



# Financial Results of the Second Quarter for FY2023 (April 1, 2023 – September 30, 2023)

**November 21, 2023**

**TYO 7231**

**TOPY INDUSTRIES, LTD.**

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# Main points

## ■ FY2023 2Q financial results (FY ended March 31, 2024)

### Increase in both sales and profit



Operating profit was **4.0 billion yen**  
(+2.5 billion yen YoY, highest profit in the past 10 years)

- Difference between steel scrap price and steel sales price
- Increase in sales of wheels for passenger vehicles
- Progress in optimization of selling prices

## ■ Full-year forecast for FY2023 (FY ending March 31, 2024)

### Forecasted increase in both sales and profit



Operating profit was **10.0 billion yen**  
(+0.5 billion yen compared to previous forecast), annual dividend is  
**108 yen** (+20 yen compared to previous forecast, record-high dividend amount)

- Continue to steadily capture the recovery trend in automobile production and promote the formation of appropriate sales prices, aiming to build up profits

# **FY2023 2Q financial results (FY ended March 31, 2024)**

# FY2023 2Q financial results YoY comparison

Net sales



Increase  
in sales

Operating profit



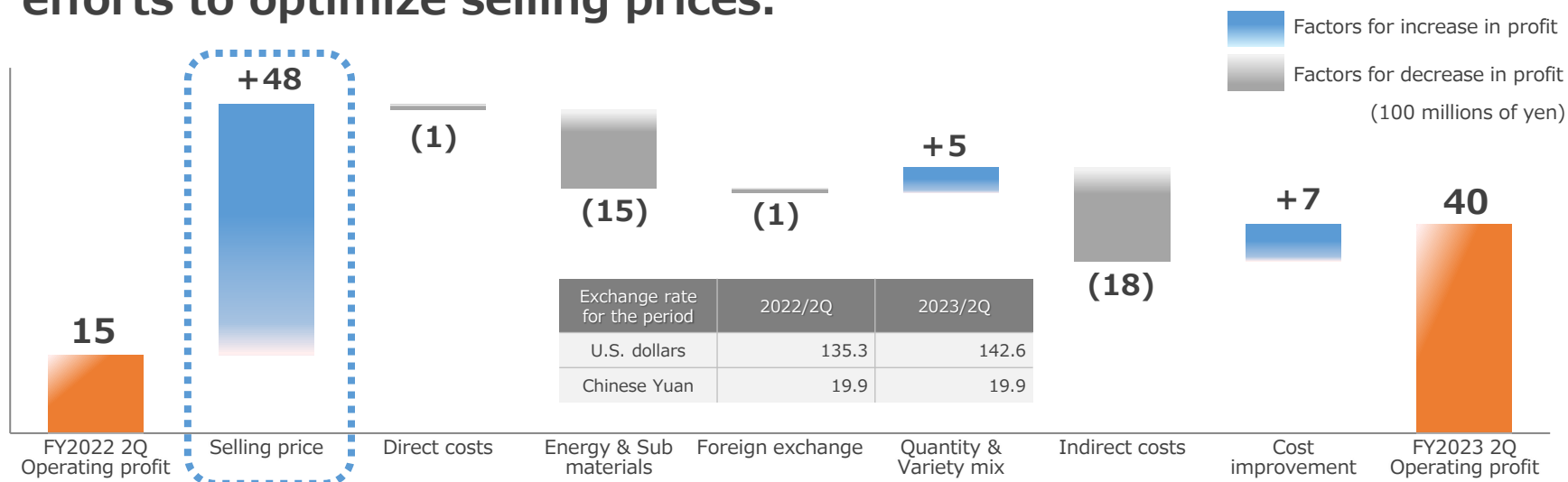
Increase  
in profit

- **Net sales increased by 9,800 million yen** mainly due to increased sales of wheels for passenger vehicles
- Operating profit **increased by 2,500 million yen** and profit attributable to owners of parent **increased by 1,300 million yen**, mainly due to an increase in the price difference between steel scrap prices and selling prices of steel products  
(100 millions of yen)

	FY2022 2Q Results	FY2023 2Q Results	YoY	
			Change	Increase/decrease (%)
Net sales	1,561	<b>1,659</b>	98	6.3%
Operating profit	15	<b>40</b>	25	158.6%
Operating profit margin	1.0%	2.4%	1.4 points	
Ordinary profit	28	<b>49</b>	21	74.9%
Profit attributable to owners of parent	21	<b>34</b>	13	62.3%
Interim dividend per share (yen)	20	<b>30</b>	10	—

# Factors for change in operating profit (YoY)

- Operating profit **increased by 2,500 million yen** due to progress in efforts to optimize selling prices.



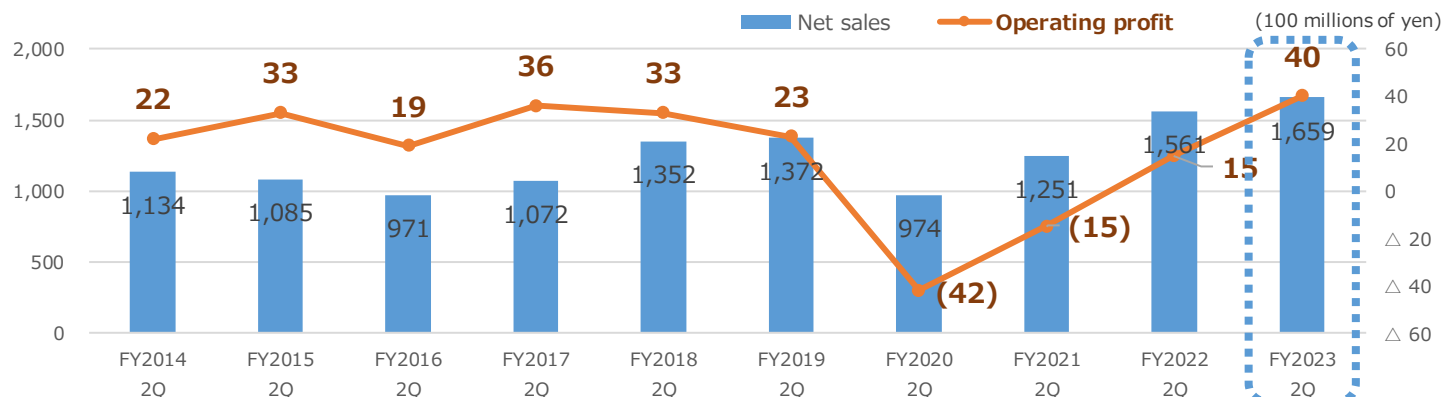
(Breakdown)

Segment	Selling price	Direct costs	Energy & Sub materials	Foreign exchange	Quantity & Variety mix	Indirect costs	Cost improvement
Steel	+4	+32	(14)	+0	+0	(7)	+2
Automotive and Industrial Machinery Components	+26	(25)	(1)	(0)	+5	(6)	+5
Power Generation	+18	(8)		(1)	(1)	(3)	
Others / head office					+1	(2)	
Main factors	Progress in efforts for optimization of selling prices	While steel scrap prices remained at low levels, procurement costs for purchased steel and other materials increased	Electricity costs are at a high level despite a downward trend	Although there was an impact from increased profit from overseas sales, the impact of decreased profit from procurement costs exceeded this	Increase in sales of wheels for passenger vehicles	Increase in labor costs	

# Financial results

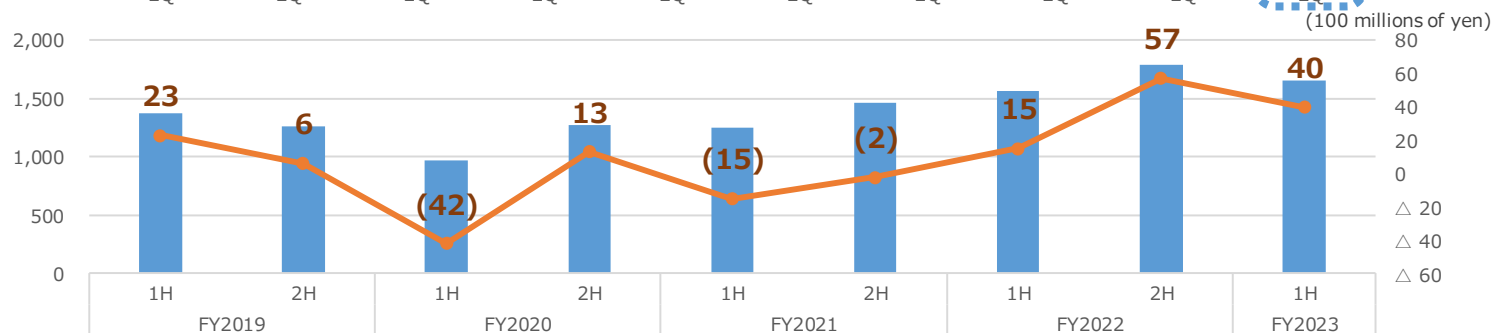
## Compared to same period of the past FY

\*Historical comparison of first six months of the fiscal year



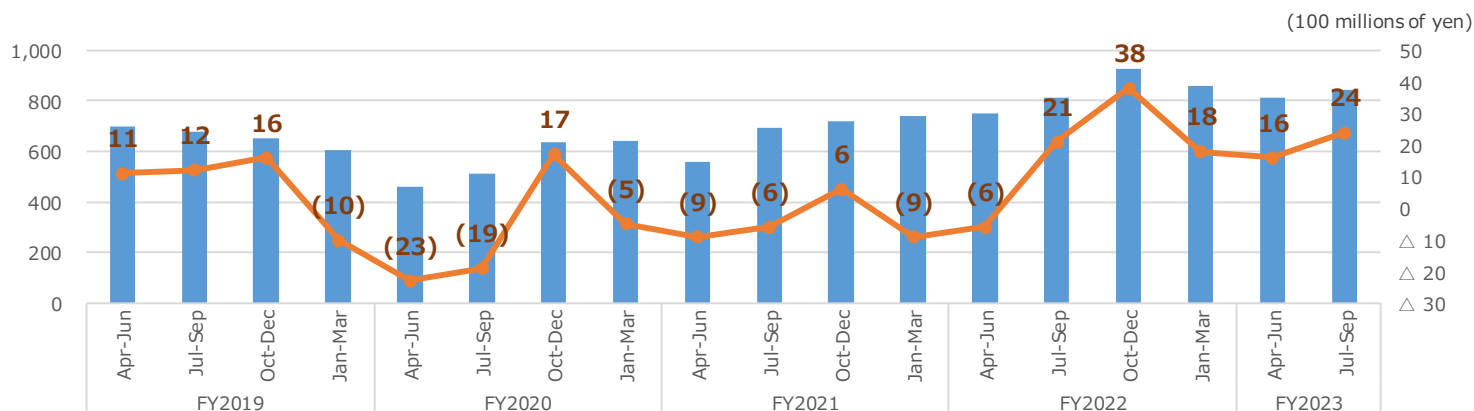
## Half-year changes

\*Changes in the first and second half of the year



## Quarterly Changes

\*Change in every 3 months



# Compared to previous forecast

(announced on September 25, 2023)



Net sales



Increase  
in sales

Operating profit



Increase  
in income

- Operating profit **increased by 1,200 million yen** due to progress in efforts to optimize **selling prices** and lower-than-expected repair costs and other costs, etc.

(100 millions of yen)

	FY2023 2Q previous forecast (Announced on September 25)	FY2023 2Q results	Compared to previous forecast	
			Change	Increase/decrease (%)
Net sales	1,650	<b>1,659</b>	9	0.6%
Operating profit	28	<b>40</b>	12	42.3%
Ordinary profit	33	<b>49</b>	16	48.1%
Profit attributable to owners of parent	21	<b>34</b>	13	61.0%



# Overview of business results by segment YoY



(100 millions of yen)

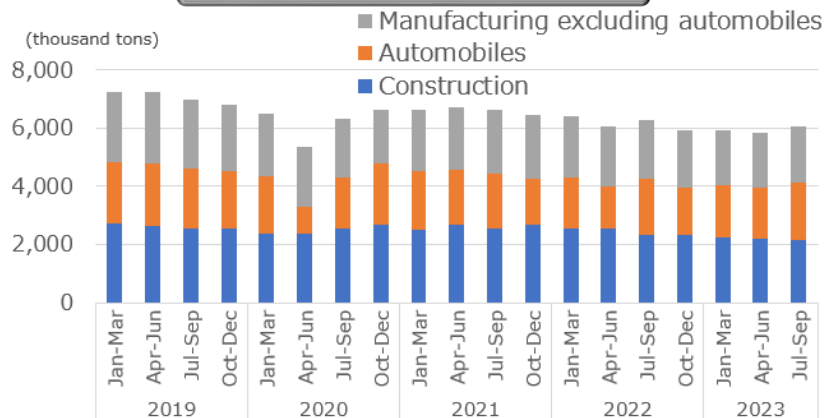
	FY2022 2Q Results		FY2023 2Q Results		YoY change Increase/decrease (%)		Factors
	Net sales	Operating profit	Net sales	Operating profit	Net sales	Operating profit	
Steel	501	29	<b>543</b>	<b>46</b>	42 8.2%	17 59.4%	<b>Increase in both sales and profit</b> due to the formation of appropriate selling prices and optimization of product mix
Automotive and Industrial Machinery Components	947	17	<b>1,012</b>	<b>21</b>	65 6.9%	4 22.8%	<b>Increase in both sales and profit</b> due to higher sales of passenger car wheels and optimization of selling prices in line with costs
Power Generation	82	(11)	<b>69</b>	<b>(6)</b>	(13) (15.6%)	5	<b>Decrease in sales and increase in profit</b> due to optimization of electricity sales price despite decrease in electricity sales volume
Others	31	7	<b>36</b>	<b>7</b>	5 14.5%	0 5.3%	
Head office	—	(27)	—	<b>(28)</b>	—	(1)	
Total	1,561	15	<b>1,659</b>	<b>40</b>	98 6.3%	25 158.6%	

# Overview of business results by segment (1) Steel

## Business environment

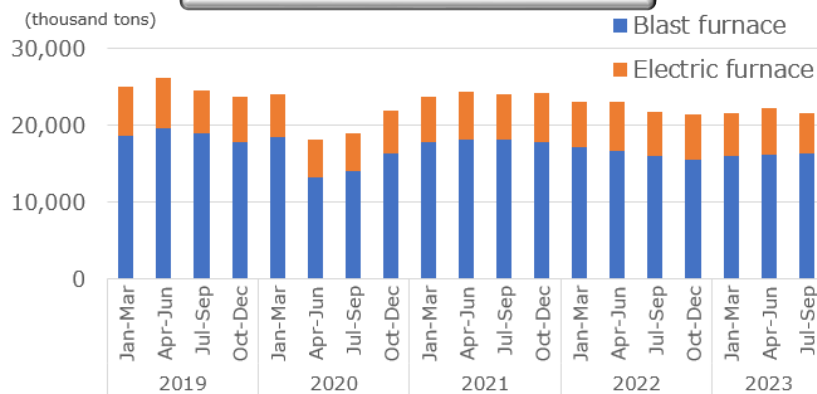
- Decrease in construction demand despite recovery in steel demand related to automobiles

Changes in domestic steel orders received



- Crude steel production volume fell slightly below that of the same period last year

Changes in crude steel production volume



## Business status

- Sales volume slightly decreased.  
Shaped steel ratio increased due to progress in product mix

(Unit: thousand tons)

Sales volume	2022/2Q Results	2023/2Q Results	Change
Shaped steel *Including internal sales	360	<b>363</b>	3
Steel bars	107	<b>93</b>	(14)
Total	467	<b>456</b>	(11)
Shaped steel ratio	77%	<b>80%</b>	3%

- **Spreads are rising** due to maintenance of appropriate selling prices

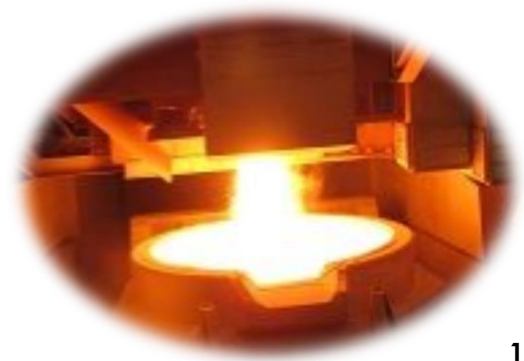
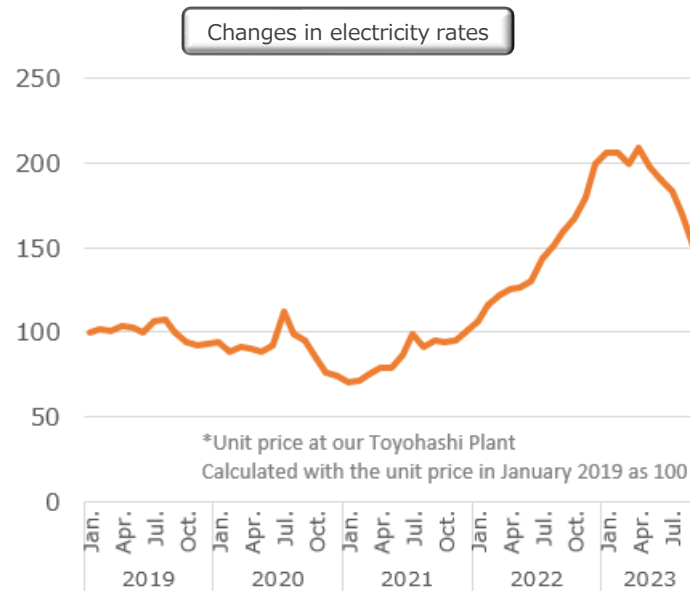
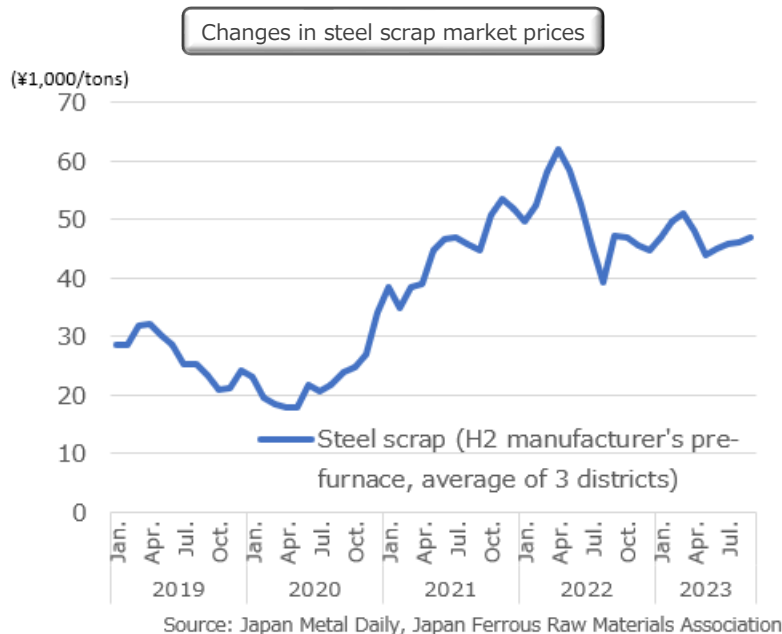
(Unit: ¥1,000/tons)

*Combined value of shaped steel and steel bars	2022/2Q Results	2023/2Q Results	Change
Selling price	113.4	<b>114.7</b>	1.3
Scrap payout unit price	56.7	<b>49.5</b>	(7.2)
Spreads	56.7	<b>65.2</b>	8.5

# Overview of business results by segment (1) Steel

## Business status

- Steel scrap prices have passed their peak and are at a **lower level** YoY
- Electricity costs are on a downward trend, but **still high** YoY (upward trend in same period of the previous fiscal year)



# Overview of business results by segment (1) Steel

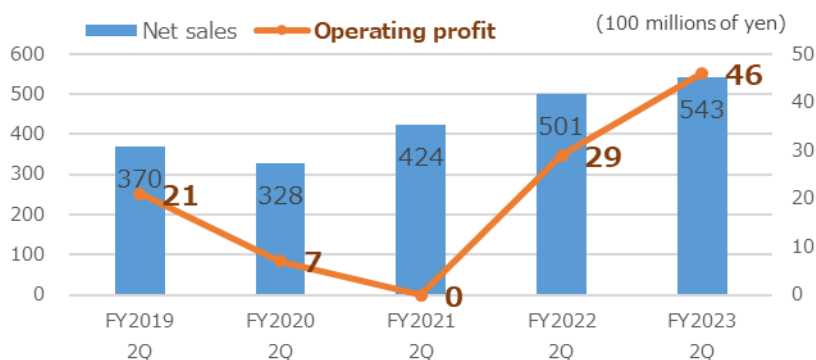
## Factors for change in operating profit

- Operating profit **increased by 1,700 million yen** due to price differentials widening as a result of **maintaining appropriate selling prices** amid low steel scrap prices

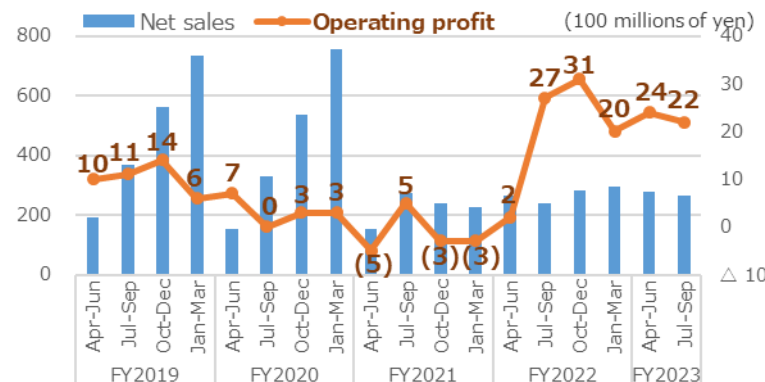


## Reference: Financial results

### Compared to same period of the past FY







### Quarterly Changes













# Overview of business results by segment

## (2) Automotive and industrial machinery components

### Business environment

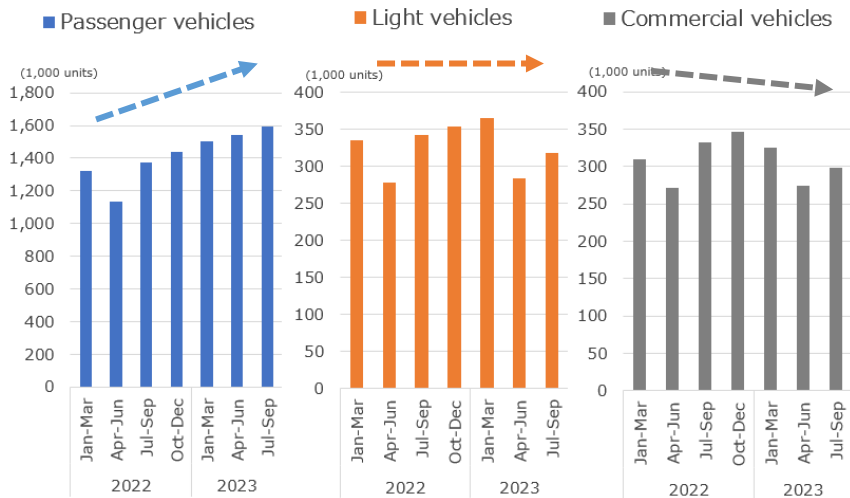
	Passenger vehicles	Production recovery is remarkable
	Commercial vehicles	Slow recovery due to production restrictions Decrease in small trucks, etc.
	Mining equipment	Demand remains strong
	Construction machinery	Slowdown in global demand Decrease in demand in Asia, Europe, etc.

### Business status

		Wheels for passenger vehicles	<b>Increase</b> in both sales volume and net sales (Increase in <b>aluminum wheels</b> in particular)
		Wheels for commercial vehicles	<b>Decrease</b> in sales volume
		Wheels for mining equipment	<b>Increase</b> in both sales volume and net sales
		Undercarriage parts for construction machinery	<b>Decrease</b> in both sales volume and net sales (decrease overseas in particular)
		Industrial fasteners, etc.	<b>Increase</b> in both sales volume and net sales due to recovery in automobile production

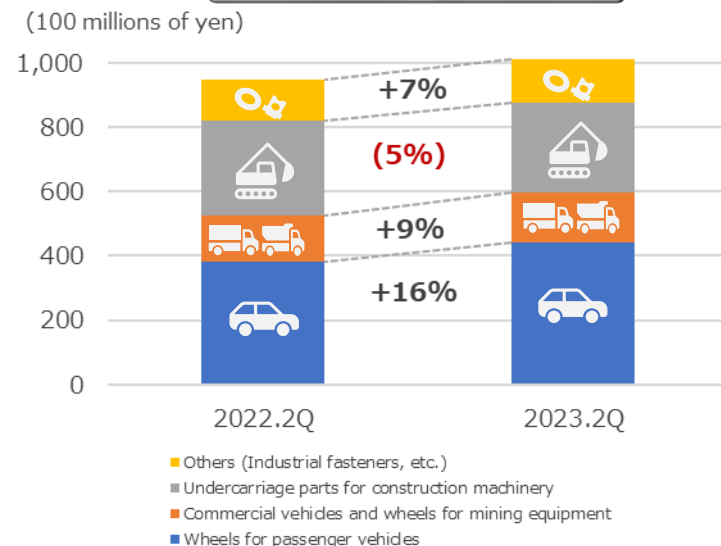
\*According to research by our company

### Change in numbers of domestic automobile production



Source: MarkLines

### Changes in net sales by product



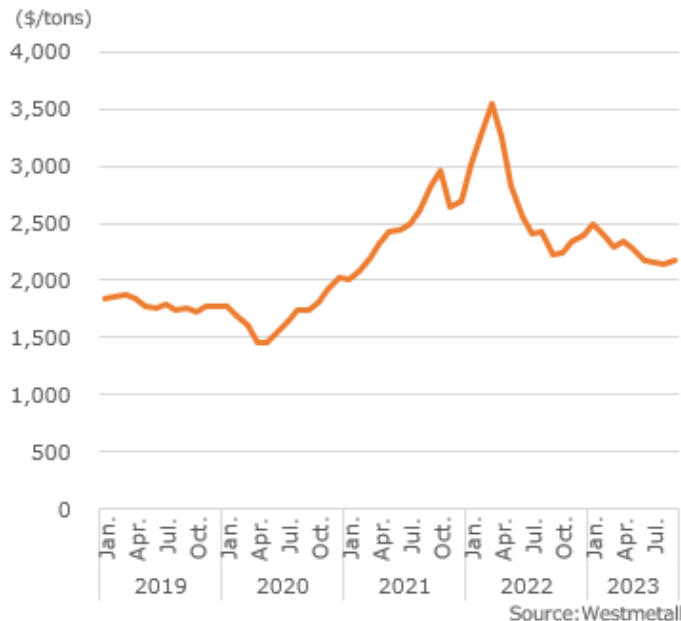
# Overview of business results by segment

## (2) Automotive and industrial machinery components

### Business status

- Purchased steel materials prices **increased** YoY
- Aluminum ingot prices have exceeded their peak and are at a **lower level** YoY

Changes in aluminum ingot market prices

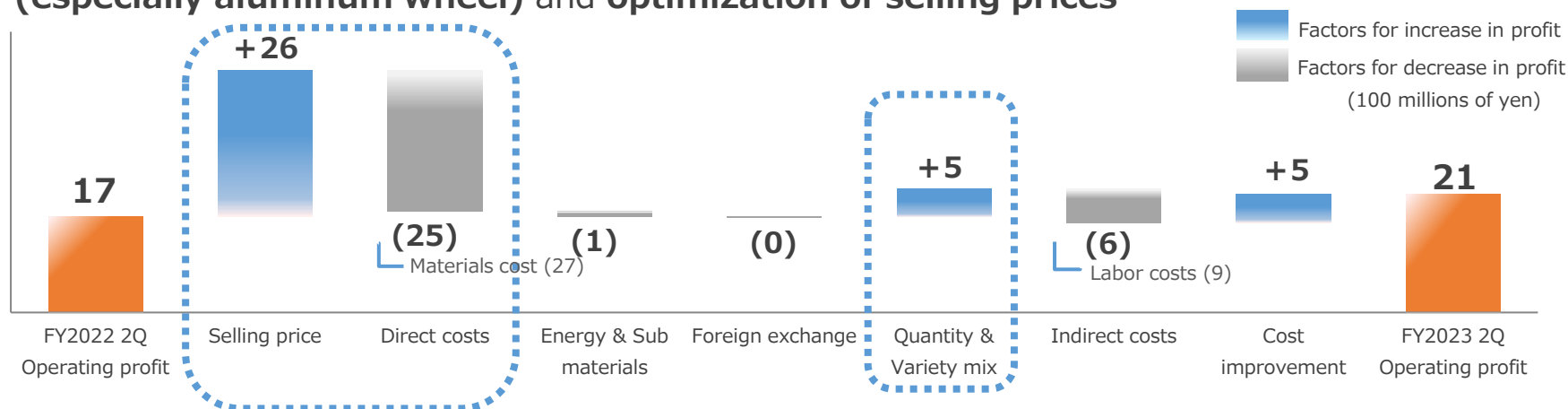


# Overview of business results by segment

## (2) Automotive and industrial machinery components

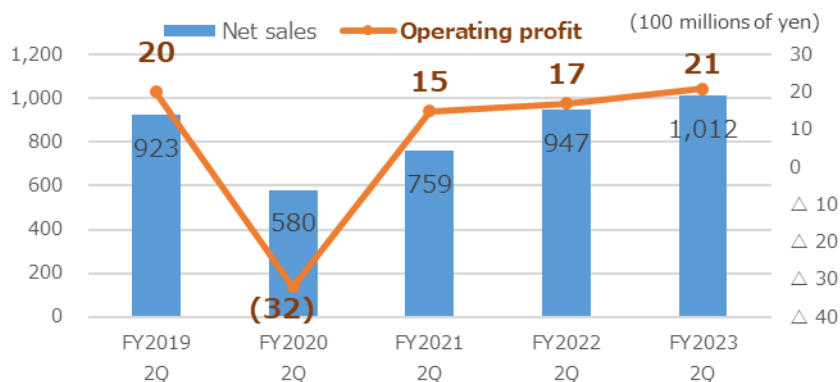
### Factors for change in operating profit

- **Increase of 400 million yen** due to increase in sales of wheels for passenger car (especially aluminum wheel) and optimization of selling prices

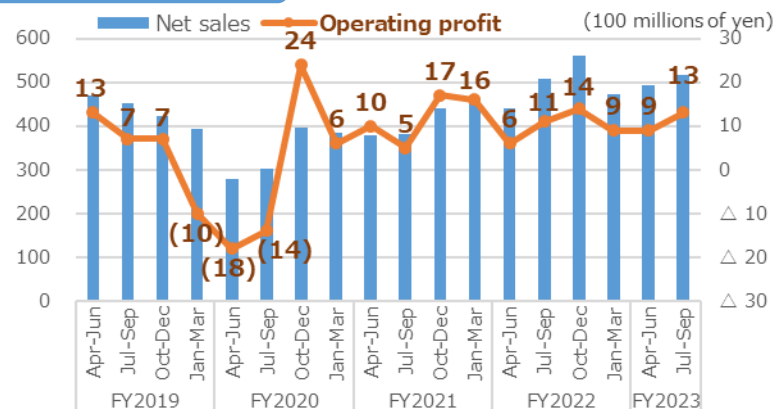


### Reference: Financial results

Compared to same period of the past FY



### Quarterly Changes



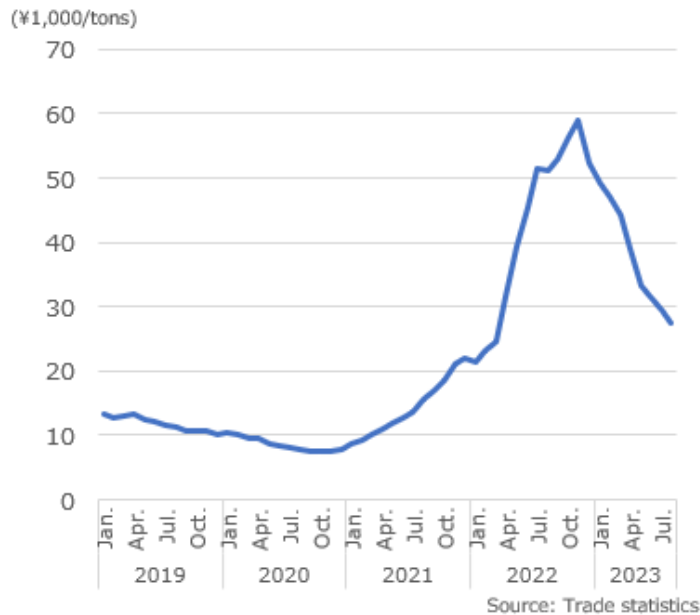
# Overview of business results by segment

## (3) Power generation

### Business environment

- Coal prices have passed their peak and **are on a downward trend**  
(upward trend in same period of the previous fiscal year)

Changes in coal customs prices



### Business status

#### Sales volume

#### Decrease

- Suspension of operations for statutory periodic inspections
- Decline in electricity demand this summer

#### Impact on coal prices

#### Impact of high coal prices remains



Sales electricity rate per unit increased due to **a time lag in the fuel cost adjustment unit price increase**



**Fuel costs remain high** due to a decrease in power generation volume and slow inventory consumption



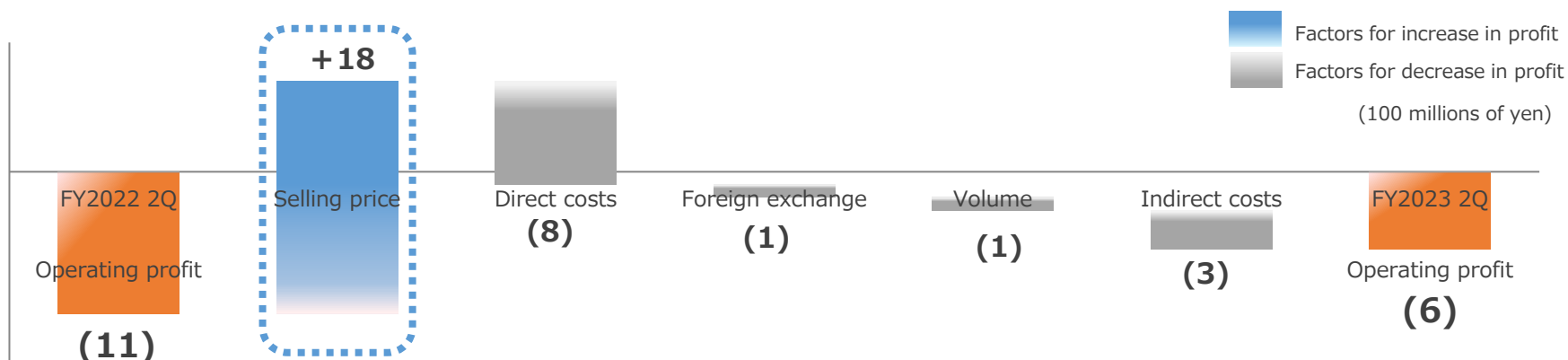


# Overview of business results by segment

## (3) Power generation

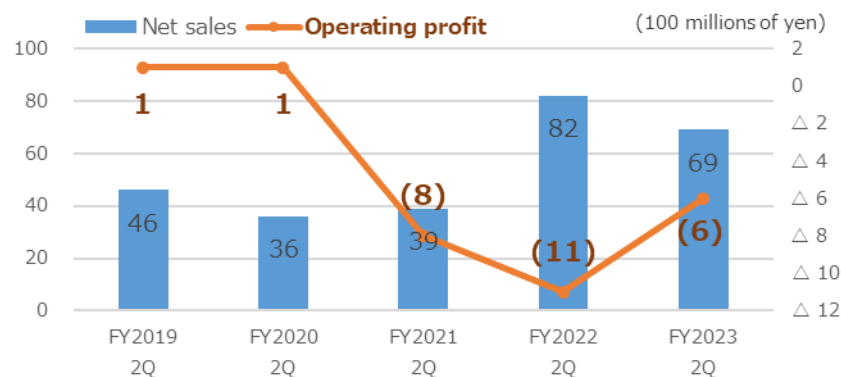
### Factors for change in operating profit

- Although operating profit **increased by 500 million yen** due to the **optimization of selling prices**, this segment did not move back into the black due to an increase in direct costs caused by **fuel costs remaining high** and an **increase in repair costs** in response to statutory periodic inspections



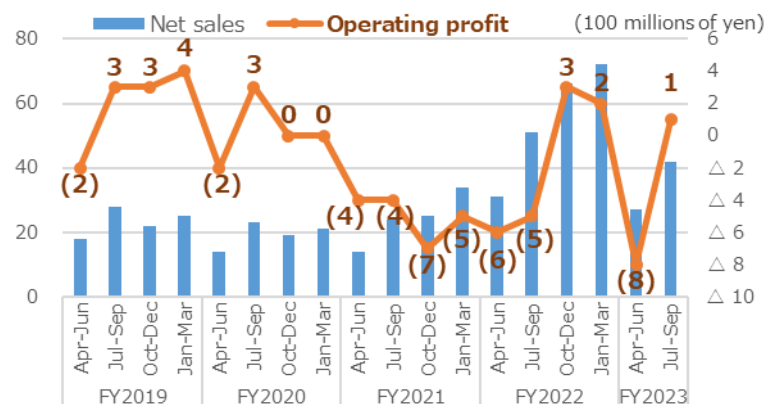
### Reference: Financial results

#### Compared to same period of the past FY



#### Quarterly Changes

\* Decrease in the power generation amount in every first quarter due to statutory periodic inspections



# Status of net sales by region

- Overseas net sales as a percentage of total sales decreased YoY due to an increase in domestic sales and a **decrease in net sales of undercarriage parts for construction machinery**

(100 millions of yen)

FY2023 2Q Results	JAPAN	U.S.A.	CHINA	Others	Total
Steel Segment	500 92.1%	5 0.9%	0 0.0%	38 7.0%	543
Automotive and Industrial Machinery Components Segment	647 63.9%	157 15.6%	53 5.2%	155 15.3%	1,012
Power Generation Segment	69 100.0%	— —	— —	— —	69
Others	34 93.8%	0 0.7%	0 0.5%	2 5.0%	36
Total	1,250 75.3%	162 9.8%	53 3.2%	195 11.7%	1,660
Ratio (overseas)	24.7% (Automotive and Industrial Machinery Components Business: 36.1% of overseas sales)				

## [Reference] YoY results

FY2022 2Q Results	1,139 72.9%	165 10.6%	60 3.8%	197 12.7%	1,561 100.0%
Ratio (overseas)	27.1% (Automotive and Industrial Machinery Components Business: 39.0% of overseas sales)				

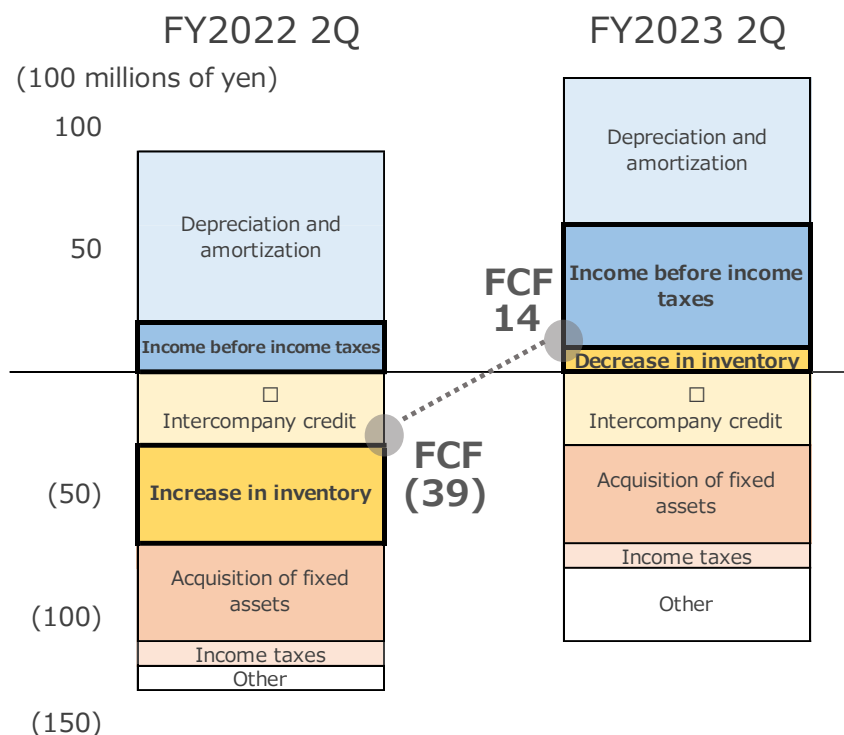
# Status of cash flows

- Free cash flow improved thanks to securing profit and a reduction in inventory

(100 millions of yen)

	FY2022 2Q	FY2023 2Q
<b>Operating cash flow</b>	<b>(2)</b>	<b>48</b>
Income before income taxes	26	50
Depreciation and amortization	65	63
Intercompany credit	(33)	(36)
Increase (decrease) in inventory	(37)	14
Income taxes paid	(9)	(6)
Other	(14)	(37)
<b>Investing cash flow</b>	<b>(38)</b>	<b>(34)</b>
Acquisition of fixed assets	(42)	(37)
Other	4	3
<b>FCF</b>	<b>(39)</b>	<b>14</b>
<b>Financing cash flow</b>	<b>49</b>	<b>(14)</b>
Financing from long-term borrowings	99	5
Issuance of corporate bonds		50
Repayment of long-term borrowings	(35)	(36)
Dividends paid	(5)	(16)
Other	(10)	(17)

Status of free cash flows







# Full-year forecast for FY2023 (FY ending March 31, 2024)

# Assumptions for revision of the full-year forecast for FY2023

## Business environment forecast

**Steel** Demand is flat or slightly below expectations

## Automotive and Industrial Machinery Components

	Passenger vehicles	Recovery of production continues
	Commercial vehicles	Concerns of falling below the initial production plan
	Mining equipment	Demand remains strong
	Construction machinery	Global demand falls below initial expectations


### Cost


No significant fluctuations expected

### Foreign exchange

Yen expected to continue to depreciate









## The Company's business (second half) forecast


**Steel**  Sales volume **decreases** compared to the previous forecast in the second half

 • Scrap iron costs start **slightly below** the previous forecast, but rise towards the end of the fiscal year

• Energy costs **decline**

## Automotive and Industrial Machinery Components

		Wheels for passenger vehicles	Sales volume in Japan will be in line with the previous forecast, but will decrease overseas
		Wheels for commercial vehicles	Sales volume <b>decreases</b> compared to the previous forecast
		Wheels for mining equipment	Continue to meet demand and respond with full production
		Undercarriage parts for construction machinery	Sales volume <b>decreases</b> compared to the previous forecast


 Progress in **optimization of selling prices**

Electricity sales volume **decreases** from the previous forecast for the full year (Not possible to compensate for the decrease in sales volume in the first half in the second half)

### Power Generation



### Other

 Assumed exchange rate  
From 135 yen/\$ in the second half to **150 yen/\$ in the second half**

# Full-year forecast for FY2023 (compared to FY2022) compared to previous forecast



Net sales



Increase  
in sales

Operating  
profit



Increase  
in profit

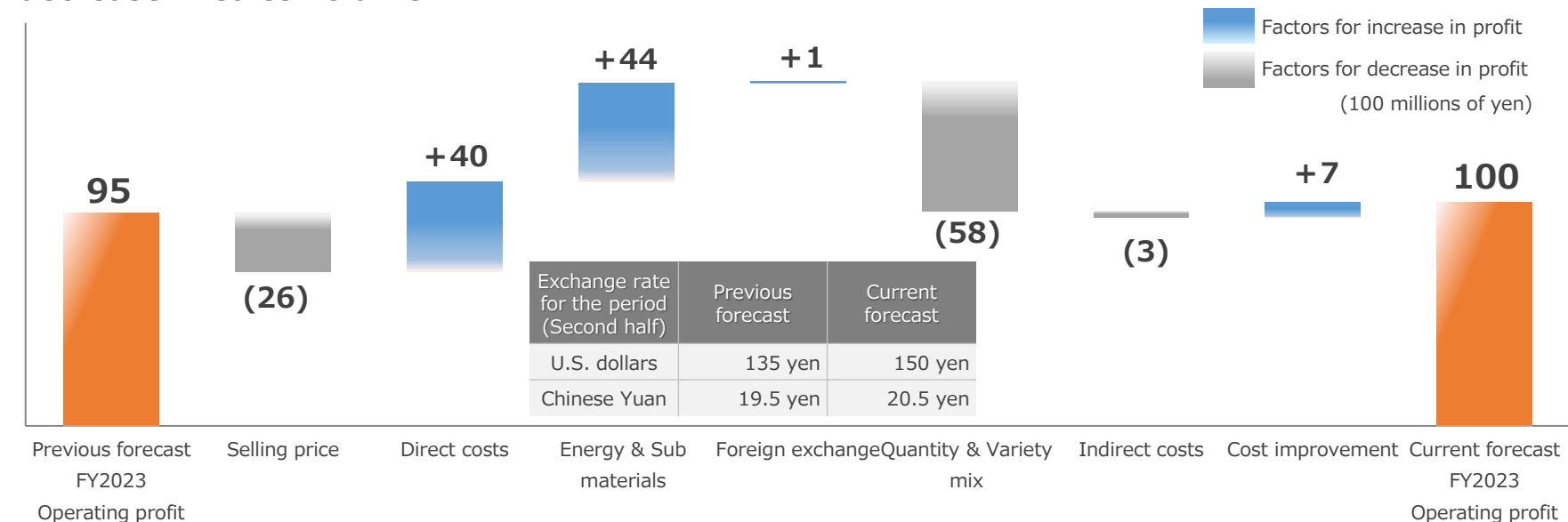
- Operating profit is **revised upward by 500 million yen to 10,000 million yen**, and the annual dividend is **revised upward by 20 yen to 108 yen**, in anticipation of further progress in optimizing selling prices

(100 millions of yen)

	[Reference] FY2022 (Results)	Previous full-year forecast for FY2023 (Announced on May 10)	Current full-year forecast for FY2023 (Announced on November 7)	Compared to previous forecast	
				Change	Increase/ decrease (%)
Net sales	3,345	3,420	<b>3,430</b>	+10	+0.3%
Operating profit	72	95	<b>100</b>	+5	+5.3%
Operating profit margin	2.1%	2.8%	<b>2.9%</b>		
Ordinary profit	80	96	<b>110</b>	+14	+14.6%
Profit attributable to owners of parent	63	65	<b>75</b>	+10	+15.4%
Dividend per share (yen)	88	88	<b>108</b>	+20	—

# Factors for change in operating profit compared to the previous forecast

- Operating profit is expected to **increase by 500 million yen** due to the progress of selling price optimization and reduction of electricity costs and other costs, despite the impact of the decrease in sales volume



(Breakdown)

Segment	Selling price	Direct costs	Energy & Sub materials	Foreign exchange	Quantity & Variety mix	Indirect costs	Cost improvement
Steel	(49)	+33	+40	+1	(14)	(5)	+0
Automotive and Industrial Machinery Components	+29	+5	+4	+0	(39)	(0)	7
Power Generation	(6)	+2		(4)	(5)	+0	
Others / head office				4		2	
Main factors	There is progress in selling price optimization in the Automotive and Industrial Machinery Components Segment, while in the Steel Segment, selling prices drop due to a downturn in scrap iron prices		Downturn in scrap iron prices	Downturn in electricity costs	In the Power Generation Segment, there is an increase in procurement costs due to yen depreciation	Decrease in sales volume	

# Forecasts by segment compared to the previous forecast

(100 millions of yen)

	FY2023 Previous (May 10) forecast		FY2023 Current (November 7) forecast		Compared to previous forecast (Increase/decrease (%))		Factors
	Net sales	Operating profit	Net sales	Operating profit	Net sales	Operating profit	
Steel	1,220	87	<b>1,170</b>	<b>93</b>	(50)	6	Despite a decrease in sales volume, <b>reduced costs for steel scrap and electricity</b> lead to a decrease in sales but an increase in profit
Automotive and Industrial Machinery Components	1,980	51	<b>2,060</b>	<b>57</b>	80	6	Both sales and profits increased due to <b>factors including optimization of selling prices.</b>
Power Generation	150	8	<b>140</b>	<b>(5)</b>	(10)	(13)	Decrease in sales and profit <b>due to a decrease in electricity sales volume</b>
Other	70	11	<b>60</b>	<b>13</b>	(10)	2	
Head office	—	(62)	—	<b>(58)</b>	—	4	
Total	3,420	95	<b>3,430</b>	<b>100</b>	10	5	



# Status of initiatives for the Medium-term Management Plan “TOPY Active & Challenge 2025”

# Medium-Term Management Plan: Three major strategies for business, finance and sustainability

## 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

Invest in growth through sustainable EBITDA generation and shareholder returns

Financial goals

### Financial strategy

### Sustainability strategy

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

Non-financial goals

# Major initiatives (progress in first half of 2023)

Business  
strategy for  
key themes

## 1 Improve capital productivity and optimize business portfolio

### ■ Advance the concrete examination of business portfolio optimization

- Accelerate efforts to **increase** capital productivity and **improve PBR**, including the examination of **optimizing global production bases**

### ■ Strengthen the aluminum wheel business (deepen the integration of global operations)

- **Technical integration** among production bases (Japan, Thailand, China, and technology partners) centered on the Aluminum Control Center, BCP measures for stable production, promotion of optimal production through **bridge production**, etc. to improve productivity, personnel exchanges, etc.



Business  
strategy for  
key themes

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

### ■ Improvement of profit through optimization of selling prices

- **First half results: 4.8 billion yen increase in profit (YoY)**
- Steady progress with respect to raw materials
- Continue initiatives related to **transportation costs and labor costs**, which are expected to rise in the future, in addition to **sub materials and energy**

# Major initiatives (progress in first half of 2023)

Business  
strategy for  
key themes

2

## Restructuring of the business foundation for enhanced profitability and sustainable growth

### ■ Initiatives to address the 2024 problem in logistics

- Established a **project team** to solve the issue, and examined risk assumptions and the response to guidelines
- Considered the introduction of a **logistics management system** at Toyohashi Plant, etc.

### ■ Expanding use of inexpensive, high-quality steel scrap

- Expanded utilization of inexpensive scrap by taking advantage of the **features of our electric furnace facilities**  
→ Capable of manufacturing without reducing quality or productivity, as the capacity is designed considering factors such as future low-density scrap

### ■ Expanding sales of new products that meet social needs

- We plan to develop and sell **wheels for trailer houses**, in response to the increasing demand for trailer houses that can be reused repeatedly for stores and offices as well as temporary housing for use in the aftermath of recent natural disasters,



# Major initiatives (progress in first half of 2023)

Business  
strategy for  
key themes

## 3 Deepen proprietary technologies and become carbon neutral

### ■ Development of wheel power generation technology, etc.

- Developed **Topy Green Wheel Technology** as a new technology that can generate electricity with wheels
- Developed a **low carbon emission steel applied wheel** as an environmentally friendly steel wheel using steel manufactured in an electric furnace.

→ First unveiled at **Japan Mobility Show 2023**.

See the Topics section for details

Topy Green Wheel Technology is not a product name but a development name.



Financial  
strategy

## Improvement of cash flows

### ■ Improvement of CCC (cash conversion cycle) and responding to the declaration of partnership building

- Shortened the collection period of accounts receivable and strengthened inventory management
- Also implemented measures such as setting the payment deadline for notes within 60 days in accordance with the declaration of partnership building



Achieved an overall **improvement in free cash flow**

# Topics

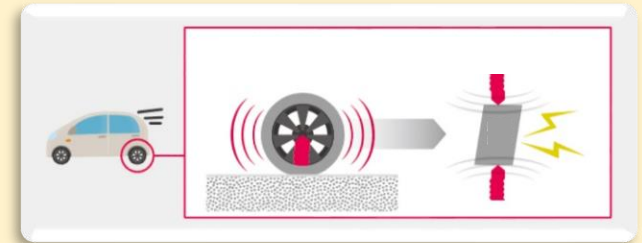
## Exhibited at Japan Mobility Show 2023

- Proposing new possibilities and innovations for wheels towards the future -

Newly developed wheel power generation technology was exhibited under the theme of "Regeneration Circle - Toward a brighter future, Topy's circle of connection and expansion"

### ■ Topy Green Wheel Technology, a new technology

Technology to generate electricity by utilizing a piezoelectric element that converts the strain generated in the wheel as the tire deforms into a voltage.  
A technology that generates power by converting the strain generated in wheels due to tire deformation into voltage using a piezoelectric element



### ■ Topy Sustainable Wheel

An aluminum wheel that aim to reduce environmental impact throughout the entire life cycle



### ■ Low carbon emission steel applied wheel

An environmentally-friendly steel wheel made using steel materials produced in an electric furnace



Topy Green Wheel Technology and Topy Sustainable Wheel are not product names but development names.



## Akemi Recycling Center, Ltd. receives a letter of appreciation from JR Tokai

Contributed to the development of metal bats for children made from **recycled aluminum** from Tokaido Shinkansen bullet train cars

\*Responsible for the process of producing aluminum chips by removing impurities such as paint attached to the vehicles, **using facilities and proprietary technology including some of the largest shredders in the country and advanced metal sorting.**



## Topy Marine Transport's Toshin Maru receives the highest rating in the Ministry of Land, Infrastructure, Transport and Tourism's domestic ship energy-saving rating system

Topy Marine Transport's general cargo ship Toshin Maru received the highest rating of five stars for its **extremely high energy-saving and CO<sub>2</sub> emission performance**





## TACoil® registered in NETIS, the Ministry of Land, Infrastructure, Transport and Tourism's new technology information system

Registered in recognition of improvement of processing productivity and reduction of material waste loss during processing



## Published the TOPY Report 2023 integrated report

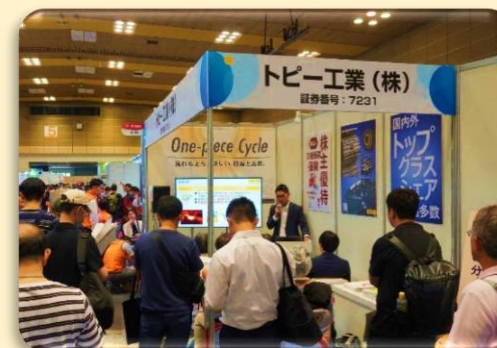
Introduces value creation process, human resources and DX strategies toward the vision for FY2030



## Received FTSE Russell ESG Rating 3.0

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.

## Exhibited at an IR fair for individual investors for the first time

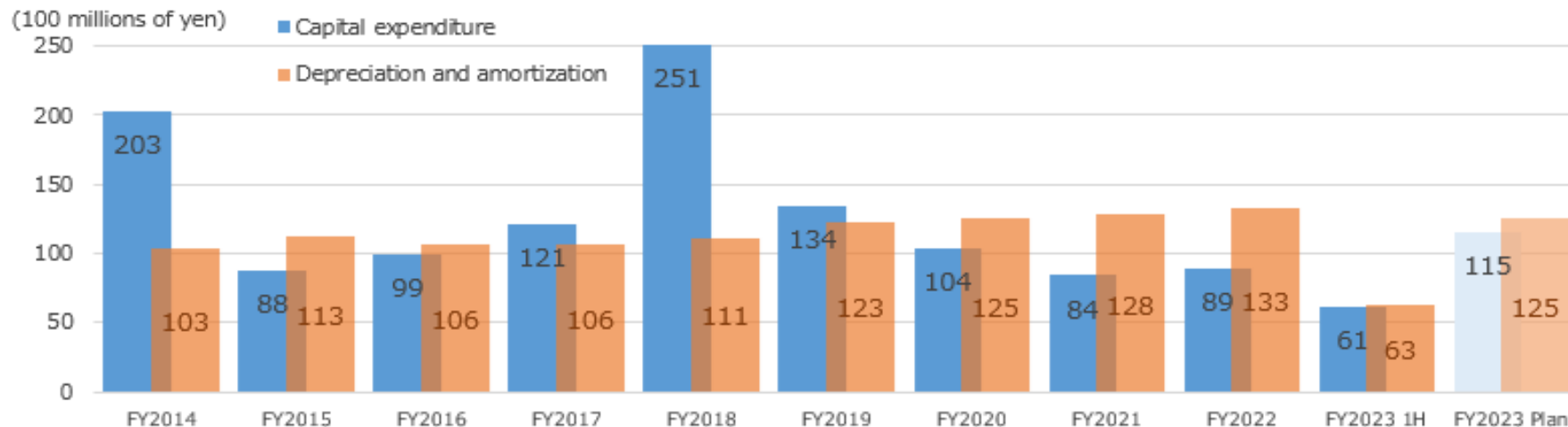


Exhibited to strengthen IR activities for individual investors

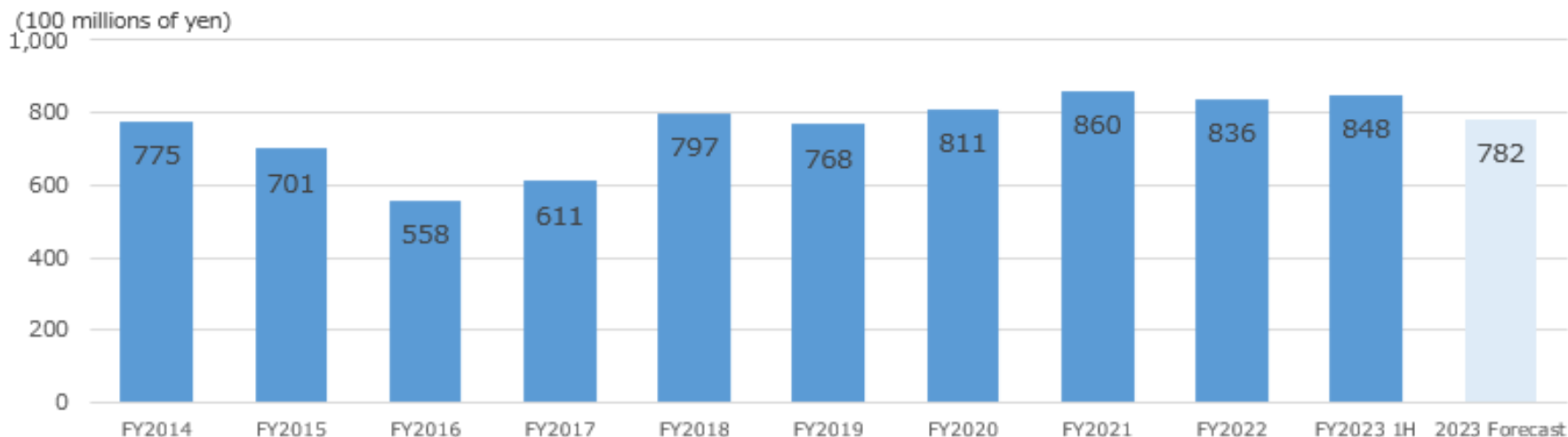
# Reference materials

# Capital expenditures, depreciation and amortization, and interest-bearing debt

## Capital expenditures and depreciation and amortization



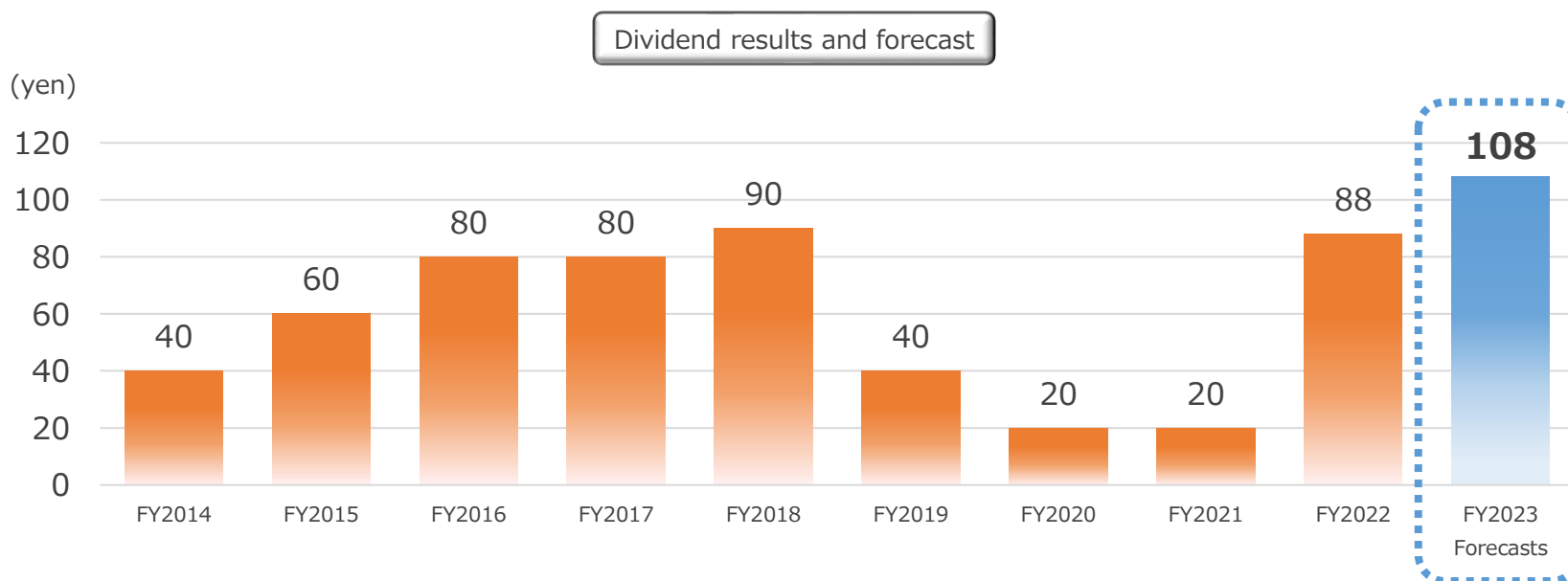
## Interest-bearing debt



# Shareholder returns

- The annual dividend forecast for FY2023 revised to **108 yen per year** based on performance forecasts and dividend policy
- Dividend forecast is the **highest ever**

Dividend policy: **30-35%** of profit attributable to owners of parent, excluding one-time gains and losses that do not involve changes in cash and deposits.



# Forecast for the second half of FY2023 and first half and second half comparison

Net sales



Increase  
in sales

Operating  
profit



Increase  
in profit

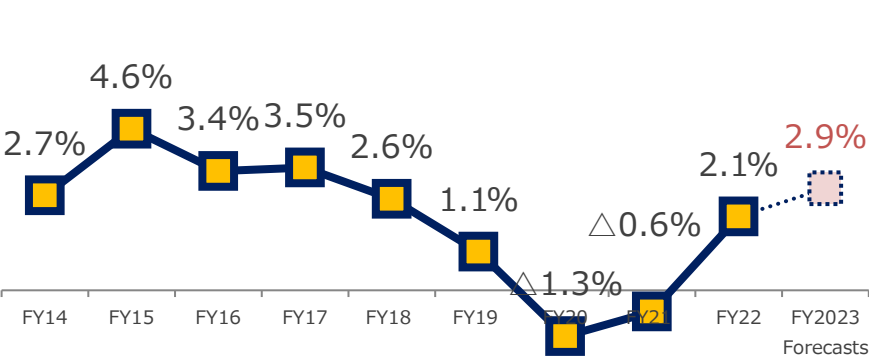
- For the second half, operating profit is **expected to increase by 2,000 million yen due to the impact of seasonal demand** (wheels for snow tires, blades for snowplows, etc.)

(100 millions of yen)

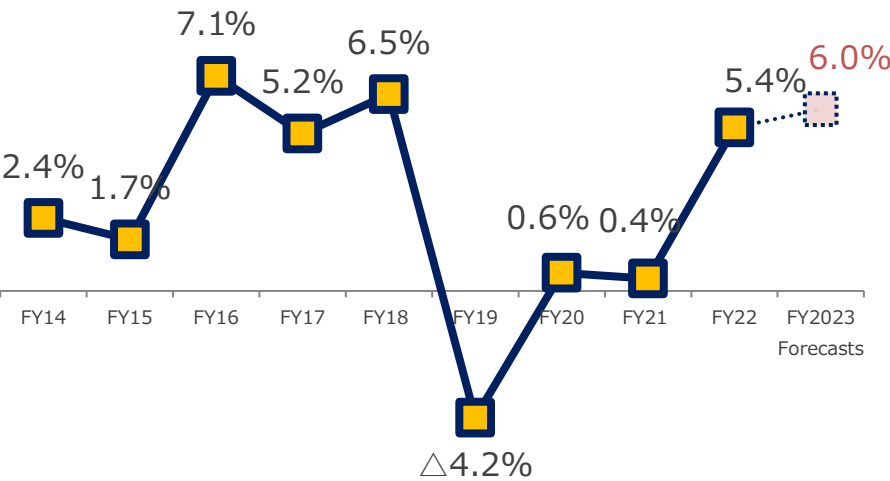
	[Reference] FY2023 (Forecasts)	First half of FY2023 results	Second half of FY2023 forecast	Compared to first half	
				Change	Increase/ decrease (%)
Net sales	3,430	1,659	1,771	112	6.8%
Operating profit	100	40	60	20	50.0%
Operating profit margin	2.9%	2.4%	3.4%		
Ordinary profit	110	49	61	12	24.5%
Profit attributable to owners of parent	75	34	41	7	20.6%

# Trends in major indicators

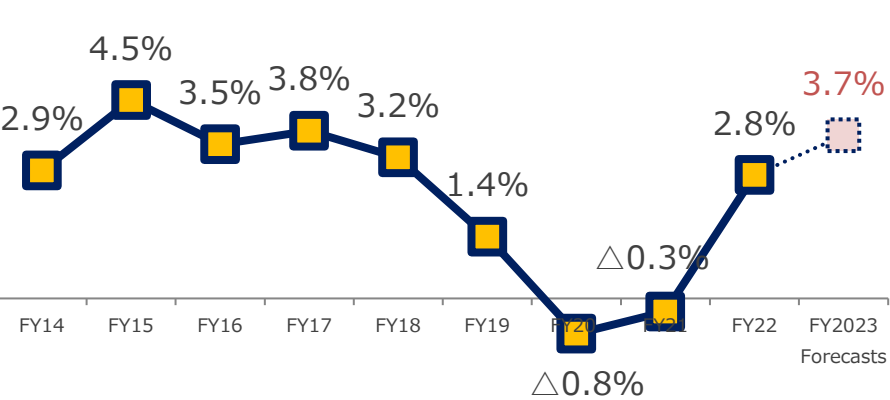
Operating profit margin



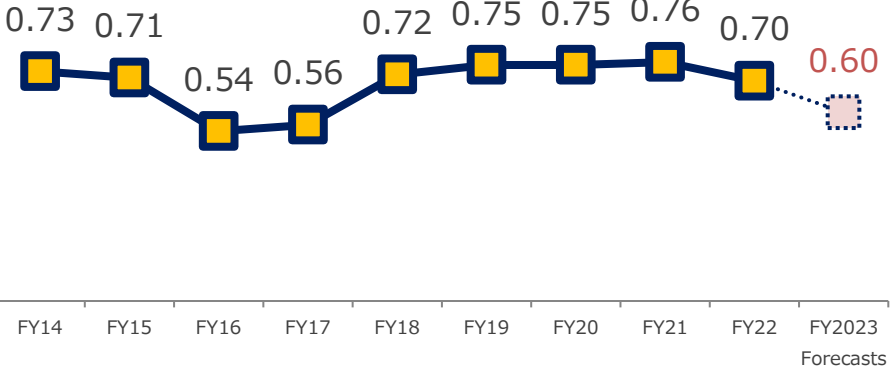
Return on equity (ROE)



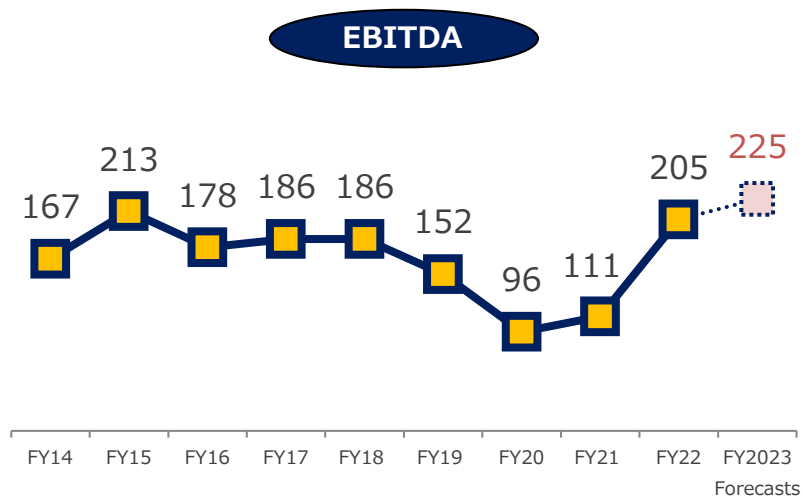
Return on asset (ROA)



D/E ratio



# Trends in major indicators



# Results by segment and net sales by business area

