

* 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)

| | | | |
|------------------------------|-------------------|-------------|-------------------|
| First 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

| | | | |
|------------------------------|------------------|-------------|------------------|
| First Quarter of Fiscal 2023 | 1,252,174 shares | Fiscal 2022 | 1,252,026 shares |
|------------------------------|------------------|-------------|------------------|

(c) Average number of shares issued during the period

| | | | |
|------------------------------|-------------------|------------------------------|-------------------|
| First Quarter of Fiscal 2023 | 22,825,392 shares | First Quarter of Fiscal 2022 | 22,940,753 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.

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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 August 4, 2023 at 13:30 (GMT+9).
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1. Qualitative Information Regarding Results of the First Quarter for Fiscal 2023

(1) Explanation Regarding Consolidated Operating Results

During the first three months of the fiscal year under review, the global economy experienced an overall recovery, despite geopolitical risks from the protraction of the situation in Ukraine and unstable market conditions caused by monetary tightening around the world. 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. Despite the recovering trend in production as impacts from semiconductor and other parts shortages in the automotive industry are alleviated, the business environment surrounding TOPY INDUSTRIES, LIMITED (the “Group”) remained uncertain due to factors such as an economic slump in China, in addition to cost increases for coal, electricity, other raw materials, and logistics.

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 this, we newly established the Overseas Business Strategy Department, and are proceeding with discussions on initiatives to strengthen alliances and develop new markets. In addition, we have introduced an internal carbon pricing system, and use it as one of the criteria for environmental investment decisions, thereby strengthening our sustainable management base and promoting efforts for the realization of carbon neutrality.

The financial results for the first three months of the fiscal year under review include consolidated net sales of ¥81,522 million (up 8.7% year on year), mainly due to increased automobile wheel sales due to the recovery trend in automobile production. As for profit, operating profit was ¥1,567 million (compared to an operating loss of ¥569 million in the same period of the previous year) due to the increase in price difference from the sales price of steel products due to a decline in steel scrap prices, and in addition to foreign exchange gains due to depreciation of the yen, ordinary profit was ¥2,358 million (up 557.5% year on year), and profit attributable to owners of parent was ¥1,734 million (up 346.4% year on year), showing significant improvements.

Performance by Segment

From the first quarter of the current fiscal year, the reportable segment previously referred to as Business Development has been included under Other, as its quantitative importance decreased. The following comparisons are comparative analyses based on figures for the first three months of the previous fiscal year, which have been reclassified to the segment classifications after the change.

(Steel Business)

In the steel industry, domestic crude steel production volume decreased year on year due to a decline in demand for steel materials for construction and manufacturing, which are the main markets. In addition, the price of steel scrap, the main raw material, declined, even though the prices of energy and other raw materials remained high.

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. As a result, net sales increased to ¥27,699 million (up 5.0% year on year), and operating profit increased to ¥2,432 million (up 1,119.5% 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. In the construction machinery industry, while demand for hydraulic excavators declined significantly in China, demand was firm overall in other regions. Demand for mining machinery remained strong amid robust demand for resources.

Under these circumstances, sales for automotive wheels increased and the Group worked to optimize sales pricing in accordance with the cost of raw materials. As a result, net sales increased to ¥49,397 million (up 12.4% year on year), and operating profit increased to ¥859 million (up 41.5% year on year).

(Power Business)

While the marked rise in the price of coal, which is fuel for power generation, has calmed down, planned outages due to inspections and maintenance for statutory periodic inspections and increased repair costs, in addition to regular annual repairs, resulted in net sales decreasing to ¥2,663 million (down 13.8% year on year), and an operating loss of ¥761 million (compared to an operating loss of ¥557 million in the same period of the previous year).

(Leasing Business)

In the leasing business, operating profit was ¥178 million (down 0.3% 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 ¥1,762 million (up 11.9% year on year) and operating profit was ¥230 million (up 21.1% year on year).

(2) Explanation Regarding Financial Position

Total assets at the end of the first quarter of the consolidated fiscal year under review stood at ¥296,826 million, an increase of ¥4,504 million from the end of the previous consolidated fiscal year. This was mainly due to an increase of ¥3,576 million in investment securities, a decrease of ¥756 million in merchandise and finished goods, and an increase of ¥582 million in work in process.

Total liabilities were ¥171,835 million, an increase of ¥938 million compared with the end of the previous consolidated fiscal year. This was caused mainly by a decrease of ¥3,624 million in notes and accounts payable - trade, an increase of ¥1,863 million in short-term borrowings, an increase of ¥1,427 million in electronically recorded obligations - operating, and an increase of ¥1,149 million in deferred tax liabilities.

Total net assets came to ¥124,990 million, an increase of ¥3,565 million from the end of the previous consolidated fiscal year. This was mainly due to an increase of ¥2,586 million in valuation difference on available-for-sale securities, and an increase of ¥684 million in foreign currency translation adjustments.

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

Despite expectations for the recovery to continue, the outlook for the global economy is forecast to remain uncertain, due to the downside risk of the impact of monetary tightening, price increases, and other factors. While the business environment surrounding the Group is expected to remain uncertain due to factors such as raw materials and energy prices, and the “2024 problem” in Japan’s logistics industry, we will continue working to steadily leverage the recovery in automobile production, optimize sales pricing, and accumulate profits.

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 May 10, 2023. 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 June 30, 2023 |
|--|----------------------|---------------------|
| Assets | | |
| Current assets | | |
| Cash and deposits | 23,740 | 24,216 |
| Notes and accounts receivable - trade, and contract assets | 71,671 | 72,114 |
| Merchandise and finished goods | 27,229 | 26,473 |
| Work in process | 7,849 | 8,432 |
| Raw materials and supplies | 22,156 | 21,986 |
| Other | 5,966 | 5,700 |
| Allowance for doubtful accounts | (41) | (41) |
| Total current assets | 158,573 | 158,882 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Buildings and structures | 96,988 | 97,479 |
| Accumulated depreciation | (69,639) | (70,429) |
| Buildings and structures, net | 27,349 | 27,050 |
| Machinery, equipment and vehicles | 226,532 | 228,148 |
| Accumulated depreciation | (182,494) | (184,850) |
| Machinery, equipment and vehicles, net | 44,037 | 43,297 |
| Land | 15,538 | 15,667 |
| Leased assets | 1,314 | 1,671 |
| Accumulated depreciation | (767) | (802) |
| Leased assets, net | 547 | 869 |
| Construction in progress | 3,114 | 3,820 |
| Other | 43,084 | 43,811 |
| Accumulated depreciation | (41,008) | (41,595) |
| Other, net | 2,076 | 2,216 |
| Total property, plant and equipment | 92,662 | 92,921 |
| Intangible assets | | |
| Other | 3,014 | 2,908 |
| Total intangible assets | 3,014 | 2,908 |
| Investments and other assets | | |
| Investment securities | 27,263 | 30,840 |
| Long-term loans receivable | 201 | 203 |
| Deferred tax assets | 643 | 631 |
| Retirement benefit asset | 382 | 382 |
| Other | 9,661 | 10,138 |
| Allowance for doubtful accounts | (81) | (81) |
| Total investments and other assets | 38,071 | 42,114 |
| Total non-current assets | 133,748 | 137,944 |
| Total assets | 292,322 | 296,826 |

(Millions of yen)

| | As of March 31, 2023 | As of June 30, 2023 |
|--|----------------------|---------------------|
| Liabilities | | |
| Current liabilities | | |
| Notes and accounts payable - trade | 36,097 | 32,473 |
| Electronically recorded obligations - operating | 18,372 | 19,800 |
| Short-term borrowings | 17,305 | 19,168 |
| Current portion of bonds payable | 7,000 | 7,000 |
| Lease liabilities | 122 | 170 |
| Income taxes payable | 871 | 433 |
| Other | 15,525 | 16,274 |
| Total current liabilities | 95,295 | 95,320 |
| Non-current liabilities | | |
| Bonds payable | 30,000 | 30,000 |
| Long-term borrowings | 29,282 | 28,657 |
| Lease liabilities | 213 | 455 |
| Deferred tax liabilities | 3,890 | 5,039 |
| Provision for corporate officers' retirement benefits | 150 | 168 |
| Provision for share awards for directors (and other officers) | 11 | 55 |
| Provision for retirement benefits for directors (and other officers) | 11 | 12 |
| Reserve for repairs | 441 | 270 |
| Retirement benefit liability | 9,894 | 10,143 |
| Asset retirement obligations | 267 | 267 |
| Other | 1,438 | 1,443 |
| Total non-current liabilities | 75,602 | 76,515 |
| Total liabilities | 170,897 | 171,835 |
| Net assets | | |
| Shareholders' equity | | |
| Share capital | 20,983 | 20,983 |
| Capital surplus | 18,606 | 18,606 |
| Retained earnings | 67,518 | 67,697 |
| Treasury shares | (2,503) | (2,503) |
| Total shareholders' equity | 104,604 | 104,783 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 9,693 | 12,280 |
| Deferred gains or losses on hedges | (4) | 46 |
| Foreign currency translation adjustment | 5,064 | 5,748 |
| Remeasurements of defined benefit plans | 908 | 906 |
| Total accumulated other comprehensive income | 15,661 | 18,982 |
| Non-controlling interests | 1,159 | 1,225 |
| Total net assets | 121,425 | 124,990 |
| Total liabilities and net assets | 292,322 | 296,826 |

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

(Millions of yen)

| | Three months ended June 30, 2022 | Three months ended June 30, 2023 |
|---|-------------------------------------|-------------------------------------|
| Net sales | 75,000 | 81,522 |
| Cost of sales | 66,273 | 71,276 |
| Gross profit | 8,726 | 10,246 |
| Selling, general and administrative expenses | 9,295 | 8,679 |
| Operating profit (loss) | (569) | 1,567 |
| Non-operating income | | |
| Interest income | 32 | 38 |
| Dividend income | 360 | 405 |
| Foreign exchange gains | 595 | 505 |
| Share of profit of entities accounted for using equity method | 31 | 114 |
| Other | 145 | 81 |
| Total non-operating income | 1,166 | 1,145 |
| Non-operating expenses | | |
| Interest expenses | 150 | 240 |
| Other | 87 | 114 |
| Total non-operating expenses | 238 | 354 |
| Ordinary profit | 358 | 2,358 |
| Extraordinary income | | |
| Gain on sale of non-current assets | 7 | 165 |
| Gain on sale of investment securities | 55 | — |
| Total extraordinary income | 62 | 165 |
| Extraordinary losses | | |
| Loss on sale of non-current assets | — | 0 |
| Loss on retirement of non-current assets | 69 | 23 |
| Business structural reform expenses | 76 | — |
| Total extraordinary losses | 145 | 24 |
| Profit before income taxes | 275 | 2,499 |
| Income taxes | (152) | 736 |
| Profit | 427 | 1,762 |
| Profit attributable to non-controlling interests | 39 | 28 |
| Profit attributable to owners of parent | 388 | 1,734 |

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

(Millions of yen)

| | Three months ended June 30, 2022 | Three months ended June 30, 2023 |
|--|-------------------------------------|-------------------------------------|
| Profit | 427 | 1,762 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | (639) | 2,579 |
| Deferred gains or losses on hedges | 20 | 51 |
| Foreign currency translation adjustment | 1,900 | 575 |
| Remeasurements of defined benefit plans, net of tax | 3 | (1) |
| Share of other comprehensive income of entities accounted for using equity method | 422 | 153 |
| Total other comprehensive income | 1,706 | 3,358 |
| Comprehensive income | 2,134 | 5,120 |
| Comprehensive income attributable to | | |
| Comprehensive income attributable to owners of parent | 2,032 | 5,055 |
| Comprehensive income attributable to non-controlling interests | 101 | 65 |

(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 first quarter.