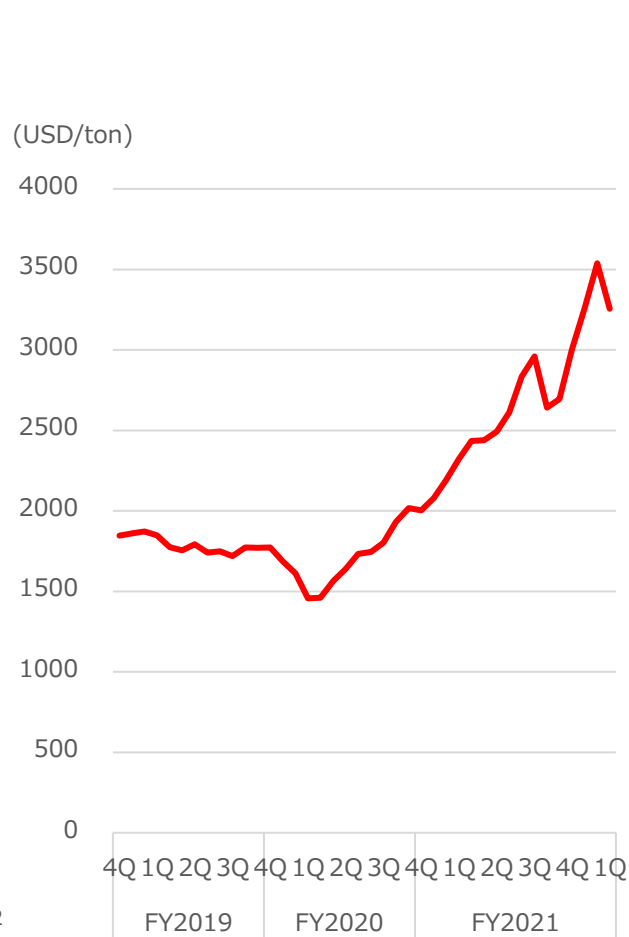
Business environment

Scrap price trends



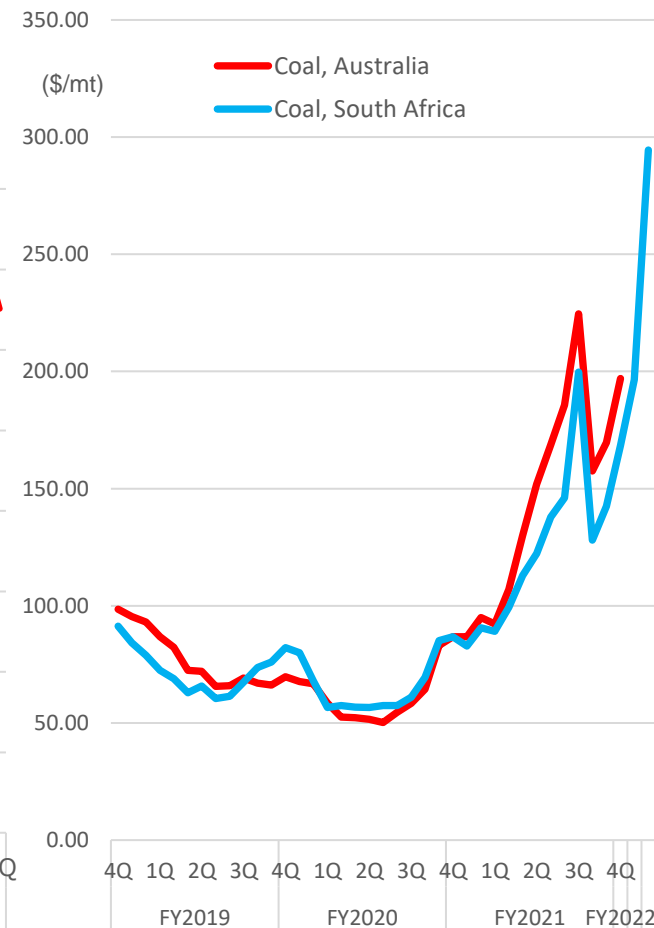
H Steel Price: Average of Tokyo high and low
Source : Japan Metal Daily
Scrap iron price: H2 manufacturer's pre-furnace price
Source: Japan Ferrous Raw Materials Association

LME aluminum price trends



Source: Westmetall

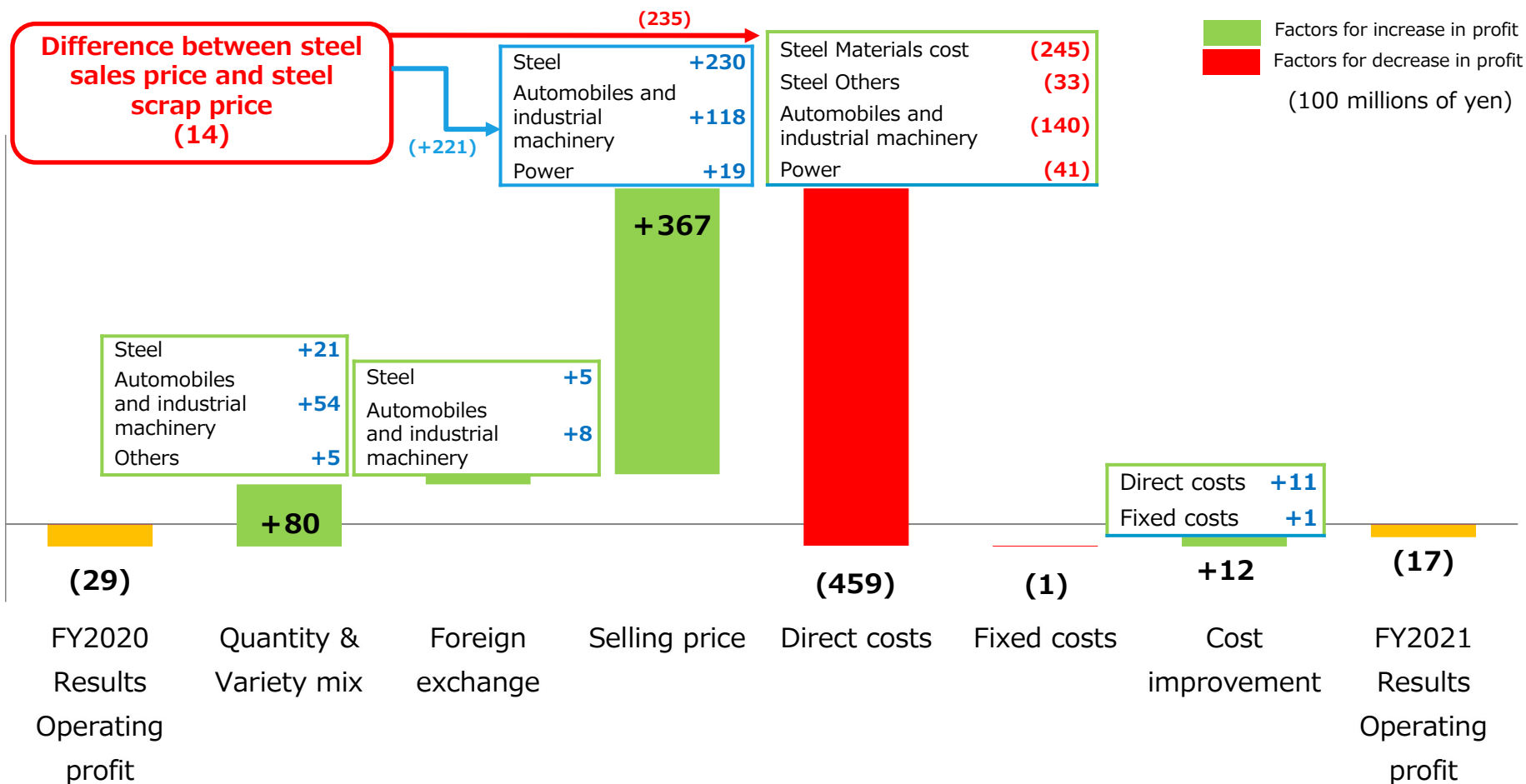
Coal price trends



Source: World Bank

Factors for change in operating profit (compared to FY2020)

Both net sales and profit improved from the previous year due to higher sales volumes of undercarriage parts for construction machinery and super -large wheels for mines, as well as the transfer of raw material price increases to product prices, etc. However, this was not enough to absorb higher costs from higher prices of raw materials such as steel scrap, coal, energy, and sub materials, and **profits increased by only 1.2 billion yen.**



Results by segment (compared to FY 2020)

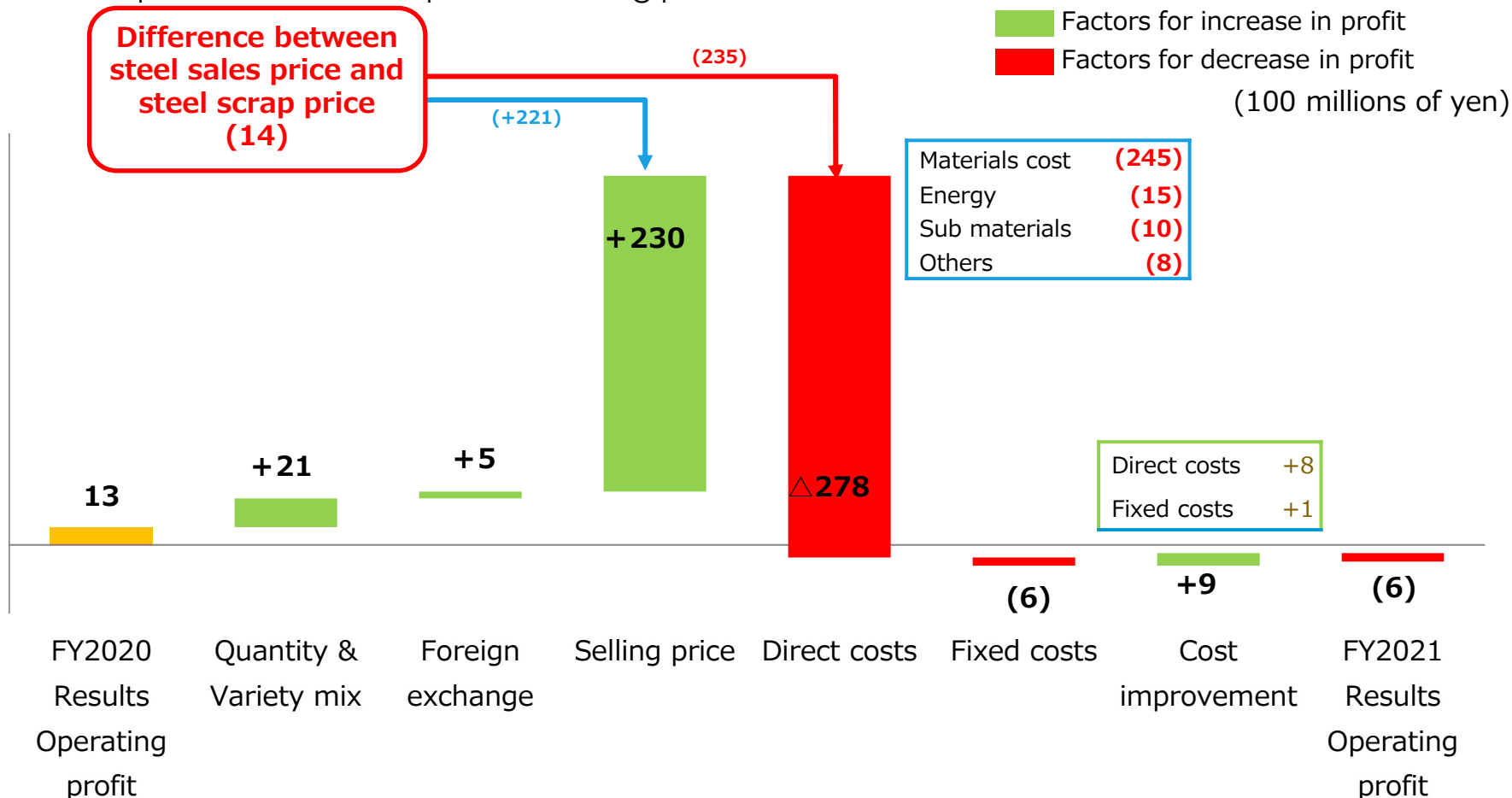
The steel business could not catch up passing on costs to selling prices of steel products, resulting in a 1.9 billion yen decrease in profit. The Automotive & Industrial Machinery Components Business increased by 5.0 billion yen due to an increase in sales volume.

(100 millions of yen)

	FY2020		FY2021		YoY	
	Net sales	Operating profit	Net sales	Operating profit	Net sales	Operating profit
Steel Business	757	13	890	(6)	+133	(19)
Automotive & Industrial Machinery Components Business	1,361	(2)	1,665	48	+304	+50
Power Business	76	2	97	(19)	+21	(21)
Others	57	(2)	60	10	+3	+12
Elimination	—	(40)	—	(50)	—	(10)
Total	2,251	(29)	2,712	(17)	+461	+12

Factors for change in profit in the Steel Business (compared to FY2020)

Although sales volume increased over the previous fiscal year (+2.1 billion yen) due to the focus on sales to the construction industry, profit declined by 1.9 billion yen because increased costs due to rising energy and sub material prices in addition to steel scrap prices were greater than what could be passed on to steel product selling prices.

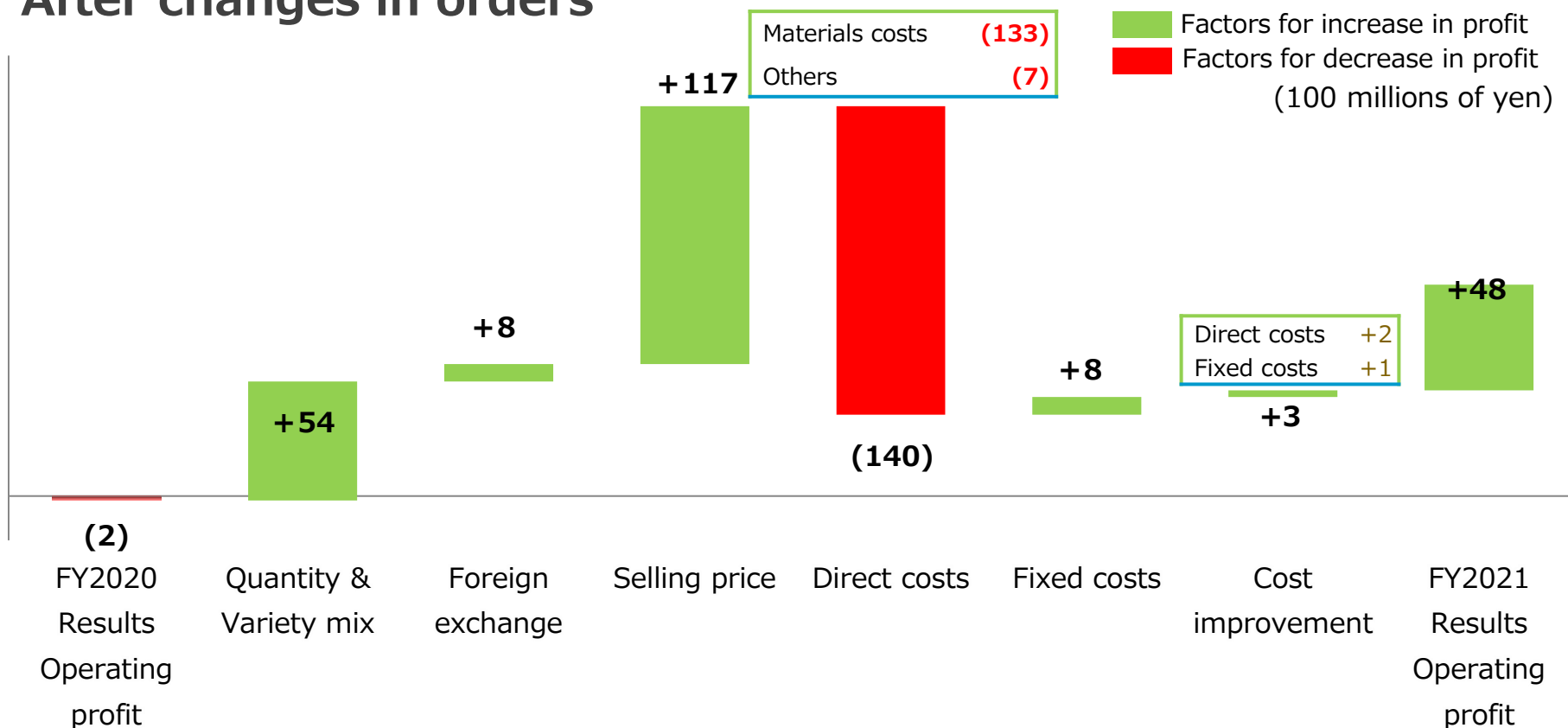


Factors for change in profit in the Automotive & Industrial Machinery Components Business (compared to FY 2020)



Despite the impact of **sudden changes in orders from automobile manufacturers** due to supply shortages of semiconductors and other products and tight supply-demand balance in marine container transport, profit increased by 5.0 billion yen due to higher sales volume (+5.4 billion yen), mainly of undercarriage parts for construction machinery and super-large wheels for mines, and curbed fixed costs (+0.8 billion yen).

After changes in orders



Net sales by region

Although the ratio of overseas sales to total sales has been recovering, it has not reached the level of the ratio before the coronavirus pandemic.

	JAPAN	U.S.A.	CHINA	Others	Total
Steel Business	805 (90.6%)	5 (0.5%)	0 (0.0%)	79 (8.9%)	889 (100.0%)
Automotive & Industrial Machinery Components Business	1,040 (62.4%)	227 (13.6%)	141 (8.5%)	258 (15.5%)	1,666 (100.0%)
Power Business	97 (100.0%)	— —	— —	— —	97 (100.0%)
Others	57 (95.5%)	0 (0.0%)	0 (0.2%)	3 (4.3%)	60 (100.0%)
Total	1,999 (73.7%)	232 (8.5%)	141 (5.2%)	340 (12.6%)	2,712 (100.0%)
Ratio (overseas)	26.3%	(Automotive & Industrial Machinery Components Business: 37.6% of overseas sales)			

[Reference] FY2019 and FY2020 results

FY2019 (Total)	1,875	311	128	318	2,633
	(71.2%)	(11.8%)	(4.9%)	(12.1%)	(100.0%)
Ratio (overseas)	28.8%	(Automotive & Industrial Machinery Components Business: 40.0% of overseas sales)			
FY2020 (Total)	1,731	170	120	230	2,251
	(76.9%)	(7.6%)	(5.3%)	(10.2%)	(100.0%)
Ratio (overseas)	23.1%	(Automotive & Industrial Machinery Components Business: 34.6% of overseas sales)			

Full-year forecast for FY 2021 (FY ended March 31, 2022)



■ External environment

• Although the global economy is expected to pick up from the decline in economic activity, the outlook remains uncertain due to increasing geopolitical risks **such as tensions in Ukraine, sharp fluctuations in exchange rates**, and concerns about the re-spread of the coronavirus.

• We expect the severe situation to continue due to factors including the rising prices of raw materials and energy, the impact of supply shortages in semiconductor on automobile production, etc., and the tight supply-demand balance in marine container transport.

■ The Group

Steel Business	○	Demand for steel products both in Japan and overseas is expected to continue to recover in general	
	×	Steel scrap prices remain high	
	×	Energy and sub material prices remain high	
Automotive & Industrial Machinery Components Business	—	Automobile wheels	Although potential demand for automobiles will increase, production fluctuations will continue
	—	Tracking plates and crawler tracks	Demand is expected to be on par with the previous period
	—	Wheels for mining equipment	Continued high demand on the back of rising resource prices
Power Business	×	Fuel (coal) prices continue to rise	

Full-year forecast for FY 2022

(compared to FY 2021)



Both sales and profit are expected to increase due to **improved sales prices** and the effects of structural reforms implemented under the previous Medium-term Management Plan Growth & Change 2021. The annual dividend per share is planned to be **70 yen**.

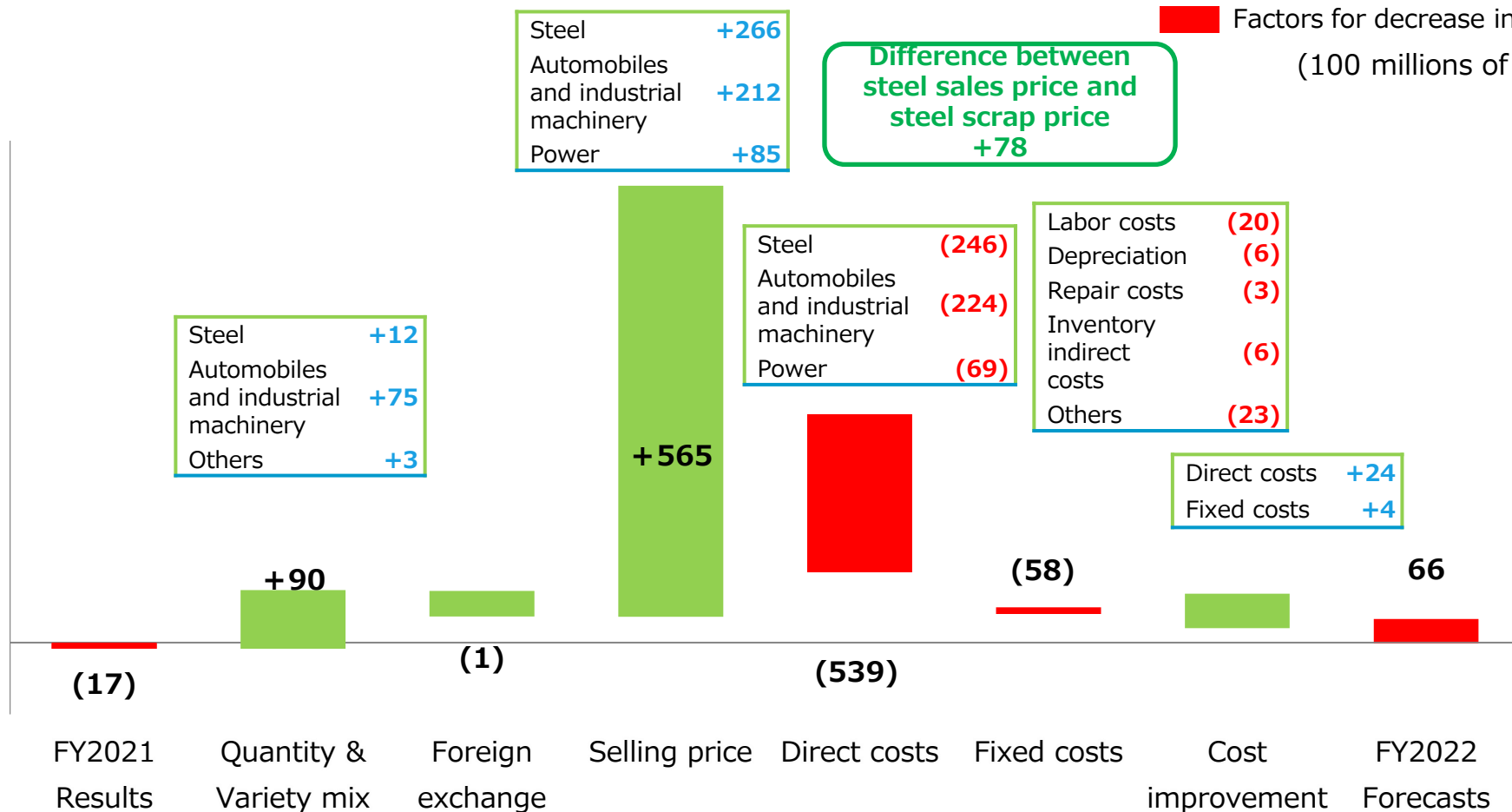
(100 millions of yen)

	FY2021 Results	FY2022 Forecasts	YoY	
			Change	Increase/ Decrease (%)
Net sales	2,712	3,520	+808	+29.8%
Operating profit	(17)	66	+83	—
(Operating profit margin)	(0.6%)	(1.9%)	(+2.5P)	(—)
Ordinary profit	(14)	75	+89	—
Profit (loss) attributable to owners of parent	4	50	+46	—
Dividend per share (yen)	20	70	+50	—

Factors for change in operating profit (compared to FY2021)

We expect to increase profit by 8.3 billion yen from the previous year by appropriately passing on higher raw material and energy costs to product prices and reaping the benefits of the wheel business structural reforms implemented under G&C 2021 ((1) consolidation of domestic steel wheel production bases, (2) integration of aluminum wheel development and management functions, and (3) commercial vehicle wheel business).

■ Factors for increase in profit
■ Factors for decrease in profit
 (100 millions of yen)



Forecasts by segment

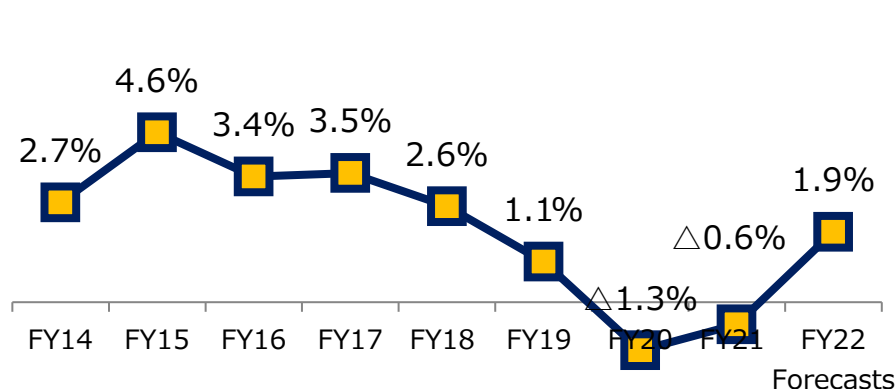
We forecast an increase of 3.9 billion yen due to the **strengthening of the domestic business base** in the Automotive & Industrial Machinery Components Business, an increase in sales volume, and improvement in selling prices in each segment. Profit increases in the Steel Business by 3.4 billion yen. Profit increases in the Power Business by 1.9 billion yen. Profits are expected to increase in all segments.

(100 millions of yen)

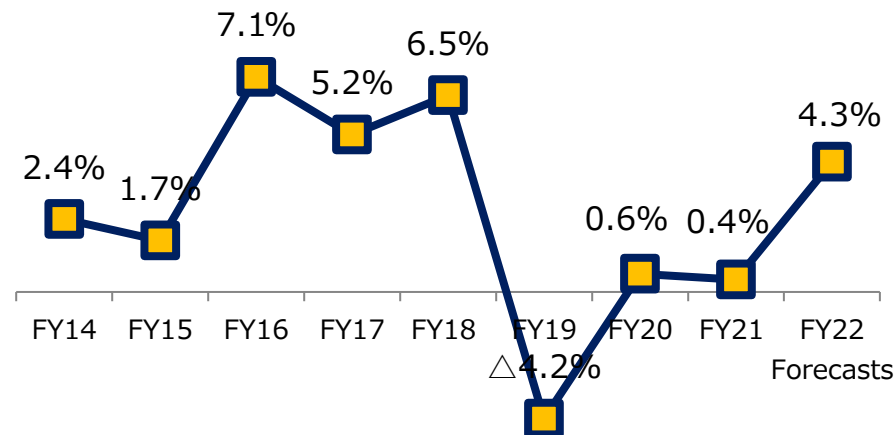
	FY2021 (Results)		FY2022 (Forecasts)		YoY	
	Net sales	Operating profit	Net sales	Operating profit	Net sales	Operating profit
Steel Business	890	(6)	1,142	28	+252	+34
Automotive & Industrial Machinery Components Business	1,665	48	2,096	87	+431	+39
Power Business	97	(19)	198	0	+101	+19
Others	60	10	84	11	+24	+1
Elimination	—	(50)	—	(60)	—	(10)
Total	2,712	(17)	3,520	66	+808	+83

Trends in major indicators

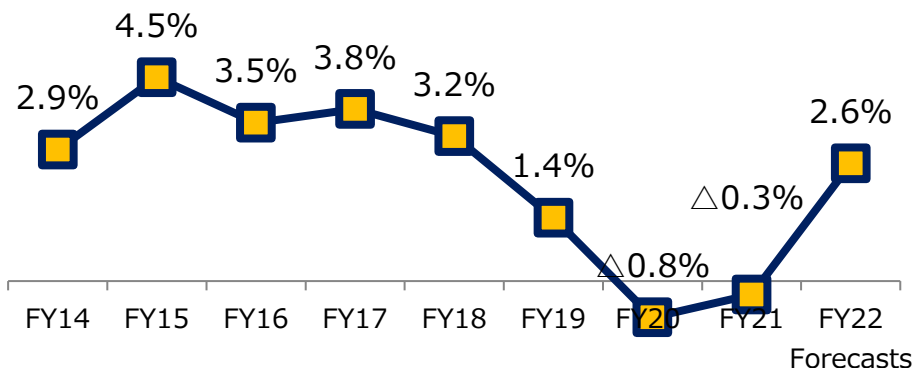
Operating profit margin



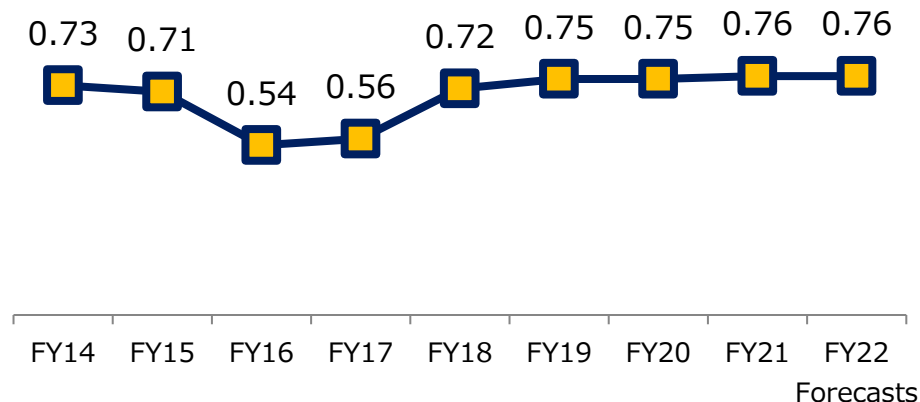
Return on equity (ROE)



Return on asset (ROA)



D/E ratio





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