

3. Consolidated Financial Forecasts for Fiscal 2023 (April 1, 2023- March 31, 2024)

(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	343,000	2.5	10,000	39.4	11,000	36.8	7,500	18.6	328.56

(Note) Whether changes to the latest forecasts for consolidated figures have been made: Yes

Concerning the details, please refer to “Notice Regarding Differences between Financial Forecasts and Actual Results of the Second Quarter of Fiscal 2023 and Revision of the Dividend Forecast (Dividend Increase)” published today.

* 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 Statement and Important Notes” on page 8 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)

Second Quarter of Fiscal 2023 24,077,510 shares Fiscal 2022 24,077,510 shares

(b) Number of treasury shares at the end of the period

Second Quarter of Fiscal 2023 1,250,856 shares Fiscal 2022 1,252,026 shares

(c) Average number of shares issued during the period

Second Quarter of Fiscal 2023 22,825,714 shares Second Quarter of Fiscal 2022 22,890,820 shares

* 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 results may vary from the forecast due to various factors that will arise in the future.

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 3.

(Method for acquiring supplementary briefing material on quarterly financial results)

The Company plans to hold a briefing session for institutional investors and securities analysts. A video of this briefing session and briefing material will be posted on the Company’s website promptly after the briefing session.

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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 November 7, 2023 at 13:30 (GMT+9).
The Company assumes no responsibility for this translation or for direct, indirect or any other forms of damages arising from the translation.

1. Qualitative Information Regarding Results of the Second Quarter for Fiscal 2023

(1) Explanation Regarding Consolidated Operating Results

During the first half of the fiscal year under review, the global economy experienced an overall recovery, despite geopolitical risks from the protraction of the situation in Ukraine, unstable market conditions caused by monetary tightening around the world, and the impact of the stagnant real estate market in China. There was a gradual recovery in the Japanese economy, as consumer spending recovered due to the easing of behavioral restrictions, and capital investment was strong. Regarding the business environment surrounding TOPY INDUSTRIES, LIMITED (the “Group”), although cost fluctuations affecting raw materials, energy and logistics and the economic slowdown in China continue to require close monitoring, the impact of shortages in the supply of semiconductors and other components has lessened in the automotive industry, and production is on a recovery track.

Under this business environment, we have set four key areas—promote segment management, strengthen overseas profitability, strengthen domestic business base, and contribute to decarbonization—for our Group Basic Strategy, and we are steadily implementing the Medium-term Management Plan “TOPY Active & Challenge 2025”. As one part of these efforts, the newly established Overseas Business Strategy Department continues to tackle the strengthening of alliances and discuss the development of new markets. In addition, we are also working on financial strategies to improve the cash conversion cycle (CCC) such as shortening the collection period of trade receivables and properly managing inventories.

The financial results for the first six months of the fiscal year under review include consolidated net sales of ¥165,938 million (up 6.3% year on year), mainly due to increased sales of wheels for passenger vehicles due to the recovery trend in automobile production. As for profit, operating profit was ¥3,985 million (up 158.6% year on year), ordinary profit was ¥4,888 million (up 74.9% year on year), and profit attributable to owners of parent was ¥3,381 million (up 62.3% year on year), showing significant improvements, due to an increase in the difference between steel scrap prices and steel selling prices.

Performance by Segment

(Steel Business)

In the steel industry, demand for steel products from the manufacturing industry recovered, but domestic crude steel production decreased year on year, as demand from the construction industry stagnated. Moreover, steel scrap prices were lower year on year, while electricity prices remained high, albeit on a downward trend.

Given these circumstances, the Group worked to optimize steel sales prices as the price gap with purchase prices of steel scrap, the raw material for such products, widened, and optimized the product mix with a focus on profit, etc. As a result, net sales increased to ¥54,262 million (up 8.2% year on year), and operating profit increased to ¥4,614 million (up 59.4% year on year).

(Automotive & Industrial Machinery Components Business)

In the automotive industry, automobile production volume increased year on year in Japan as impacts from the supply shortage of semiconductors and other parts lessened. By vehicle type, the recovery in passenger vehicles was remarkable, while the recovery in trucks and other commercial vehicles was delayed. In the construction machinery industry, while demand for hydraulic excavators was strong in North America, it declined significantly in China and showed signs of slowing down in other regions. Demand for mining machinery remained strong amid robust demand for resources.

Under these circumstances, sales of wheels for passenger vehicles increased and the Group worked to optimize sales pricing in accordance with the cost of raw materials. As a result, net sales increased to ¥101,180 million (up 6.9% year on year), and operating profit increased to ¥2,127 million (up 22.8% year on year).

(Power Business)

Net sales decreased ¥6,892 million (down 15.6% year on year) due to a decrease in electricity sold due to planned shutdowns for inspections and maintenance for statutory periodic inspections and lower electricity demand this summer than in the same period of the previous fiscal year. However, operating loss improved and reached ¥639 million (compared with ¥1,066 million in the same period of the previous fiscal year) due to progress in the optimization of electricity sales prices.

(Leasing Business)

In the leasing business, operating profit was ¥350 million (down 1.5% year on year).

(Others)

The Group is involved in the manufacture and sale of synthetic mica, and operates a civil engineering and construction business, sports club OSSO, and other businesses. Net sales came to ¥3,602 million (up 14.5% year on year) and operating profit was ¥372 million (up 12.5% year on year).

(2) Explanation Regarding Financial Position

Total assets at the end of the second quarter of the consolidated fiscal year under review stood at ¥312,274 million, an increase of ¥19,951 million from the end of the previous consolidated fiscal year. This was mainly due to an increase of ¥8,486 million in notes and accounts receivable trade and contract assets, an increase of ¥6,893 million in investment securities, and a decrease of ¥1,090 million in merchandise and finished goods.

Total liabilities were ¥180,924 million, an increase of ¥10,027 million compared with the end of the previous consolidated fiscal year. This was caused mainly by an increase of ¥6,398 million in electronically recorded obligations, an increase of ¥5,000 million in the current portion of bonds, and a decrease of 2,853 million in long-term debt.

Total net assets came to ¥131,349 million, an increase of ¥9,924 million from the end of the previous consolidated fiscal year. This was mainly due to an increase of ¥4,945 million in valuation difference on available-for-sale securities, and an increase of ¥2,974 million in foreign currency translation adjustments.

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

Despite continuing expectations of recovery, the outlook for the global economy remains uncertain due to the worsening of the situation in the Middle East, as well as the downside risk of the impact of monetary tightening, the economic slowdown in China, and price increases.

While the business environment surrounding the Group is expected to remain uncertain due to factors such as raw materials and energy price trends, rising labor costs, and the “2024 problem” in Japan’s logistics industry, we will continue working to steadily leverage the recovery in automobile production, optimize sales pricing notably through a response to rising labor costs, and accumulate profits.

We have revised our consolidated earnings forecast for the full fiscal year ending March 31, 2024 (from April 1, 2023 to March 31, 2024), which was announced on May 10, 2023, taking into consideration our performance in the first half of the fiscal year and the recent business trends. Net sales are forecast at ¥343,000 million, operating profit at ¥10,000 million, ordinary profit at ¥11,000 million and net income attributable to owners of the parent at ¥7,500 million. 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, 2023	As of September 30, 2023
Assets		
Current assets		
Cash and deposits	23,740	24,595
Notes and accounts receivable - trade, and contract assets	71,671	80,158
Merchandise and finished goods	27,229	26,139
Work in process	7,849	8,779
Raw materials and supplies	22,156	22,400
Other	5,966	7,294
Allowance for doubtful accounts	(41)	(45)
Total current assets	158,573	169,321
Non-current assets		
Property, plant and equipment		
Buildings and structures	96,988	98,655
Accumulated depreciation	(69,639)	(71,352)
Buildings and structures, net	27,349	27,302
Machinery, equipment and vehicles	226,532	232,839
Accumulated depreciation	(182,494)	(187,955)
Machinery, equipment and vehicles, net	44,037	44,884
Land	15,538	15,652
Leased assets	1,314	1,715
Accumulated depreciation	(767)	(820)
Leased assets, net	547	895
Construction in progress	3,114	2,900
Other	43,084	44,669
Accumulated depreciation	(41,008)	(42,356)
Other, net	2,076	2,313
Total property, plant and equipment	92,662	93,948
Intangible assets		
Other	3,014	3,206
Total intangible assets	3,014	3,206
Investments and other assets		
Investment securities	27,263	34,157
Long-term loans receivable	201	205
Deferred tax assets	643	627
Retirement benefit asset	382	382
Other	9,661	10,508
Allowance for doubtful accounts	(81)	(84)
Total investments and other assets	38,071	45,797
Total non-current assets	133,748	142,952
Total assets	292,322	312,274

(Millions of yen)

	As of March 31, 2023	As of September 30, 2023
Liabilities		
Current liabilities		
Notes and accounts payable - trade	36,097	34,345
Electronically recorded obligations - operating	18,372	24,770
Short-term borrowings	17,305	16,404
Current portion of bonds payable	7,000	12,000
Lease liabilities	122	184
Income taxes payable	871	1,556
Other	15,525	16,584
Total current liabilities	95,295	105,846
Non-current liabilities		
Bonds payable	30,000	30,000
Long-term borrowings	29,282	26,429
Lease liabilities	213	449
Deferred tax liabilities	3,890	6,031
Provision for corporate officers' retirement benefits	150	186
Provision for share awards for directors (and other officers)	11	51
Provision for retirement benefits for directors (and other officers)	11	13
Reserve for repairs	441	304
Retirement benefit liability	9,894	9,908
Asset retirement obligations	267	266
Other	1,438	1,436
Total non-current liabilities	75,602	75,077
Total liabilities	170,897	180,924
Net assets		
Shareholders' equity		
Share capital	20,983	20,983
Capital surplus	18,606	18,606
Retained earnings	67,518	69,344
Treasury shares	(2,503)	(2,501)
Total shareholders' equity	104,604	106,433
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	9,693	14,638
Deferred gains or losses on hedges	(4)	51
Foreign currency translation adjustment	5,064	8,038
Remeasurements of defined benefit plans	908	904
Total accumulated other comprehensive income	15,661	23,633
Non-controlling interests	1,159	1,282
Total net assets	121,425	131,349
Total liabilities and net assets	292,322	312,274

(2) Quarterly Consolidated Statements of Income and Quarterly Consolidated Statements of Comprehensive Income
Quarterly Consolidated Statements of Income
(For the Six-month Period)

(Millions of yen)

	Six months ended September 30, 2022	Six months ended September 30, 2023
Net sales	156,109	165,938
Cost of sales	135,494	144,555
Gross profit	20,615	21,382
Selling, general and administrative expenses	19,074	17,397
Operating profit	1,540	3,985
Non-operating income		
Interest income	58	84
Dividend income	368	414
Foreign exchange gains	926	700
Share of profit of entities accounted for using equity method	64	214
Other	362	175
Total non-operating income	1,780	1,590
Non-operating expenses		
Interest expenses	339	449
Other	186	237
Total non-operating expenses	525	686
Ordinary profit	2,794	4,888
Extraordinary income		
Gain on sale of non-current assets	10	179
Gain on sale of investment securities	55	0
Total extraordinary income	65	179
Extraordinary losses		
Loss on sale of non-current assets	3	27
Loss on retirement of non-current assets	179	75
Business structural reform expenses	76	—
Total extraordinary losses	258	102
Profit before income taxes	2,601	4,964
Income taxes	465	1,531
Profit	2,136	3,433
Profit attributable to non-controlling interests	53	52
Profit attributable to owners of parent	2,082	3,381

Quarterly Consolidated Statements of Comprehensive Income
(For the Six-month Period)

(Millions of yen)

	Six months ended September 30, 2022	Six months ended September 30, 2023
Profit	2,136	3,433
Other comprehensive income		
Valuation difference on available-for-sale securities	(1,477)	4,888
Deferred gains or losses on hedges	5	56
Foreign currency translation adjustment	4,355	2,747
Remeasurements of defined benefit plans, net of tax	5	(3)
Share of other comprehensive income of entities accounted for using equity method	855	395
Total other comprehensive income	3,744	8,084
Comprehensive income	5,881	11,517
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	5,690	11,353
Comprehensive income attributable to non-controlling interests	191	164

(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 first quarter under review, by profit before income taxes for the second quarter.