

* 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)

| | | | |
|------------------------------|-------------------|-------------|-------------------|
| Third 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

| | | | |
|------------------------------|------------------|-------------|------------------|
| Third Quarter of Fiscal 2023 | 1,251,212 shares | Fiscal 2022 | 1,252,026 shares |
|------------------------------|------------------|-------------|------------------|

(c) Average number of shares issued during the period

| | | | |
|------------------------------|-------------------|------------------------------|-------------------|
| Third Quarter of Fiscal 2023 | 22,825,934 shares | Third Quarter of Fiscal 2022 | 22,871,336 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 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 3.

Index of Attached Documents

| | |
|---|---|
| 1. Qualitative Information Regarding Results of the Third Quarter for Fiscal 2023 | 2 |
| (1) Explanation Regarding Consolidated Operating Results | 2 |
| (2) Explanation Regarding Financial Position | 3 |
| (3) Explanation Regarding Future Estimate Information such as Consolidated Financial Performance Estimates | 3 |
| 2. Quarterly Consolidated Financial Statements and Important Notes | 4 |
| (1) Quarterly Consolidated Balance Sheets | 4 |
| (2) Quarterly Consolidated Statements of Income and Quarterly Consolidated Statements of Comprehensive Income | 6 |
| Quarterly Consolidated Statements of Income | |
| Third Quarter Consolidated Cumulative Accounting Term | 6 |
| Quarterly Consolidated Statements of Comprehensive Income | |
| Third Quarter Consolidated Cumulative Accounting Term | 7 |
| (3) Notes Regarding Quarterly Consolidated Financial Results | 8 |
| (Note related to going-concern assumption) | 8 |
| (Note on significant changes in the amount of shareholders' equity) | 8 |
| (Application of special accounting methods for presenting quarterly consolidated financial statements) | 8 |

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 6, 2024, at 13:30 (GMT+9).
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1. Qualitative Information Regarding Results of the Third Quarter for Fiscal 2023

(1) Explanation Regarding Consolidated Operating Results

During the first nine months of the fiscal year under review, the global economy experienced an overall recovery, despite geopolitical risks such as the situation in Ukraine and in the Middle East, 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 economy in the Japanese economy, as consumer spending recovered amid the normalization of economic activities. Regarding the business environment surrounding TOPY INDUSTRIES, LIMITED (the “Group”), although the economic slowdown in China and the fluctuations of energy and logistics costs continue to require close monitoring, the impact of shortages in the supply of semiconductors and other components has basically disappeared in the domestic 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 part of these efforts, we are moving forward with discussions on business portfolio optimization from the perspective of capital productivity, including reviews of global sites. In addition, we have formed a project team to advance the optimization of logistics systems within the Group, in response to the “2024 problem” in the logistics industry.

The financial results for the first nine months of the fiscal year under review include consolidated net sales of ¥256,285 million (up 3.0% year on year), mainly due to the increase in sales volume of aluminum wheels for passenger vehicles in line with the recovery trend in automobile production, the expansion of the price gap between steel scrap prices and selling prices, and efforts to optimize selling prices. As for profit, operating profit was ¥8,969 million (up 67.5% year on year) and ordinary profit was ¥9,696 million (up 55.0% year on year), showing significant improvements. Profit attributable to owners of parent was ¥4,286 million (down 8.1% year on year), due to the booking of impairment loss caused by a decline in profitability in the Power Generation Segment.

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 did not change significantly, 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 ¥83,018 million (up 5.7% year on year), and operating profit increased to ¥7,679 million (up 27.4% year on year).

(Automotive & Industrial Machinery Components Business)

In the automotive industry, automobile production volume increased year on year in Japan as the impact from the supply shortage of semiconductors and other parts basically disappeared. 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, but stagnated in some regions.

Under these circumstances, sales of wheels for passenger aluminum vehicles increased and the Group worked to optimize sales pricing. As a result, net sales increased to ¥157,196 million (up 4.3% year on year), and operating profit increased to ¥4,874 million (up 57.3% year on year).

(Power Business)

Net sales decreased ¥10,447 million (down 29.2% year on year) due to a decrease in electricity sold due to planned shutdowns for inspections and maintenance for statutory periodic inspections during the first quarter and lower electricity demand this summer than in the same period of the previous fiscal year. However, operating loss improved and reached ¥432 million (compared with ¥802 million in the same period of the previous fiscal year) due to progress in the optimization of electricity sales prices and the decrease of the cost of coal, the fuel used to generate electricity.

(Leasing Business)

In the leasing business, operating profit was ¥525 million (down 1.7% 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 ¥5,623 million (up 17.7% year on year) and operating profit was ¥580 million (up 24.7% 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 ¥309,744 million, an increase of ¥17,421 million from the end of the previous consolidated fiscal year. This was mainly due to increases of ¥10,370 million in notes and accounts receivable trade and contract assets, ¥6,116 million in investment securities, and ¥3,346 million in cash and deposits.

Total liabilities were ¥177,551 million, an increase of ¥6,654 million compared with the end of the previous consolidated fiscal year. This was caused mainly by an increase of ¥5,479 million in electronically recorded obligations, an increase of ¥5,000 million in the current portion of bonds, and a decrease of ¥4,127 million in long-term debt.

Total net assets came to ¥132,192 million, an increase of ¥10,767 million from the end of the previous consolidated fiscal year. This was mainly due to an increase of ¥4,386 million in valuation difference on available-for-sale securities, an increase of ¥4,143 million in foreign currency translation adjustments, and an increase of ¥2,045 million in retained earnings.

(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 downside risk of the global monetary tightening, the economic slowdown in China and price increases, as well as the situation in the Middle East.

While the business environment surrounding the Group is expected to remain uncertain due to factors such as steel scrap and energy price trends, the declining demand for steel construction materials, the impact of quality problems at Japanese automakers on production, trends in overseas automobile production, further decline in the demand for hydraulic excavators overseas, we will continue working to steadily leverage the recovery in the domestic automobile production and optimize selling prices notably through a response to rising labor costs.

The consolidated financial forecasts for the fiscal year ending March 31, 2024 (April 1, 2023 to March 31, 2024) have not been changed from those announced on November 7, 2023. Impairment losses in the Power Generation segment were posted during the first nine months of the fiscal year under review as extraordinary losses, but the full-year forecast for profit attributable to owners of parent remains unchanged due to the recording of deferred tax assets and income tax adjustments due to corporate reclassification for tax effect accounting. 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 December 31, 2023 |
|--|----------------------|-------------------------|
| Assets | | |
| Current assets | | |
| Cash and deposits | 23,740 | 27,086 |
| Notes and accounts receivable - trade, and contract assets | 71,671 | 82,041 |
| Merchandise and finished goods | 27,229 | 26,267 |
| Work in process | 7,849 | 7,706 |
| Raw materials and supplies | 22,156 | 21,631 |
| Other | 5,966 | 6,600 |
| Allowance for doubtful accounts | (41) | (45) |
| Total current assets | 158,573 | 171,289 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Buildings and structures | 96,988 | 98,375 |
| Accumulated depreciation | (69,639) | (72,097) |
| Buildings and structures, net | 27,349 | 26,278 |
| Machinery, equipment and vehicles | 226,532 | 232,183 |
| Accumulated depreciation | (182,494) | (190,257) |
| Machinery, equipment and vehicles, net | 44,037 | 41,925 |
| Land | 15,538 | 15,712 |
| Leased assets | 1,314 | 1,741 |
| Accumulated depreciation | (767) | (884) |
| Leased assets, net | 547 | 857 |
| Construction in progress | 3,114 | 3,206 |
| Other | 43,084 | 45,201 |
| Accumulated depreciation | (41,008) | (42,958) |
| Other, net | 2,076 | 2,242 |
| Total property, plant and equipment | 92,662 | 90,223 |
| Intangible assets | | |
| Other | 3,014 | 3,164 |
| Total intangible assets | 3,014 | 3,164 |
| Investments and other assets | | |
| Investment securities | 27,263 | 33,380 |
| Long-term loans receivable | 201 | 205 |
| Deferred tax assets | 643 | 613 |
| Retirement benefit asset | 382 | 382 |
| Other | 9,661 | 10,568 |
| Allowance for doubtful accounts | (81) | (83) |
| Total investments and other assets | 38,071 | 45,066 |
| Total non-current assets | 133,748 | 138,454 |
| Total assets | 292,322 | 309,744 |

(Millions of yen)

| | As of March 31, 2023 | As of December 31, 2023 |
|--|----------------------|-------------------------|
| Liabilities | | |
| Current liabilities | | |
| Notes and accounts payable - trade | 36,097 | 33,246 |
| Electronically recorded obligations - operating | 18,372 | 23,851 |
| Short-term borrowings | 17,305 | 17,768 |
| Current portion of bonds payable | 7,000 | 12,000 |
| Lease liabilities | 122 | 184 |
| Income taxes payable | 871 | 1,961 |
| Other | 15,525 | 14,630 |
| Total current liabilities | 95,295 | 103,642 |
| Non-current liabilities | | |
| Bonds payable | 30,000 | 30,000 |
| Long-term borrowings | 29,282 | 25,154 |
| Lease liabilities | 213 | 427 |
| Deferred tax liabilities | 3,890 | 5,918 |
| Provision for corporate officers' retirement benefits | 150 | 205 |
| Provision for share awards for directors (and other officers) | 11 | 51 |
| Provision for retirement benefits for directors (and other officers) | 11 | 14 |
| Reserve for repairs | 441 | 265 |
| Retirement benefit liability | 9,894 | 10,169 |
| Asset retirement obligations | 267 | 267 |
| Other | 1,438 | 1,435 |
| Total non-current liabilities | 75,602 | 73,909 |
| Total liabilities | 170,897 | 177,551 |
| Net assets | | |
| Shareholders' equity | | |
| Share capital | 20,983 | 20,983 |
| Capital surplus | 18,606 | 18,606 |
| Retained earnings | 67,518 | 69,563 |
| Treasury shares | (2,503) | (2,502) |
| Total shareholders' equity | 104,604 | 106,651 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 9,693 | 14,080 |
| Deferred gains or losses on hedges | (4) | (2) |
| Foreign currency translation adjustment | 5,064 | 9,208 |
| Remeasurements of defined benefit plans | 908 | 903 |
| Total accumulated other comprehensive income | 15,661 | 24,189 |
| Non-controlling interests | 1,159 | 1,350 |
| Total net assets | 121,425 | 132,192 |
| Total liabilities and net assets | 292,322 | 309,744 |

(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, 2022 | Nine months ended December 31, 2023 |
|---|--|--|
| Net sales | 248,801 | 256,285 |
| Cost of sales | 214,765 | 220,816 |
| Gross profit | 34,035 | 35,468 |
| Selling, general and administrative expenses | 28,679 | 26,499 |
| Operating profit | 5,355 | 8,969 |
| Non-operating income | | |
| Interest income | 89 | 80 |
| Dividend income | 700 | 782 |
| Foreign exchange gains | 215 | 252 |
| Share of profit of entities accounted for using equity method | 292 | 368 |
| Other | 459 | 262 |
| Total non-operating income | 1,756 | 1,747 |
| Non-operating expenses | | |
| Interest expenses | 556 | 668 |
| Other | 301 | 351 |
| Total non-operating expenses | 857 | 1,020 |
| Ordinary profit | 6,255 | 9,696 |
| Extraordinary income | | |
| Gain on sale of non-current assets | 13 | 184 |
| Gain on sale of investment securities | 72 | 0 |
| Total extraordinary income | 85 | 184 |
| Extraordinary losses | | |
| Loss on sale of non-current assets | 4 | 27 |
| Loss on retirement of non-current assets | 249 | 189 |
| Impairment losses | — | 2,443 |
| Business structural reform expenses | 76 | — |
| Total extraordinary losses | 329 | 2,660 |
| Profit before income taxes | 6,011 | 7,219 |
| Income taxes | 1,244 | 2,823 |
| Profit | 4,767 | 4,395 |
| Profit attributable to non-controlling interests | 101 | 109 |
| Profit attributable to owners of parent | 4,666 | 4,286 |

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

(Millions of yen)

| | Nine months ended December 31, 2022 | Nine months ended December 31, 2023 |
|--|--|--|
| Profit | 4,767 | 4,395 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | (1,196) | 4,324 |
| Deferred gains or losses on hedges | (31) | 2 |
| Foreign currency translation adjustment | 5,684 | 3,742 |
| Remeasurements of defined benefit plans, net of tax | 8 | (4) |
| Share of other comprehensive income of entities accounted for using equity method | 870 | 587 |
| Total other comprehensive income | 5,335 | 8,651 |
| Comprehensive income | 10,102 | 13,047 |
| Comprehensive income attributable to | | |
| Comprehensive income attributable to owners of parent | 9,844 | 12,815 |
| Comprehensive income attributable to non-controlling interests | 257 | 232 |

(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 third quarter.