



Consolidated Basis Results of the Third Quarter for Fiscal 2022 (April 1, 2022 – December 31, 2022)

February 7, 2023

Registered Company name	TOPY INDUSTRIES, LIMITED	Stock listing	Tokyo, Nagoya stock exchanges
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Scheduled date for submission of securities report	February 10, 2023		
Scheduled date for dividend payment	-		
Preparation of supplementary explanatory materials:	No		
Holding of quarterly financial results meeting:	No		

(Figures of less than ¥1 million have been omitted)

1. Consolidated Financial and Operating Results of the Third Quarter for Fiscal 2022 (April 1, 2022 - December 31, 2022)

(1) Consolidated Operating Results (Cumulative)

(Percentage figures are changes from the same period of the previous fiscal year)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Third Quarter of Fiscal 2022	248,801	26.3	5,355	-	6,255	-	4,666	-
Third Quarter of Fiscal 2021	196,974	22.3	(849)	-	(672)	-	(1,490)	-

Note: Comprehensive income	Third Quarter of Fiscal 2022	10,102 Million yen	(246.8%)
	Third Quarter of Fiscal 2021	2,912 Million yen	—%

	Profit per share	Profit per share after full dilution
	Yen	Yen
Third Quarter of Fiscal 2022	204.02	-
Third Quarter of Fiscal 2021	(63.96)	-

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
Third Quarter of Fiscal 2022	301,782	122,634	40.2	5,317.21
Fiscal 2021	282,195	113,703	39.9	4,902.25

(For reference) Shareholders' equity:	Third Quarter of Fiscal 2022	121,369 Million yen
	Fiscal 2021	112,657 Million yen

2. Dividends

	Dividends per share				
	1Q-end	2Q-end	3Q-end	End of FY	Full fiscal year
	Yen	Yen	Yen	Yen	Yen
Fiscal 2021	-	0.00	-	20.00	20.00
Fiscal 2022	-	20.00	-	-	-
Fiscal 2022 (Forecasts)	-	-	-	50.00	70.00

Note: Whether changes to the latest dividend forecasts have been made: No

3. Consolidated Financial Forecasts for Fiscal 2022 (April 1, 2022- March 31, 2023)

(Percentage figures are changes from the previous fiscal year)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Profit per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	352,000	29.8	6,600	-	7,500	-	5,000	-	217.57

Note: Whether changes to the latest forecasts for consolidated figures have been made: No

* NOTE

(1) Changes in the State of Material Subsidiaries during the Period: None

Newly included: – (Name) – Excluded: – (Name) –

(2) Adoption of Special Accounting Methods for Preparation of Quarterly Consolidated Financial Statements: Yes

Note: For details, please refer to “(3) Notes Regarding Quarterly Consolidated Financial Results (Application of Special Accounting Methods for Presenting Quarterly Consolidated Financial Statements)” under “2. Quarterly Consolidated Financial Statements and Important Notes” on page 10 of the attached materials.

(3) Changes in Accounting Principles, Changes in Accounting Estimates, and Retrospective Restatements

(a) Changes in accounting principles accompanying the amendment of accounting standards: None

(b) Changes other than those in (a) above: None

(c) Changes in accounting estimates: None

(d) Retrospective restatements: None

(4) Number of Shares Issued (Common shares)

(a) Number of shares issued at the end of the period (including treasury shares)

Third Quarter of Fiscal 2022	24,077,510 shares	Fiscal 2021	24,077,510 shares
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(b) Number of treasury shares at the end of the period

Third Quarter of Fiscal 2022	1,251,810 shares	Fiscal 2021	1,096,640 shares
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(c) Average number of shares issued during the period

Third Quarter of Fiscal 2022	22,871,336 shares	Third Quarter of Fiscal 2021	23,298,519 shares
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* These consolidated financial results are not included in the scope of quarterly audits by certified public accountants or audit corporations.

* Explanation of the Appropriate Use of Performance Forecasts and Other Related Items

(Caution concerning future descriptions etc.)

The above estimate has been compiled based on information available at the time this disclosure was made. The actual earnings are subject to change from the estimated values due to various factors.

For assumed conditions underlying the earnings forecast and cautionary statements in using the earnings forecast, please refer to “Explanation Regarding Future Estimate Information such as Consolidated Financial Performance Estimates” on page 5.

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Note: This document has been translated from the original Japanese version for reference purposes only. In the event of any discrepancy between this translated document and the original Japanese version, the original shall prevail.
The original disclosure in Japanese was released on February 7, 2023 at 13:30 (GMT+9).
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1. Qualitative Information Regarding Results of the Third Quarter for Fiscal 2022

(1) Explanation Regarding Consolidated Operating Results

During the first nine months of the fiscal year under review, the global economy overall experienced a moderate recovery, despite geopolitical risks from the protraction of the situation in Ukraine and unstable market conditions caused by monetary tightening around the world. Amid the normalization of economic activities, the Japanese economy also saw signs of moderate improvement, although it did not result in a full-scale recovery from the COVID-19 pandemic. However, the business environment surrounding TOPY INDUSTRIES, LIMITED (the “Group”) remained uncertain, as cost increases continued for coal, electricity, other raw materials, and logistics, etc., in addition to the impacts from reduced production of automakers caused by semiconductor and other parts shortages and weaker economic activities in China.

Under these circumstances, the Group launched its new Medium-term Management Plan, TOPY Active & Challenge 2025, which will cover the period from FY2022 to 2025. We have set the four areas of promote segment management, strengthen overseas profitability, strengthen domestic business base, and contribute to decarbonization as the Group Basic Strategy, and we are steadily implementing measures to strengthen profitability utilizing the business foundation established in the previous Medium-term Management Plan. Moreover, we are working to promote sustainability management that leverages the Group’s strengths to create new value and solve social issues, through TOPY Sustainable Green Vision 2050, a long-term sustainability vision aiming for carbon neutrality by 2050.

The financial results for the first nine months of the fiscal year under review include consolidated net sales of ¥248,801 million (up 26.3% year on year), operating profit of ¥5,355 million (compared to an operating loss of ¥849 million in the same period of the previous year), ordinary profit of ¥6,255 million (compared to an ordinary loss of ¥672 million in the same period of the previous year), and profit attributable to owners of parent was ¥4,666 million (compared to loss attributable to owners of parent of ¥1,490 million in the same period of the previous year). This was attributed to large increases in net sales and profits compared to the same period of the previous fiscal year owing to cost improvements from structural reforms, optimization of selling prices in line with cost increases for raw materials and electricity, and supplementing the strong demand for ultra-large wheels for mining equipment.

Performance by Segment

(Steel Segment)

In the steel industry, demand for steel materials for construction and manufacturing remained strong. The price of steel scrap, the main raw material, remained at elevated levels, while the prices of electricity and other raw materials also remained high.

Given these circumstances, the Group worked to optimize steel sales prices in response to the costs of steel scrap, electricity, and other raw materials and to sell products with high profit margins, and to win orders with an emphasis on profitability. As a result, net sales increased to ¥78,555 million (up 18.8% year on year), and operating profit increased to ¥6,026 million (compared to an operating loss of ¥323 million in the same period of the previous year).

(Automotive & Industrial Machinery Components Segment)

In the automotive industry, the production volume in Japan moderately recovered from the level in the same period of the previous year due to shortages of semiconductors and other parts as well as a slower than anticipated recovery in automobile production due to the impacts of weaker economic activities in China. In the construction machinery industry, there was strong demand in the United States and Southeast Asia, but currently, impacts on construction machinery production due to parts shortages have begun to materialize. Demand for mining machinery remained strong amid robust demand for resources.

Given these conditions, the Group worked to optimize sales prices in response to the rises in the costs of electricity, and other raw materials in addition to steadily winning demand for parts for the undercarriages of construction machinery and ultra-large wheels for mining equipment. As a result, net sales totaled ¥150,723 million (up 25.6% year on year). However, operating profit totaled ¥3,098 million (down 18.8% year on year), impacted significantly by the decrease in sales volume of models using our wheels for passenger vehicles and substantially higher costs for marine transport and electricity.

(Power Segment)

The business environment remained more challenging than expected in the power business due to elevated coal prices, a fuel for power generation, and delayed improvement in electricity selling prices owing to higher costs caused by yen weakness. Given these circumstances, the Group worked to optimize electricity selling prices, but could not keep pace with rising costs. As a result, net sales stood at ¥14,746 million (up 132.3% year on year) and the operating loss was ¥802 million (compared to an operating loss of ¥1,463 million in the same period of the previous year).

(Business Development Segment)

The Group manufactures and sells synthetic mica used in cosmetics and other products. In the synthetic mica business, the Group steadily captured the recovery in demand for cosmetics domestically and internationally. Reflecting this situation, net sales rose 7.1% year on year, to ¥748 million with an operating profit amounting to ¥97 million (compared to an operating loss of ¥163 million in the same period of the previous fiscal year).

(Leasing Segment)

In the leasing business, operating profit was ¥534 million (up 1.5% year on year).

(Others)

The Group operates a civil engineering and construction business, sports club OSSO, and other businesses. Net sales came to ¥4,027 million (up 7.3% year on year) and operating profit was ¥367 million (up 21.0% year on year).

(2) Explanation Regarding Financial Position

Total assets at the end of the third quarter of the consolidated fiscal year under review stood at ¥301,782 million, an increase of ¥19,586 million from the end of the previous consolidated fiscal year. This was mainly due to increases of ¥15,161 million in notes and accounts receivable - trade, and contract assets, ¥2,614 million in raw materials and supplies, and ¥2,058 million in cash and deposits.

Total liabilities were ¥179,148 million, an increase of ¥10,655 million compared with the end of the previous consolidated fiscal year. This was caused mainly by increases of ¥9,543 million in electronically recorded obligations - operating and of ¥5,803 million in long-term borrowings, compared to a decrease of ¥4,107 million in short-term borrowings.

Total net assets came to ¥122,634 million, an increase of ¥8,931 million from the end of the previous consolidated fiscal year. This was mainly due to increases of ¥6,358 million in foreign currency translation adjustments and of ¥3,748 million in retained earnings.

(3) Explanation Regarding Future Estimate Information such as Consolidated Financial Performance Estimates

Despite expectations for the moderate recovery to continue, the outlook for the global economy is forecast to remain uncertain, a rise in geopolitical risks, including the prolonged situation in Ukraine, inflation, and fluctuations in financial and capital markets amid monetary tightening among other factors.

As for the business environment surrounding the Group, the uncertain situation is expected to continue, amid elevated prices of steel scrap, coal, electricity, and other raw materials and concerns that the impacts of semiconductor and other parts shortages could affect not only automobile production, but also construction machinery as well.

The consolidated financial forecasts for the fiscal year ending March 31, 2023 (April 1, 2022 to March 31, 2023) have not been changed from those announced on May 11, 2022. This decision has been made based on information available to the Group as of the date of issuance of this release. The actual results may vary from the forecast due to various factors that will arise in the future.

2. Quarterly Consolidated Financial Statements and Important Notes

(1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2022	As of December 31, 2022
Assets		
Current assets		
Cash and deposits	21,037	23,095
Notes and accounts receivable - trade, and contract assets	60,545	75,707
Merchandise and finished goods	27,734	28,409
Work in process	6,336	7,762
Raw materials and supplies	21,368	23,983
Other	7,483	6,778
Allowance for doubtful accounts	(86)	(98)
Total current assets	144,420	165,637
Non-current assets		
Property, plant and equipment		
Buildings and structures	95,234	97,886
Accumulated depreciation	(66,774)	(69,658)
Buildings and structures, net	28,460	28,227
Machinery, equipment and vehicles	220,159	227,564
Accumulated depreciation	(174,205)	(182,074)
Machinery, equipment and vehicles, net	45,953	45,490
Land	15,339	15,624
Leased assets	2,175	1,547
Accumulated depreciation	(1,315)	(1,008)
Leased assets, net	859	539
Construction in progress	2,729	3,549
Other	41,682	43,296
Accumulated depreciation	(39,686)	(41,047)
Other, net	1,995	2,248
Total property, plant and equipment	95,338	95,679
Intangible assets		
Other	3,440	3,238
Total intangible assets	3,440	3,238
Investments and other assets		
Investment securities	27,506	25,953
Long-term loans receivable	204	205
Deferred tax assets	1,834	696
Retirement benefit asset	397	397
Other	9,143	10,056
Allowance for doubtful accounts	(89)	(81)
Total investments and other assets	38,996	37,227
Total non-current assets	137,775	136,145
Total assets	282,195	301,782

(Millions of yen)

	As of March 31, 2022	As of December 31, 2022
Liabilities		
Current liabilities		
Notes and accounts payable - trade	33,731	34,171
Electronically recorded obligations - operating	15,552	25,095
Short-term borrowings	22,807	18,700
Lease liabilities	158	108
Income taxes payable	891	734
Other	14,055	15,092
Total current liabilities	87,196	93,903
Non-current liabilities		
Bonds payable	37,000	37,000
Long-term borrowings	26,228	32,032
Lease liabilities	235	172
Deferred tax liabilities	6,190	4,301
Provision for corporate officers' retirement benefits	163	159
Provision for share awards for directors (and other officers)	23	11
Provision for retirement benefits for directors (and other officers)	25	10
Reserve for repairs	324	426
Retirement benefit liability	9,155	9,390
Asset retirement obligations	346	266
Other	1,603	1,473
Total non-current liabilities	81,296	85,244
Total liabilities	168,492	179,148
Net assets		
Shareholders' equity		
Share capital	20,983	20,983
Capital surplus	18,606	18,606
Retained earnings	62,114	65,862
Treasury shares	(2,287)	(2,503)
Total shareholders' equity	99,417	102,950
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	9,990	8,833
Deferred gains or losses on hedges	19	(12)
Foreign currency translation adjustment	1,692	8,051
Remeasurements of defined benefit plans	1,537	1,547
Total accumulated other comprehensive income	13,240	18,418
Non-controlling interests	1,045	1,265
Total net assets	113,703	122,634
Total liabilities and net assets	282,195	301,782

(2) Quarterly Consolidated Statements of Income and Quarterly Consolidated Statements of Comprehensive Income
(Quarterly Consolidated Statements of Income)
(Third Quarter Consolidated Cumulative Accounting Term)

(Millions of yen)

	Nine months ended December 31, 2021	Nine months ended December 31, 2022
Net sales	196,974	248,801
Cost of sales	173,830	214,765
Gross profit	23,143	34,035
Selling, general and administrative expenses	23,993	28,679
Operating profit (loss)	(849)	5,355
Non-operating income		
Interest income	99	89
Dividend income	724	700
Foreign exchange gains	461	215
Share of profit of entities accounted for using equity method	—	292
Other	333	459
Total non-operating income	1,618	1,756
Non-operating expenses		
Interest expenses	358	556
Share of loss of entities accounted for using equity method	705	—
Other	378	301
Total non-operating expenses	1,441	857
Ordinary profit (loss)	(672)	6,255
Extraordinary income		
Gain on sale of non-current assets	36	13
Gain on sale of investment securities	6	72
Gain on reversal of provision incurred from business combination	791	—
Total extraordinary income	834	85
Extraordinary losses		
Loss on sale of non-current assets	4	4
Loss on retirement of non-current assets	166	249
Business structural reform expenses	352	76
Other	6	—
Total extraordinary losses	529	329
Profit (loss) before income taxes	(367)	6,011
Income taxes	1,072	1,244
Profit (loss)	(1,439)	4,767
Profit attributable to non-controlling interests	50	101
Profit (loss) attributable to owners of parent	(1,490)	4,666

(Quarterly Consolidated Statements of Comprehensive Income)
(Third Quarter Consolidated Cumulative Accounting Term)

(Millions of yen)

	Nine months ended December 31, 2021	Nine months ended December 31, 2022
Profit (loss)	(1,439)	4,767
Other comprehensive income		
Valuation difference on available-for-sale securities	2,046	(1,196)
Deferred gains or losses on hedges	1	(31)
Foreign currency translation adjustment	1,672	5,684
Remeasurements of defined benefit plans, net of tax	28	8
Share of other comprehensive income of entities accounted for using equity method	603	870
Total other comprehensive income	4,352	5,335
Comprehensive income	2,912	10,102
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,815	9,844
Comprehensive income attributable to non-controlling interests	97	257

(3) Notes Regarding Quarterly Consolidated Financial Results

(Note related to Going Concern Assumption)

Not applicable.

(Note on Significant Changes in the Amount of Shareholders' Equity)

Not applicable.

(Application of Special Accounting Methods for Presenting Quarterly Consolidated Financial Statements)

Tax expenses were calculated by multiplying the rationally estimated effective tax rate after applying tax effect accounting to profit before income taxes for the consolidated fiscal year, which includes the current third quarter under review, by profit before income taxes for the third quarter.