



# Financial Results for FY2023

**May 22, 2024**

**TYO 7231**

**TOPY INDUSTRIES, LTD.**

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# Main points: Overview of FY2023 and looking toward FY2024



## Overview of FY2023

**EBITDA**  
**JPY 23.2 billion**  
(JPY 2.7 billion increase YoY)

Difference  
between steel  
scrap price and  
steel sales price

Increase in  
sales of  
Aluminum  
wheels for  
passenger vehicles

Discontinuation of  
the power  
generation  
business

## Looking toward FY2024

**EBITDA**  
**JPY 20.7 billion**  
(JPY 2.5 billion decrease YoY)

Increase in steel  
scrap prices  
  
Weak demand in  
undercarriage parts  
for industrial  
machinery  
  
Increase in logistics  
costs and labor costs

Formation of  
sustainable  
selling prices

Promotion of  
business portfolio  
reforms

# Main points: Key management indicators



	FY2022 Results	FY2023 Results	FY2024 Forecasts
Operating profit	JPY 7.2 billion	JPY 10.4 billion	JPY 8.6 billion
Operating profit margin	2.1%	3.1%	2.7%
ROE	5.4%	3.6%	5.2%
EBITDA	JPY 20.5 billion	JPY 23.2 billion	JPY 20.7 billion
D/E ratio	0.7	0.5	0.6
PBR (end of the period)	0.4	0.4	—
Dividend (payout ratio)	88 (32%)	103 (32%)	103 (33%)

- 1. Full-year financial results for FY2023 and full-year earnings forecast for FY2024**
- 2. Status of initiatives for the Medium-term Management Plan “TOPY Active & Challenge 2025”**
- 3. Topics**

# **Full-year financial results for FY2023 and full-year earnings forecast for FY2024**

# Summary

## FY2023 Results



Profit increase  
(operating profit)

## FY2024 Forecasts

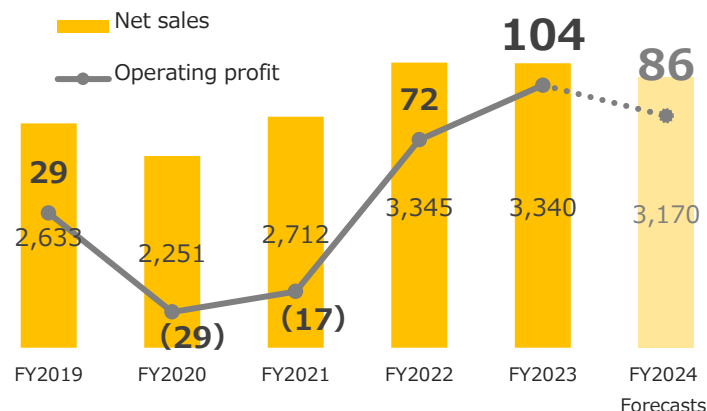


Profit decrease  
(operating profit)

(100 millions of yen)

FY2023: **Large increase in operating profit** despite the slight decrease in net sales. Profit attributable to owners of parent decreased due to the booking of impairment loss.

FY2024: Planned **decrease in both net sales and profit**. Expected recovery in the profit attributable to owners of parent.



(100 millions of yen)	FY2022 Results	FY2023 Results Increase/decrease (%) YoY		FY2024 Forecasts Increase/decrease (%) YoY	
Net sales	3,345	<b>3,340</b>	(0.2)%	<b>3,170</b>	(5.1)%
Operating profit	72	<b>104</b>	+45.5%	<b>86</b>	(17.6)%
Operating profit margin	2.1%	<b>3.1%</b>	+1 ppt	<b>2.7%</b>	(0.4)ppt
Ordinary profit	80	<b>105</b>	+30.1%	<b>90</b>	(14.0)%
Profit attributable to owners of parent	63	<b>47</b>	(26.0)%	<b>72</b>	+54.0%
Dividends per share (yen)	88	<b>103</b>	+15	<b>103</b>	—

# FY2023 Special factors (extraordinary loss)



## Discontinuation of the Power Generation business



Discontinuation of the Power Generation business at the end of March 2024 due to lower profitability and potential

(Background)

- Soaring prices of coal, the fuel used for power generation  
→ Persisting operating loss in recent years
- Fall in market prices due to stable electricity supply and demand in the Chubu region
- Necessity to build a business portfolio with a low environmental burden in line with the growing decarbonization trend

(Impact amount)

Impairment loss on fixed assets	<b>JPY 2.4 billion</b>
Costs related to business withdrawal (Loss on business withdrawal)	<b>JPY 1.1 billion</b>

## Capital policy of the U.S. subsidiary



Booking of impairment loss in the U.S. subsidiary Topy America in the continuously weak Automotive and Industrial Machinery Components Segment

(Background)

- Disruptions in U.S. automobile production due to shortages of semiconductor parts leading to lower profitability
- Increase in labor costs and issues in securing personnel  
→ Persisting operating loss in recent years

(Impact amount)

Impairment loss on fixed assets	<b>JPY 3.3 billion</b>
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### ◆ Company Profile **Topy America, Inc.**

(State of Kentucky, etc.)

Manufacture and sales of wheels for passenger vehicles, undercarriage parts for construction machinery and wheels for mining equipment



## Reorganization of the Fastener business



(Discontinuation of the Mexico-based business)



Costs related to business reorganization (Loss due to business reorganization)	<b>JPY 0.3 billion</b>
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Accelerate initiatives **to optimize the business portfolio**

Strengthen profitability **by expanding** sales to non-Japanese **local companies**

\*Although profit attributable to owners of parent decreased, **there was no impact on shareholder return (dividends)** because the dividend resource **does not include the impact of impairment loss and other related items.**

# Factors for change in operating profit

(FY2022 results vs. FY2023 results)

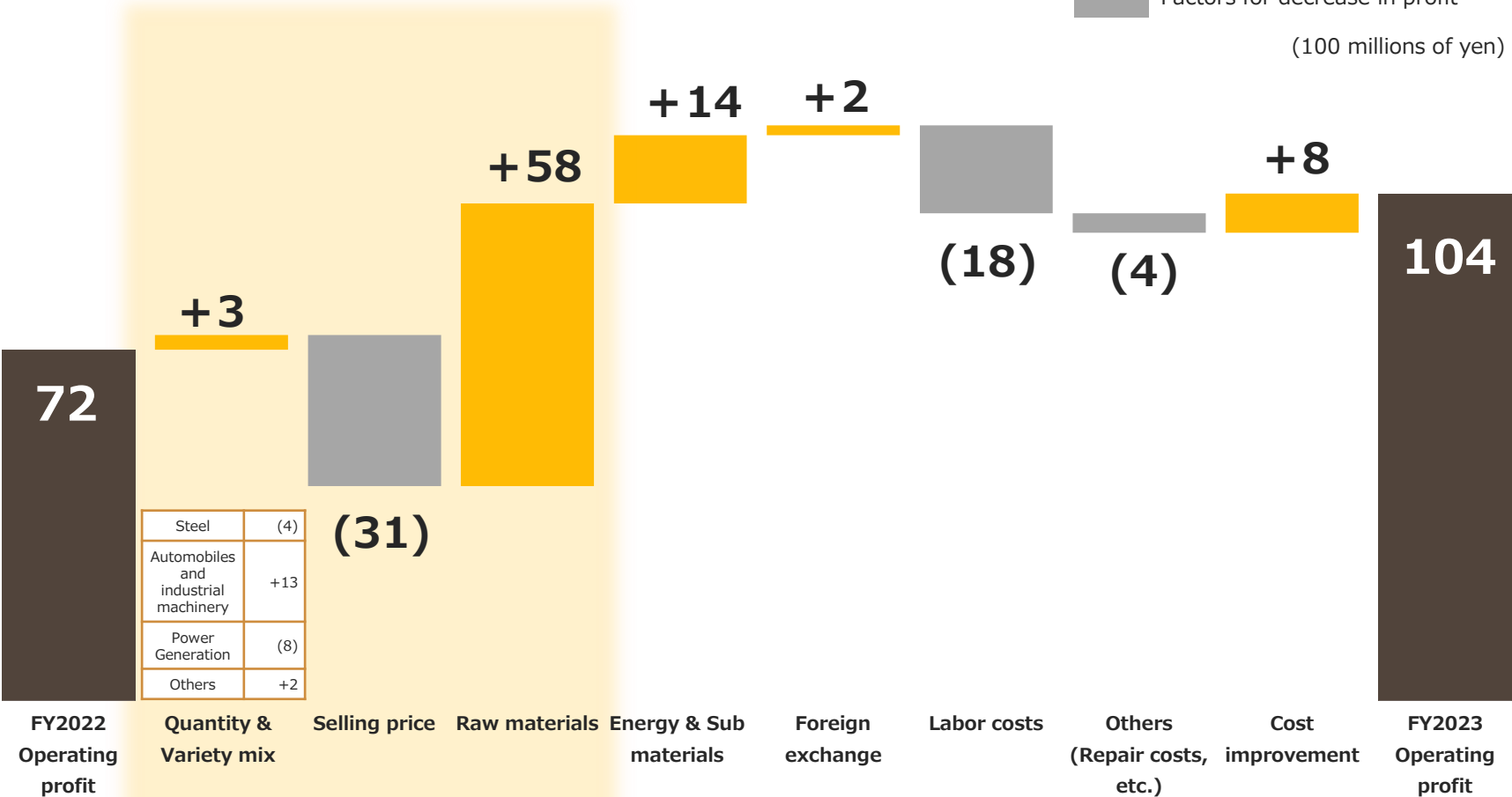


## Main Factors for increase in profit

- Increase in sales volume of aluminum wheels for passenger vehicles
- Difference between steel scrap price and steel sales price

Exchange rate for the period	FY2022	FY2023
U.S. dollars	136.0	145.3
Chinese Yuan	19.7	20.2

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





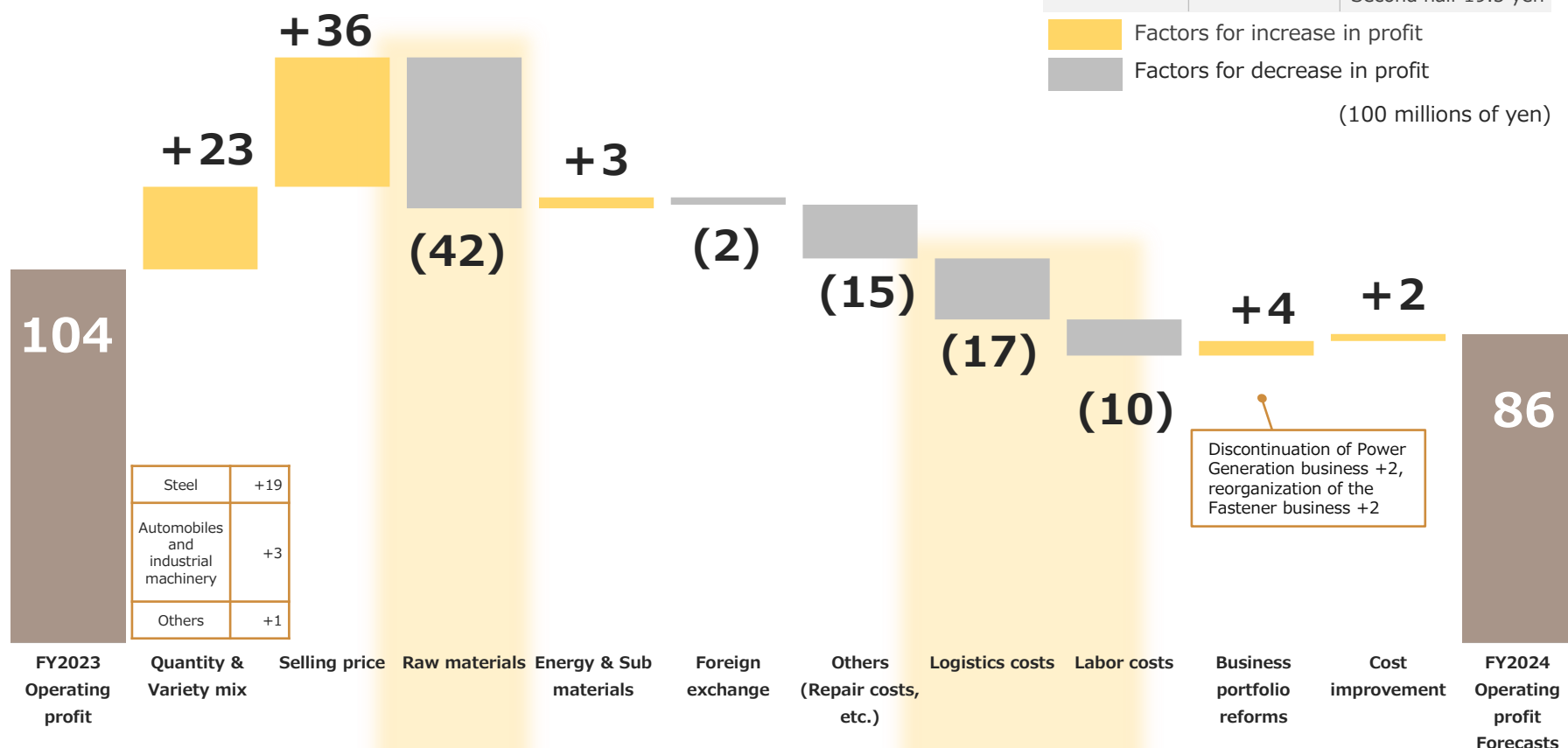
# Factors for change in operating profit (FY2023 results vs. FY2024 forecasts)

- Decrease in profit due to increase in steel scrap prices, logistics costs and labor costs
- Visible effects of business portfolio reforms

Exchange rate for the period	FY2023	FY2024 Forecasts
U.S. dollars	145.3	First half 145 yen Second half 135 yen
Chinese Yuan	20.2	First half 20.5 yen Second half 19.5 yen

Factors for increase in profit  
 Factors for decrease in profit

(100 millions of yen)



# Forecast for the first and second half of FY2024

Main reasons for the concentration of operating profit toward the second half of the fiscal year

- **Effects of the ongoing production cutback** due to quality problems in domestic automobile production in the first half and expected recovery in the second half
- **Time lag in the optimization of selling prices** following various cost increases
- **Impact of seasonal demand** (wheels for snow tires, cutting edges for snowplows)  
\*annual occurrence

(100 millions of yen)	FY2023 Results		FY2024 Forecasts	
	First half	Second half	First half	Second half
Net sales	1,659	1,681	<b>1,540</b>	<b>1,630</b>
Operating profit	40	64	<b>18</b>	<b>68</b>
(First half and second half ratio)	(38%)	(62%)	<b>(21%)</b>	<b>(79%)</b>
Ordinary profit	49	56	<b>19</b>	<b>71</b>
Profit attributable to owners of parent	34	13	<b>19</b>	<b>53</b>

# Results by segment

**FY2023: Increase in operating profit achieved in all segments.**

**FY2024: Decrease expected in operating profit in the Steel Segment.**

(100 millions of yen)	FY2022 Results		FY2023 Results Increase/decrease (%) YoY				FY2024 Forecasts Increase/decrease (%) YoY			
	Net sales	Operating profit	Net sales		Operating profit		Net sales		Operating profit	
Steel	1,080	80	1,108	+2.6%	96	+19.9%	1,230	+11.0%	83	(13.9)%
Automotive and Industrial Machinery Components	1,981	40	2,016	+1.8%	54	+35.1%	1,870	(7.3)%	56	+3.2%
Power	220	(6)	141	(35.8)%	(2)	—				
Others	64	14	74	+15.9%	14	+4.3%	70	(5.9)%	7	(50.7)%
Head office	—	(57)	—	—	(59)	—	—	—	(60)	—
Total	3,345	72	3,340	(0.2)%	104	+45.5%	3,170	(5.1)%	86	(17.6)%

# ① Steel Segment: business environment

## ◆ Market trend

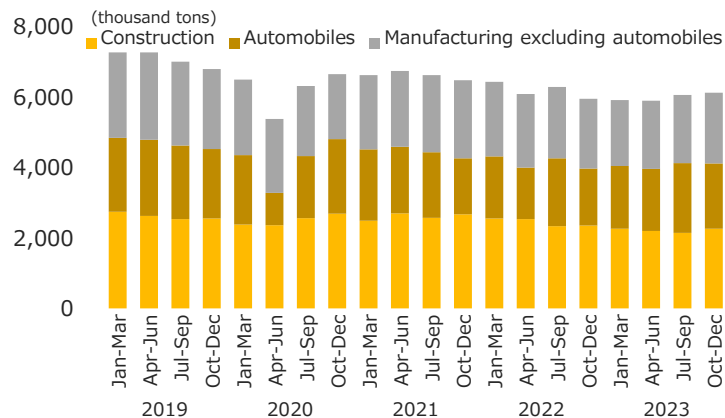
### FY2023 Results

Stagnant

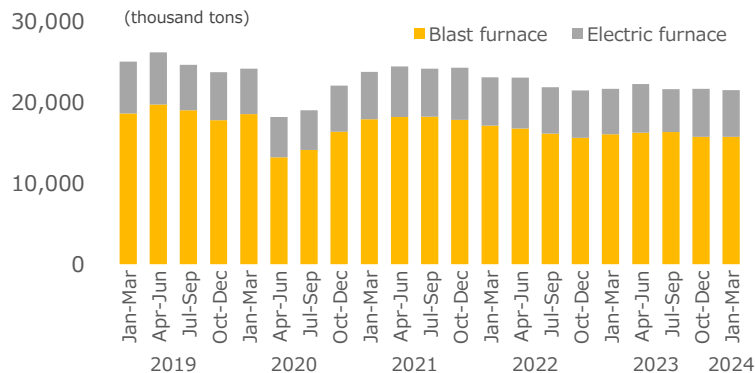
### FY2024 Forecasts

Stagnation expected, but possible decline due to delays in construction projects caused by labor shortages

## • Domestic steel orders received (by application)



## • Domestic crude steel production volume



## ◆ Trend of main costs

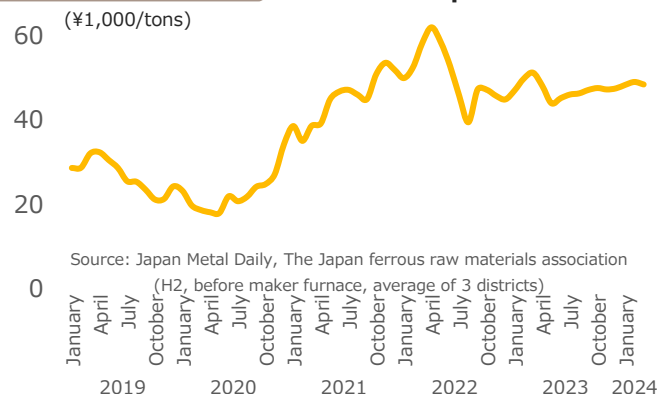
### ▪ Steel scrap price

#### FY2023 Results

Stagnant  
(low level compared to the previous year)

#### FY2024 Forecasts

**Increase expected**



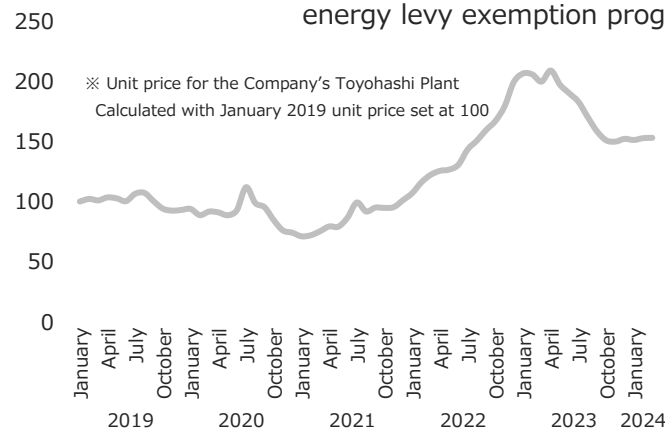
### ▪ Electricity prices

#### FY2023 Results

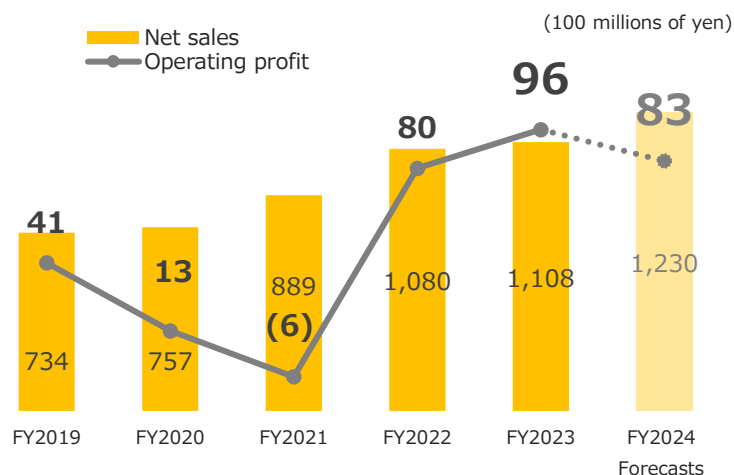
High level despite decline

#### FY2024 Forecasts

**Gradual increase expected boosted** due to yen depreciation. End of the renewable energy levy exemption program.



# ① Steel Segment: business results



## FY2023 Results

Net sales and profit **increase due to difference** between steel scrap price and steel sales price

## FY2024 Forecasts

Profit decrease forecasted due to **various rising costs, despite higher sales**

## ◆ Status of sales

(Unit: 1,000 tons, ¥1,000/tons)

		FY2022	FY2023	Change	FY2024 Forecasts
Sales volume	Shaped steel	751	<b>734</b>	(17)	Expected increase ↗
	Steel bars	214	<b>178</b>	(36)	
	Total	965	<b>912</b>	(53)	
Selling price (A)		113.0	<b>113.0</b>	-	
Steel scrap payout unit price (B)		53.3	<b>50.5</b>	(2.8)	Expected increase ↗
Spreads (A-B)		59.7	<b>62.5</b>	+2.8	

\*Including internal sales

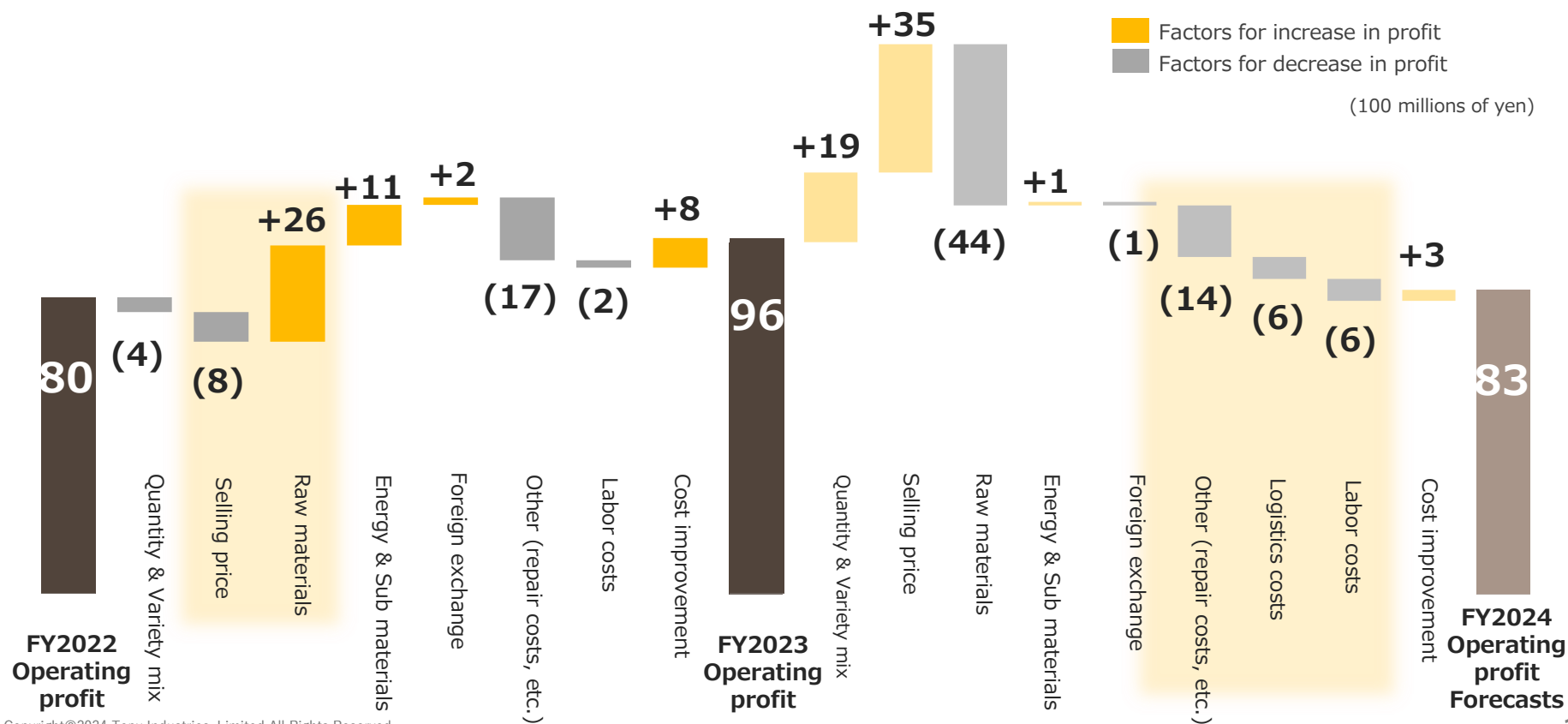
# ① Factors for change in operating profit in the Steel Business

## FY2023 Results

Operating profit increased by 1.6 billion yen as **appropriate selling prices were maintained amid** YoY decrease in steel scrap prices

## FY2024 Forecasts

Although increased sales to exporters and shipbuilders compensated for the narrowing price gap between steel scrap prices and steel product selling prices, profit expected to decrease by 1.3 billion yen **due to increased costs (logistics, labor, and repair expenses)**














## ② Automotive & Industrial Machinery Components segment: Business environment

### ◆ Market trend

#### FY2023 Results

#### Forecast

	For passenger vehicles Steel Wheel	<b>Substantial production halts in the fourth quarter due to quality issues, despite the recovery</b>	<b>Continuing impact of production decrease in the first half. Production levels restored in the second half</b>	
	Aluminum wheels for passenger vehicles	Significant recovery	Continuing recovery	
	Wheels for commercial vehicles	Delay in recovery	Recovery	
	Wheels for mining equipment	Steady especially in North America	Steady but stagnation in some regions	
	Undercarriage parts for construction machinery	<b>Decrease in global demand</b>	<b>Further decrease in global demand</b>	
	Industrial fasteners	Recovery	Continuing recovery	

### ◆ Trend of main costs

#### • Aluminum price (Nikkei average)

#### FY2023 Results

YoY decrease

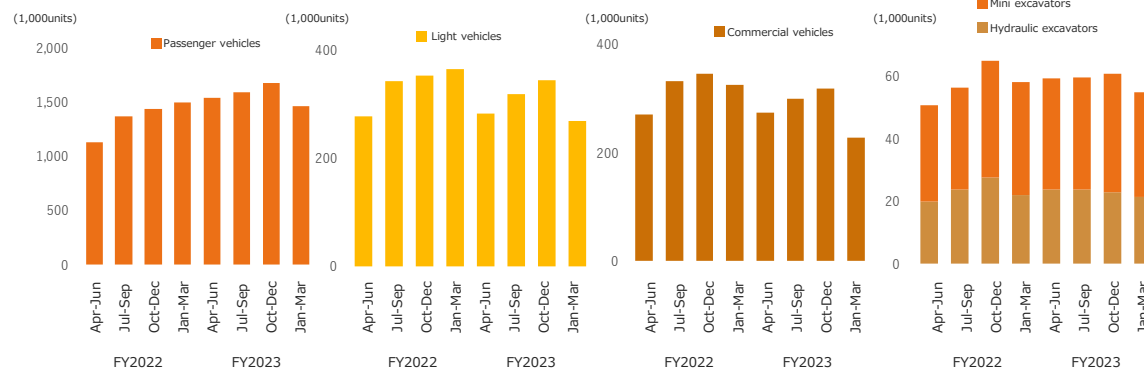
#### FY2024 Forecasts

Forecasted increase compared to FY2023

(1,000 yen/ton)



### • Numbers of cars manufactured domestically



### • Price of purchased steel materials

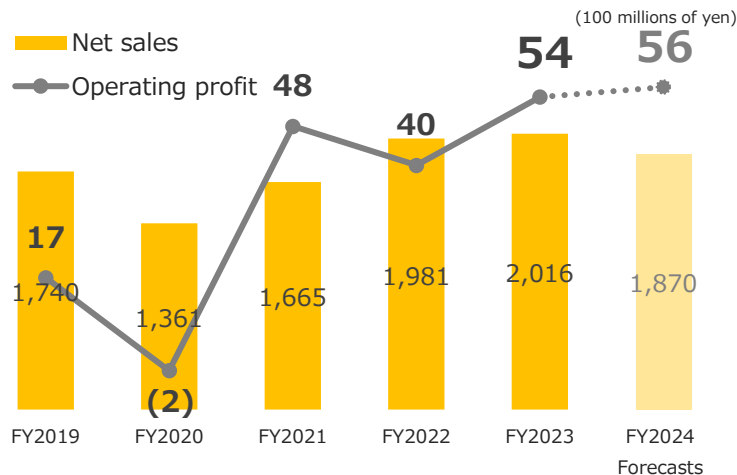
#### FY2023 Results

No major fluctuations in Japan; overseas markets on a downtrend

#### FY2024 Forecasts

No significant fluctuations expected

## ② Automotive and industrial machinery components: business results



### FY2023 Results

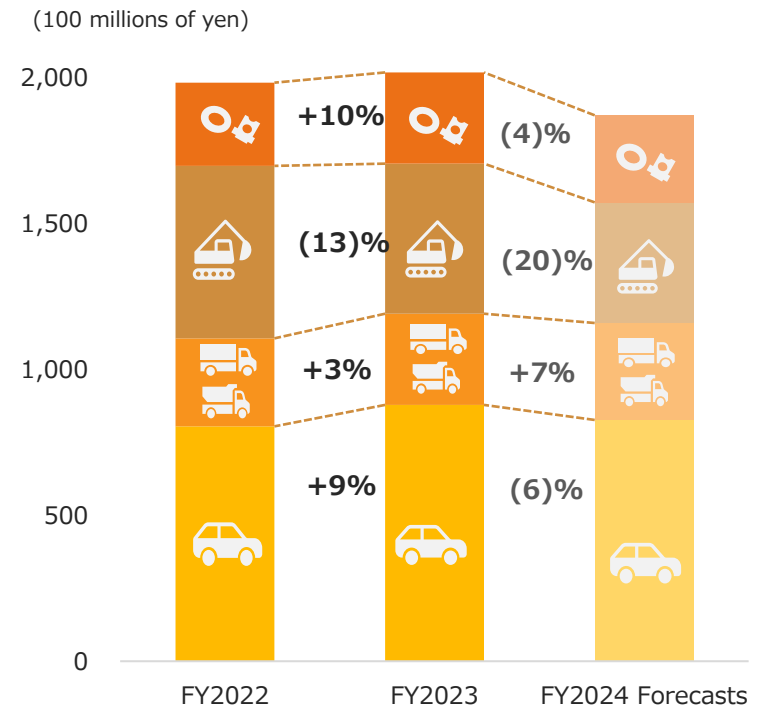
Increase in both sales and profit due to **sales increase in aluminum wheels for passengers**

### FY2024 Forecasts

Increase in profit but decrease in net sales due to **lower demand in undercarriage parts for construction machinery** and model changes in aluminum wheels for passenger vehicles

## ◆ Status of sales

### • Net sales (by product)



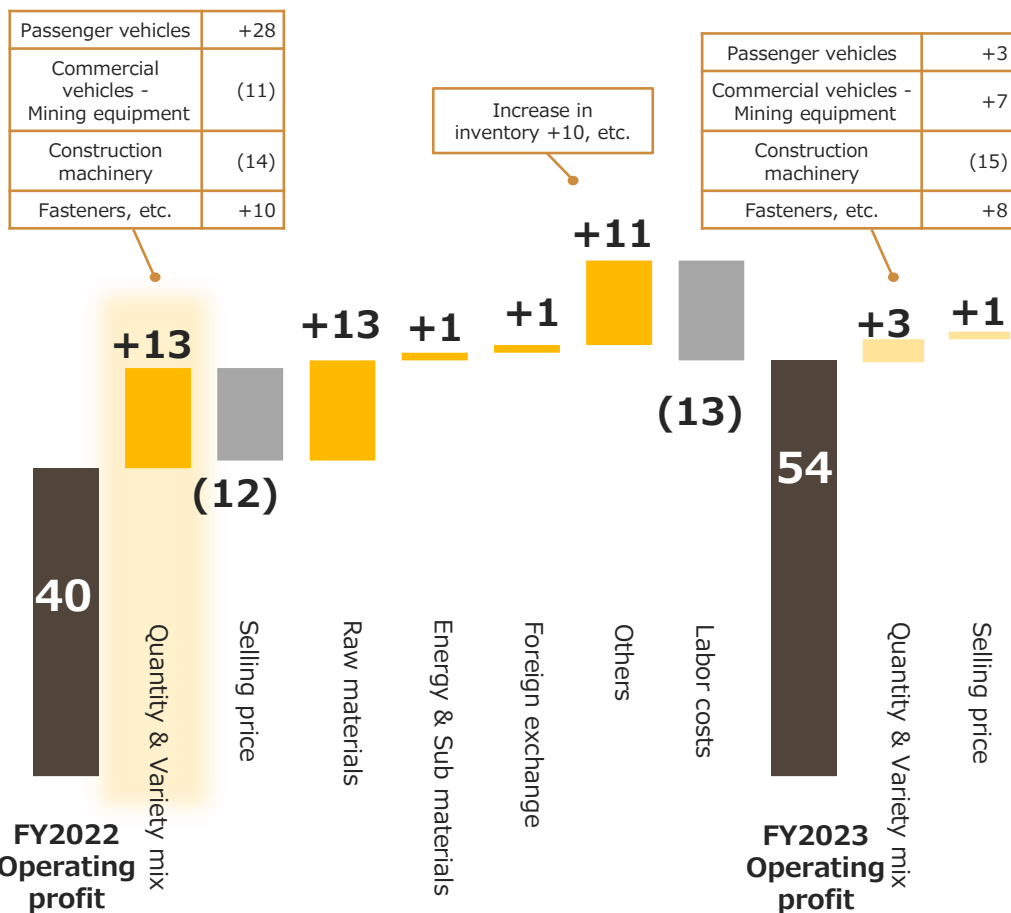
- Others (industrial fasteners, etc.)
- Undercarriage parts for construction machinery
- Wheels for commercial vehicles and Mining equipment
- Wheels for passenger vehicles



## ② Factors for change in operating profit in the Automotive and Industrial Machinery Components Business

### FY2023 Results

Profit increase of 1.4 billion yen due to **increase in sales volume of aluminum wheels for passenger vehicles**

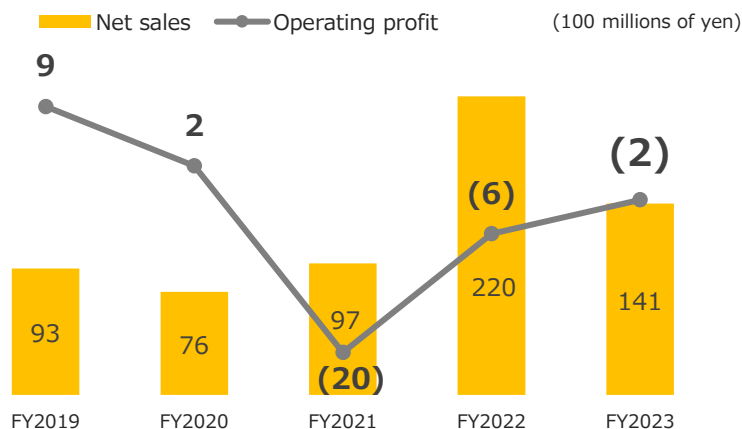


### FY2024 Forecasts

Profit increase of 0.2 billion yen mainly due to the effect of business portfolio reforms, despite the impact of rising logistics and labor costs

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

### ③ Power Generation Segment: business results



#### FY2023 Results

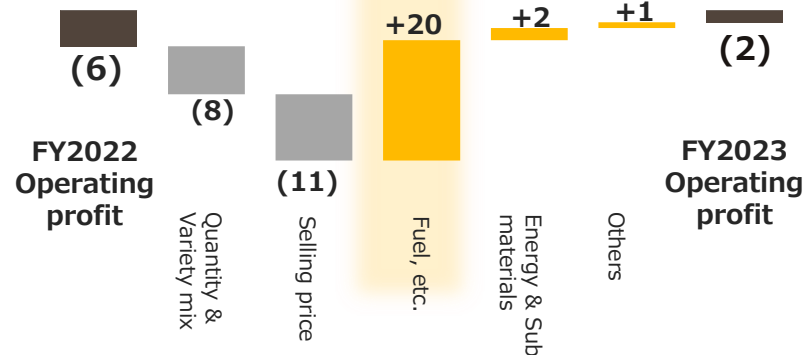
- Despite higher profits due to lower prices for coal, the fuel used for power generation, failure to return to profitability due to a decline in the volume of electricity sold



**Business discontinued at the end of March 2024**

#### ◆ Factors for change in operating profit

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



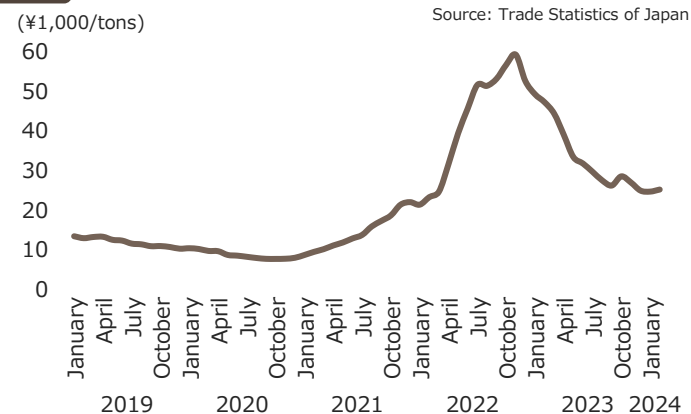
#### ◆ Status of sales

Sales volume	Decrease	<ul style="list-style-type: none"> <li>Suspension of operations for statutory periodic inspections</li> <li>Decline in electricity demand this summer</li> </ul>
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#### ◆ Trend of main costs (coal CIF prices)

##### FY2023 Results

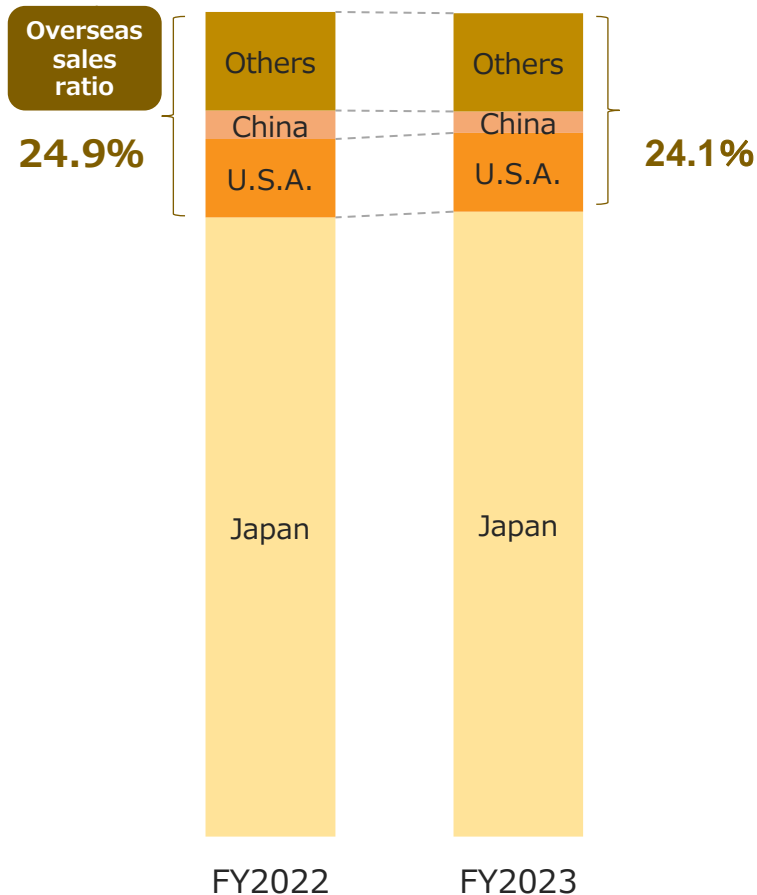
Downward trend



# Status of net sales by region

- **Decrease** of the overseas sales ratio YoY (**24.9% to 24.1%, down 0.8 ppt**)
- Impact of the **decrease in sales to China** in the Automotive & Industrial Machinery Components segment

## • Net sales by region



## • FY2023 Net sales by region and by segment

(100 millions of yen)	Steel Segment	Automotive and Industrial Machinery Components Segment	Power Generation Segment Others	Total
Japan	1,016	1,308	211	2,535
YoY increase	+29	+64	(70)	+23
U.S.A.	14	305	1	320
YoY increase	+0	+1	+0	+1
China	0	85	0	86
YoY increase	(0)	(29)	+0	(29)
Others	78	318	3	399
YoY increase	(1)	(1)	+1	(1)
Full fiscal year	1,108	2,016	215	3,340
YoY increase	+29	+35	(68)	(5)
Overseas ratio (%)	8.3%	<b>35.1%</b>	2.1%	<b>24.1%</b>
YoY increase	-0.2 ppt	<b>-2.1 ppt</b>	+1.0 ppt	<b>-0.8 ppt</b>

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



# Overview of the Medium-Term Management Plan

## 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

# Progress toward financial goals

Financial goals	FY2022 Results	FY2023 Results	FY2024 Forecasts (B)	FY2025 Target (A)	Shortfall as of end of FY2024 (Percentage of progress) (A-B)
Operating profit margin	2.1%	3.1%	2.7%	4.5% or more	1.8 ppt
EBITDA	JPY 20.5 billion	JPY 23.2 billion	JPY 20.7 billion	JPY 32.0 billion	JPY 11.3 billion
ROE	5.4%	3.6%	5.2%	8.0% or more	2.8 ppt
Capital expenditure (cumulative amount)	JPY 8.9 billion	JPY 18.8 billion	JPY 29.8 billion	JPY 64.4 billion	46%

Deflating growth speed, delay in growth investment

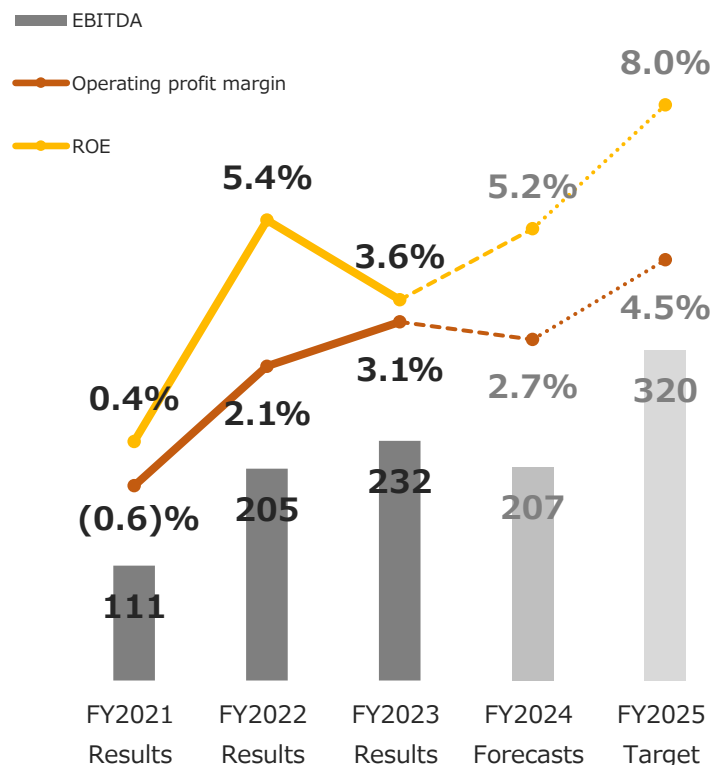
Pursuit of the optimization of business portfolio

Selection  
and  
concentra-  
tion

Discontinuation of the Power  
Generation business

Reorganization of the  
Fastener business

Acceleration of investments in growth  
areas to achieve targets



# Progress toward non-financial goals

Non-financial goals			FY2023 Results	Goals toward FY2030
E	Environment	CO <sub>2</sub> emissions (Scope 1 and 2)	<b>12.6% reduction*</b> (+1.3 ppt YoY) <small>*Preliminary figures (before obtaining third-party guarantee)</small>	Target of 46% reduction (vs. FY2013)
S	Social	Ratio of female managers	<b>5.4%</b> (-0.9 ppt YoY)	10.0% or more
		Number of work-related accidents in Japan	<b>Not achieved</b>	Aim to achieve zero accidents every year (Lost time injuries or more)
G	Governance	Number of serious compliance violations	<b>Achieved</b>	Continue to report zero violations every year

- We are making good progress and must continue to quickly identify and flexibly respond to changes in ESG-related conditions.

## ◆ Initiatives, external evaluations, issues

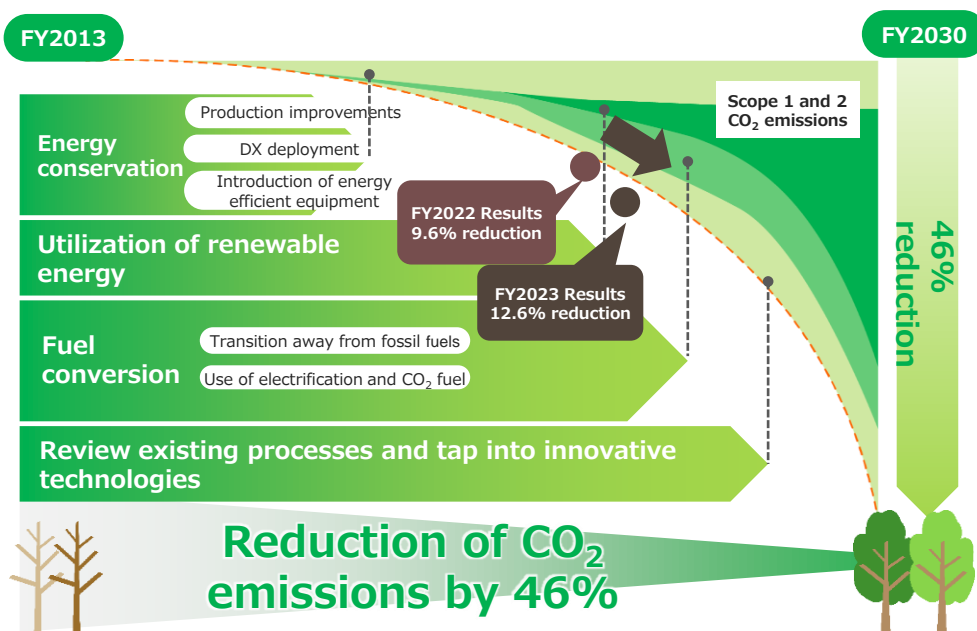
Initiatives	Reduction of energy output level -1.2% YoY (FY2023 results)
	Signature of the UN Global Compact
External evaluations	<b>Increase in CDP climate change score (A- ← B)</b>
	<b>Increase in FTSE Russell's ESG rating (Score: 3.0 points)</b>
Issues going forward	Response to TCFD 1.5°C scenario
	Increase in CDP water security score

**Continuing to work flexibly as conditions change**

**FY2023 Results**

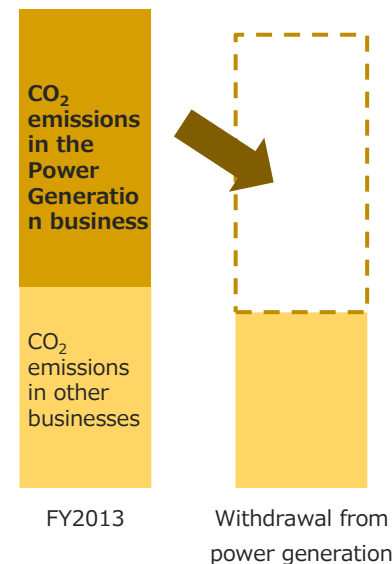
CO<sub>2</sub> emissions were reduced by 12.6%\* compared to FY2013, **up 3 ppt** from the 9.6% reduction in the previous year.

\*Preliminary figures (before obtaining third-party guarantee)

**FY2024 Forecasts**

Emissions throughout the Group are expected **to be significantly reduced** in FY2024 as a result of **the discontinuation of coal-fired power generation operations**.

**Reduction of more than half of the total expected in FY2024**



**Working to further enhance corporate value**



## 1 Improve capital productivity and optimize business portfolio

### Discontinuation of the Power Generation business

Deterioration of profitability and potential



### Reorganization of the Fastener business (Discontinuation of the Mexico-based business)

(Deterioration of profitability)

- Sales volume could not be secured as expected due to sluggish production by automakers in Mexico
- Increase in fixed costs including labor costs  
→ Persisting operating loss in recent years



**Business discontinuation**  
Production transfers to several sites

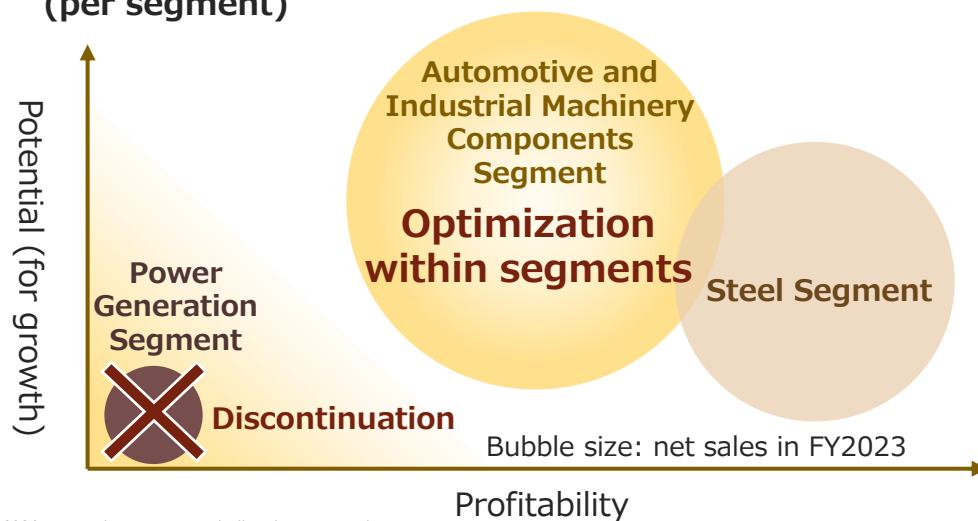
Optimization of global sites

◆ Company Profile  
**TOPY FASTENERS MEXICO, S.A. DE C.V.**

Manufacture, sales of industrial fasteners



\*Representation of business portfolio reforms this period (per segment)



We will continue to promote business portfolio reforms by examining the direction of low-profit businesses and optimizing global sites

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

### Formation of sustainable selling prices

Promoting initiatives to address cost increases in steel scrap and other raw materials, as well as energy, sub materials, etc. Going forward, we will work harder than ever to address rising labor and logistics costs.

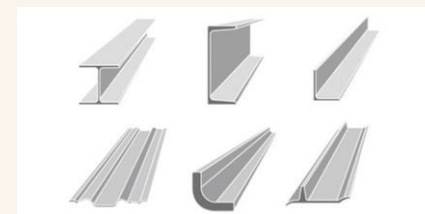
Impact of operating  
profit increase  
(vs. FY2023)

JPY 4.3 billion

### Steel Segment

### Promotion of product mix

Strengthening profitability through aggressively selective ordering of highly profitable products.



### Restructuring

- Consolidation of domestic production bases for steel wheels for passenger vehicles (FY2022)
- Transfer of a portion of wheel production for commercial vehicles to an Indonesian subsidiary (planned for FY2025)

Impact of operating  
profit increase  
(Cumulative FY2022-FY2023)

JPY 2.3 billion

### Automotive and Industrial Machinery Components Segment

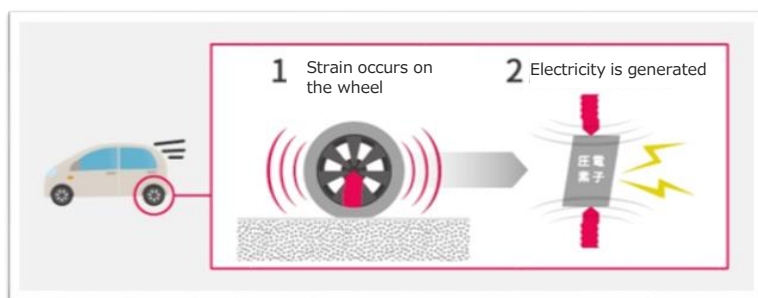
### Reorganization of the Fastener business

Promotion of optimization of global bases by downsizing production in North America and consolidating production in Asia

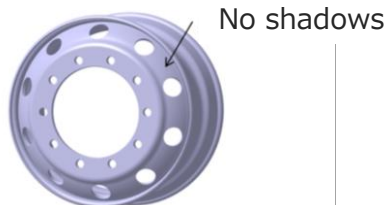


## 3 Deepen proprietary technologies and become carbon neutral

- Development of a new technology that can generate electricity with a wheel



- Development of wheels for commercial vehicles with improved design



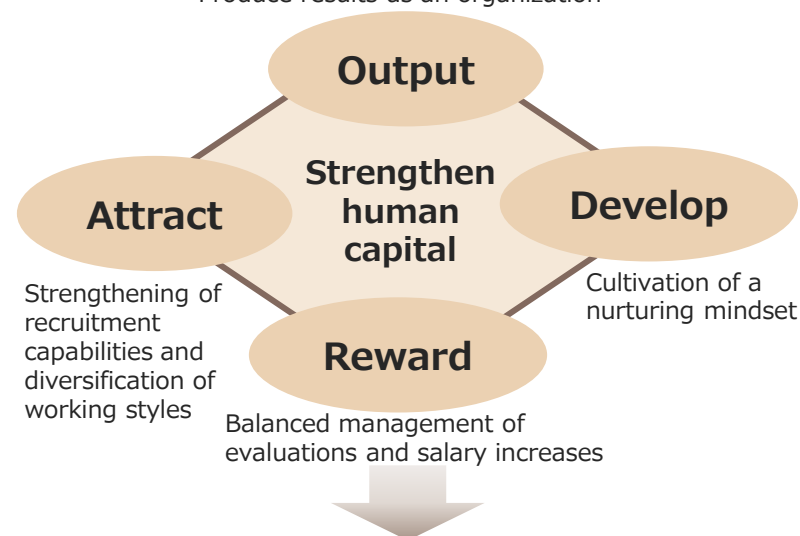
## 5 Enhance management sophistication through promotion of DX strategy

Strategic promotion of DX by formulating a plan to develop approximately **600 staff members into DX human resources** (including 60 digital experts) by the end of FY2025

## 4 Secure and develop human resources to support sustainable growth

Efforts to strengthen human capital through four pillars of activity underway and showing results

Produce results as an organization



FY2023 results \*Previous year comparisons in parentheses

Job turnover rate of new graduates within 3 years  
3.7% (-1.5 ppt)

Mid-career recruitment rate  
49.0% (+23.6 ppt)

Percentage of women among new graduates hired for career-track positions: 51.9%

Uptake rate of childcare leave  
Men 47.1%  
(+20.1 ppt)  
Women 100%

# Topics

## Received Excellent Certification, the highest level in Caterpillar's SER in the U.S.

Under Caterpillar's system for certifying suppliers based on its own standards, we received an Excellent Certification for the third straight year. It is awarded to suppliers in the top 5% of suppliers in recognition of their high quality with zero quality defects during the evaluation period and high on-time delivery rate.



## "A-" rating in the CDP climate change questionnaire and "C" rating in the CDP water security questionnaire

We received an "A-" rating in the CDP climate change questionnaire and a "C" rating in the CDP water security questionnaire. With regard to climate change, we went up one rank from last year's "B."



## Signature of the UN Global Compact

We have signed the United Nations Global Compact (UNGC) proposed by the United Nations and joined the Global Compact Network Japan (GCNJ), which consists of Japanese companies and other organizations that have signed the UNGC. UNGC is the world's largest sustainability initiative, in which the United Nations and the private sector (companies and organizations) join hands to build a healthy global society.

## Disclosure of "measures to achieve management conscious of capital cost and stock price"

We disclose our policy on measures centered on strengthening profitability and IR activities.

<https://www.topy.co.jp/ja/stock/management/action.html>



## Release of product movie

We present the way our products are used in society.

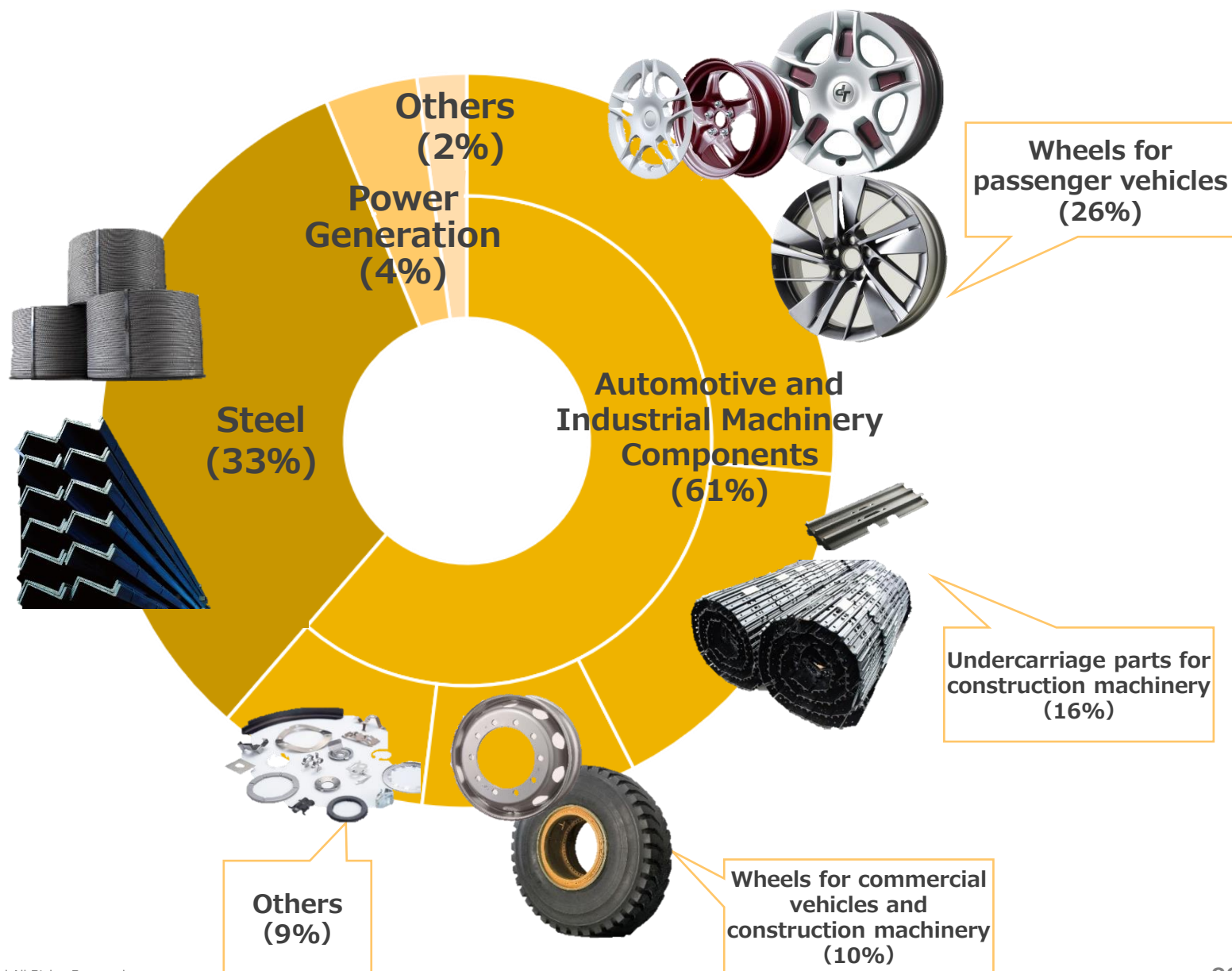
<https://www.topy.co.jp/ja/news/news/news20231213.html>



Please take a look at those pages.

# Reference materials

# Reference: net sales composition by segment and business area

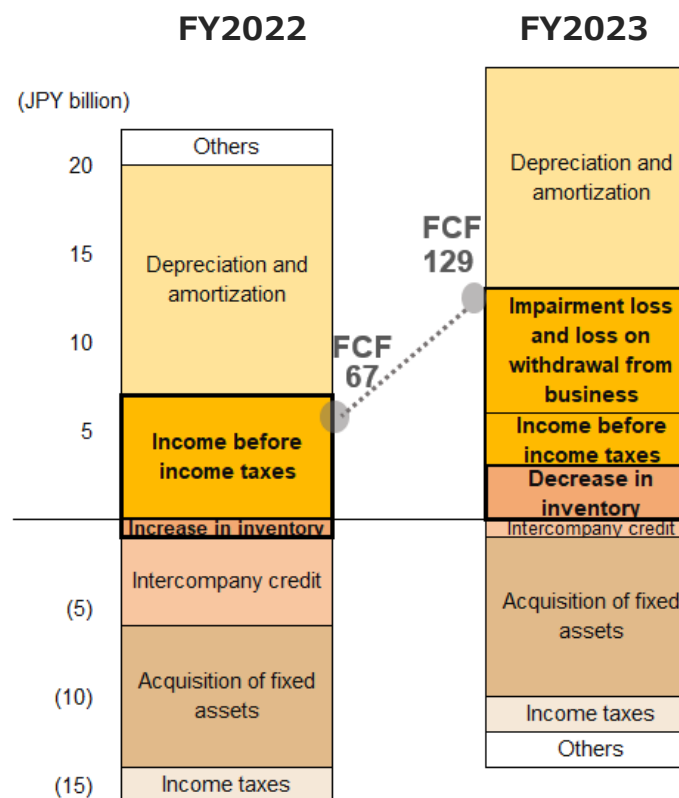




# Reference: Status of cash flows

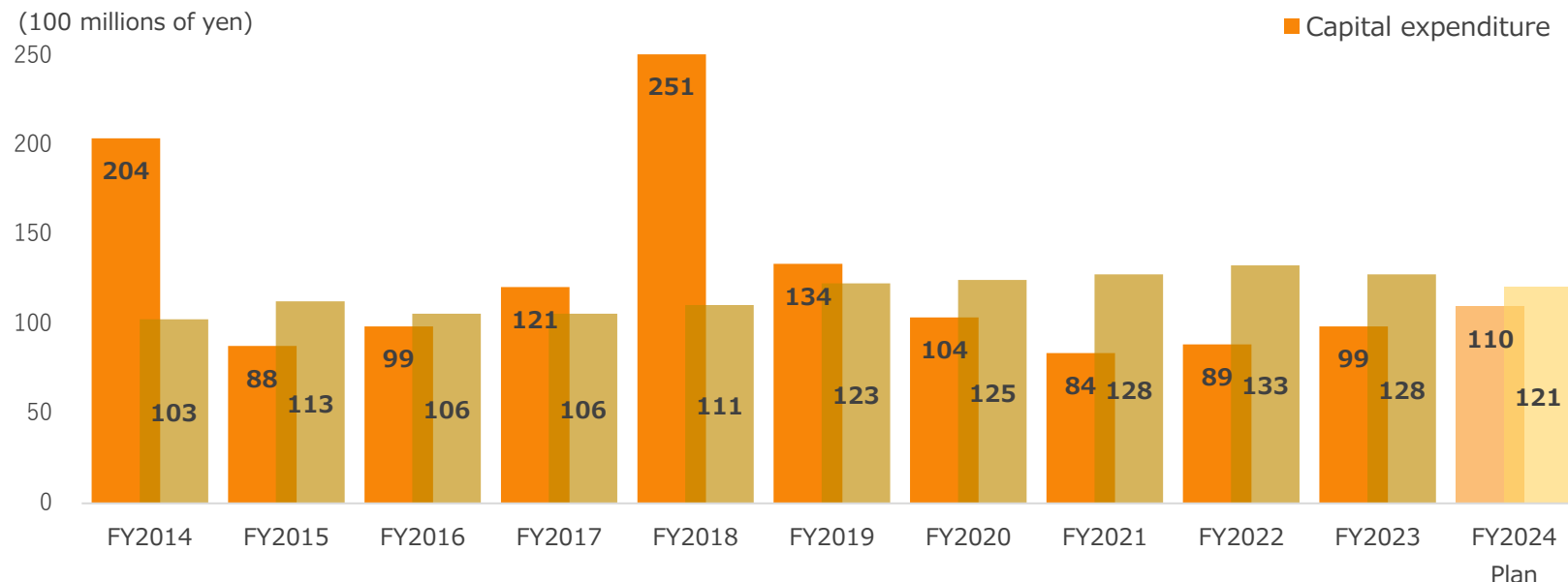
(100 millions of yen)	FY2022	FY2023
<b>Operating cash flow</b>	<b>151</b>	<b>223</b>
Income before income taxes	74	35
Depreciation and amortization	133	128
Impairment loss and loss on withdrawal from business	3	71
Intercompany credit	(57)	(6)
<b>Increase (decrease) in inventory</b>	<b>(2)</b>	<b>36</b>
Income taxes paid	(19)	(15)
Others	19	(26)
<b>Investing cash flow</b>	<b>(84)</b>	<b>(94)</b>
Acquisition of fixed assets	(86)	(94)
Others	2	(0)
<b>FCF</b>	<b>67</b>	<b>129</b>
<b>Financing cash flow</b>	<b>(47)</b>	<b>(126)</b>
Increase/decrease of borrowings	(32)	(81)
Increase/decrease in corporate bonds	-	(20)
Dividends paid	(10)	(23)
Others	(5)	(2)

## Status of free cash flows

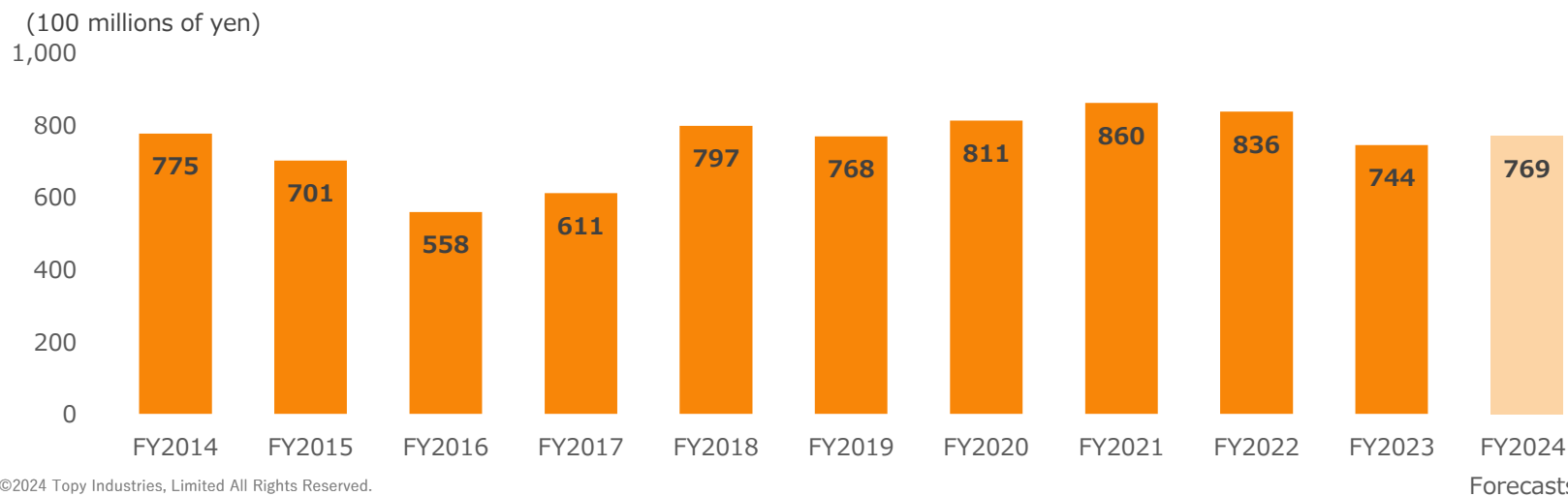


# Reference: Capital expenditures, depreciation and amortization, and interest-bearing debt

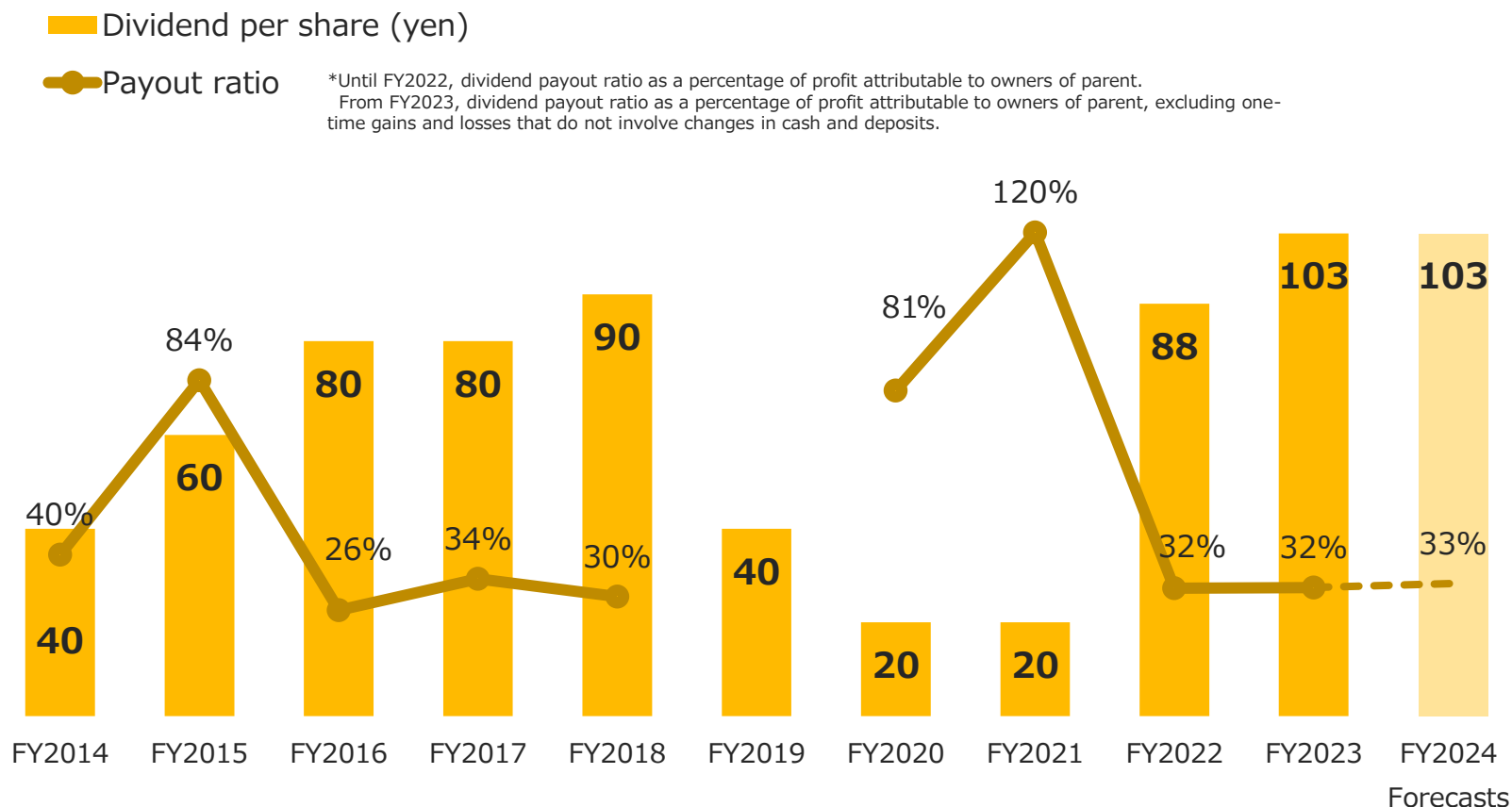
## Capital expenditures and depreciation and amortization



## •Interest-bearing debt



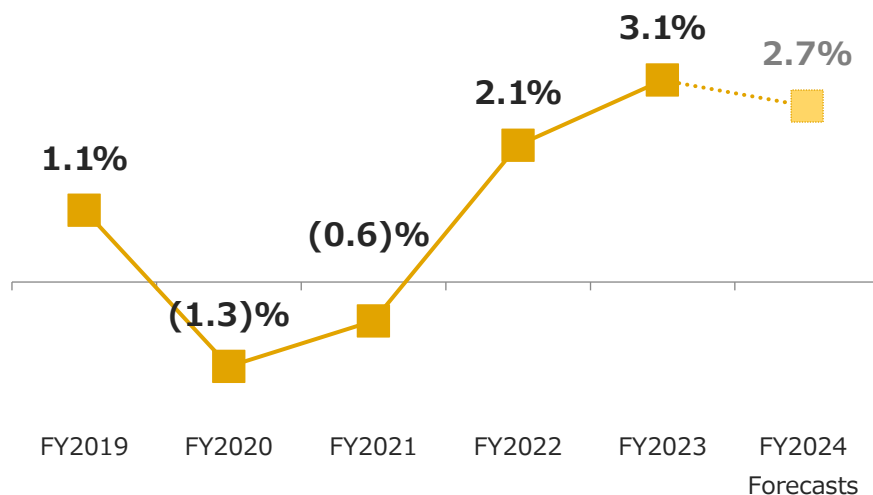
# For reference: Status of shareholder returns



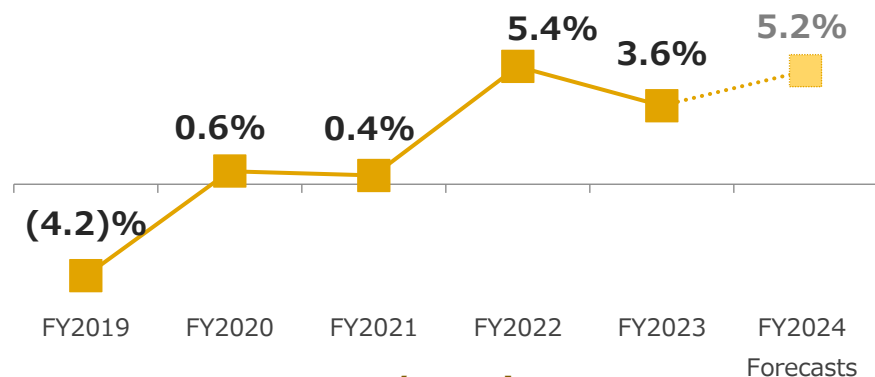
Dividend target: 30-35% of profit attributable to owners of parent, excluding one-time gains and losses that do not involve changes in cash and deposits.

# For reference: Trends in major indicators

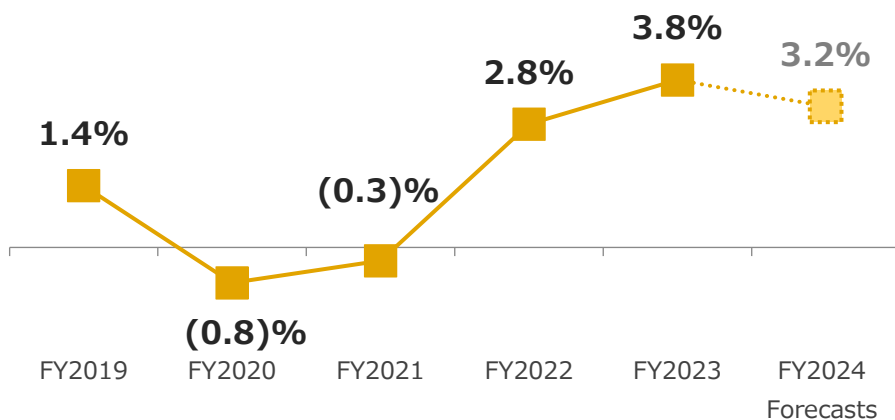
## Operating profit to net sales



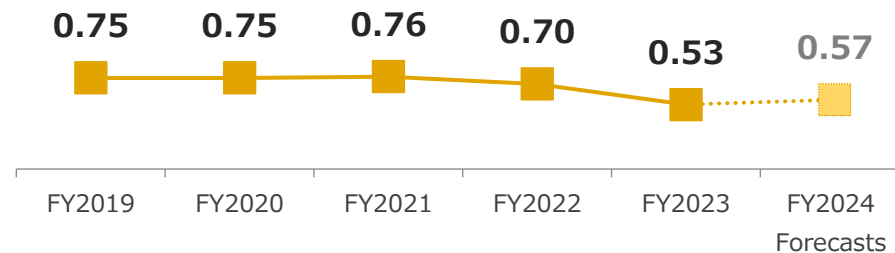
## Return on equity (ROE)



## Return on asset (ROA)



## D/E ratio



## EBITDA

