



Consolidated Basis Results of the First Quarter for Fiscal 2018 (April 1, 2018 – June 30, 2018)

August 3, 2018

Registered Company name: TOPY INDUSTRIES, LIMITED

Stock listing: Tokyo, Nagoya stock exchanges

Code number: 7231

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Scheduled date for submission of securities report: August 9, 2018

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 First Quarter for Fiscal 2018 (April 1, 2018 - June 30, 2018)

(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 | % |
| First Quarter of Fiscal 2018 | 64,638 | 23.1 | 2,594 | 24.1 | 2,792 | 10.9 | 1,866 | 6.4 |
| First Quarter of Fiscal 2017 | 52,489 | 6.5 | 2,090 | 309.7 | 2,518 | 830.1 | 1,753 | 119.3 |

(Note) Comprehensive income: First Quarter of Fiscal 2018 ¥1,288 million -13.9%
First Quarter of Fiscal 2017 ¥1,497 million –%

| | Profit per share | Profit per share after full dilution |
|------------------------------|------------------|--------------------------------------|
| | Yen | Yen |
| First Quarter of Fiscal 2018 | 79.50 | – |
| First Quarter of Fiscal 2017 | 74.69 | – |

(2) Consolidated Financial Results

| | Total assets | Net assets | Ratio of shareholders' equity to total assets | Net assets per share |
|------------------------------|--------------|-------------|---|----------------------|
| | Million yen | Million yen | % | Yen |
| First Quarter of Fiscal 2018 | 278,971 | 109,955 | 39.0 | 4,634.88 |
| Fiscal 2017 | 248,102 | 109,859 | 43.9 | 4,640.13 |

(For reference) Shareholders' equity: First Quarter of Fiscal 2018 ¥108,836 million Fiscal 2017 ¥108,959 million

2. Dividends

| Base date | Dividends per share | | | | |
|-------------------------|----------------------|-----------------------|----------------------|--------------------|------------------|
| | End of first quarter | End of second quarter | End of third quarter | End of fiscal year | Full fiscal year |
| | Yen | Yen | Yen | Yen | Yen |
| Fiscal 2017 | – | 20.00 | – | 60.00 | 80.00 |
| Fiscal 2018 | – | | | | |
| Fiscal 2018 (Forecasts) | | 20.00 | – | 70.00 | 90.00 |

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

3. Consolidated Financial Forecasts for Fiscal 2018 (April 1, 2018 - March 31, 2019)

(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 | | Profit per share |
|--|-------------|------|------------------|--------|-----------------|--------|---|--------|------------------|
| | Million yen | % | Million yen | % | Million yen | % | Million yen | % | Yen |
| Second Quarter of Fiscal 2018 (Cumulative) | 133,000 | 24.0 | 3,000 | (16.8) | 2,900 | (27.5) | 1,800 | (35.0) | 76.65 |
| Fiscal 2018 | 283,000 | 22.8 | 10,000 | 25.0 | 10,100 | 25.7 | 6,800 | 23.6 | 289.58 |

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: Yes

Newly included: One (Name) Asahi Tec Aluminium (Thailand) Co., Ltd. Excluded: –

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

Note: For details, please refer to “Application of Special Accounting Methods for Presenting Quarterly Consolidated Financial Statements.”

(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 stock)

| | | | |
|------------------------------|-------------------|-------------|-------------------|
| First Quarter of Fiscal 2018 | 24,077,510 shares | Fiscal 2017 | 24,077,510 shares |
|------------------------------|-------------------|-------------|-------------------|

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

| | | | |
|------------------------------|----------------|-------------|----------------|
| First Quarter of Fiscal 2018 | 595,541 shares | Fiscal 2017 | 595,417 shares |
|------------------------------|----------------|-------------|----------------|

(c) Average number of shares issued during the period

| | | | |
|------------------------------|-------------------|------------------------------|-------------------|
| First Quarter of Fiscal 2018 | 23,482,010 shares | First Quarter of Fiscal 2017 | 23,482,131 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.”

Index of Attached Documents

| | |
|---|----|
| 1. Qualitative Information Regarding Results of the First Quarter for Fiscal 2018..... | 4 |
| (1) Explanation Regarding Consolidated Operating Results | 4 |
| (2) Explanation Regarding Financial Status | 5 |
| (3) Explanation Regarding Future Estimate Information such as Consolidated Financial Performance Estimates | 5 |
| 2. Quarterly Consolidated Financial Statements and Important Notes | 6 |
| (1) Quarterly Consolidated Balance Sheets | 6 |
| (2) Quarterly Consolidated Statements of Income and Quarterly Consolidated Statements of Comprehensive Income | 8 |
| Quarterly Consolidated Statements of Income | |
| First Quarter Consolidated Cumulative Accounting Term | 8 |
| Quarterly Consolidated Statements of Comprehensive Income | |
| First Quarter Consolidated Cumulative Accounting Term | 9 |
| (3) Notes Regarding Quarterly Consolidated Financial Results | 10 |
| (Note Related to Going Concern) | 10 |
| (Note on Significant Changes in the Amount of Shareholders' Equity) | 10 |
| (Application of Special Accounting Methods for Presenting Quarterly Consolidated Financial Statements) | 10 |

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 3th, 2018 at 13:30 (GMT+9).
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1. Qualitative Information Regarding Results of the First Quarter for Fiscal 2018

(1) Explanation Regarding Consolidated Operating Results

During the first quarter of the consolidated fiscal year under review, the U.S. and European economies showed moderate expansion while China and emerging countries continued to show signs of a turnaround, helping the global economy record a moderate rebound as a whole, despite growing concerns about trade disputes. The Japanese economy remained on a moderate recovery trend, supported by improvements in employment conditions with robust industrial production and corporate capital spending.

Under these circumstances, the Group steadily implemented the Growth & Change 2018 initiative of the mid-term management plan that is ending this year to achieve sustainable growth and offer great workplaces. In the steel business segment, the Group has completed the construction of the production line and launched test operations with the aim of rolling out TACoil in the coming fall, a new product with higher processing efficiency for bar coils. Furthermore, the Company acquired all the shares issued by ATC Holdings Co., Ltd. (hereinafter, "ATCHD"), a holding company of ASAHI TEC Corporation, thereby converting ATCHD into a wholly owned subsidiary in May 2018. With this share acquisition, the Company aims to build a new platform as required by a global supply system for aluminum wheels in the Automotive & Industrial Machinery Components business.

In the first quarter of the consolidated fiscal year under review, net sales were ¥64,638 million (up 23.1% year on year), with operating profit of ¥2,594 million (up 24.1% year on year) and ordinary profit of ¥2,792 million (up 10.9% year on year), reflecting improvement of sales prices, higher sales in terms of the volume of large-sized wheels for construction and mining, partially offset by a significant cost increase associated with higher prices for sub-materials. As a result, net profit for the quarter attributable to owners of parent came to ¥1,866 million (up 6.4% year on year).

Performance by Segment

(Steel Business)

In the electric furnace industry, demand for steel materials remained firm, primarily among construction companies. Meanwhile, the price of steel scrap, a main material, and the prices of auxiliary materials such as alloy iron and electricity costs also escalated, leading to the continued adverse circumstances.

Given these circumstances, the Group achieved net sales of ¥20,988 million (up 29.2% year on year) by taking steps to recover sales prices while aiming for growth in sales volume. In addition to the growth in sales, operating profit decreased to ¥1,068 million (down 2.3% year on year), reflecting higher costs associated with the rising prices for steel scrap and auxiliary materials, despite the cost reduction initiatives.

(Automotive & Industrial Machinery Components Business)

In the construction machinery industry, domestic sales of hydraulic shovels experienced a spike in demand accompanying the emission control regulations implemented last year, while growth was seen in global demand centered on China. Meanwhile, demand for mining machinery expanded around the world. In the automotive industry domestic, automobile production in units remained stable as compared to the results of the previous fiscal year owing to brisk exports, while signs of decrease were seen in sales volumes of automotive.

Given these conditions, the Group achieved net sales of ¥39,910 million (up 21.6% year on year), reflecting a greater number of components sold, including parts for the undercarriages of construction machinery and a higher sales volume of very large wheels for mining. Another contributor to the growth in net sales was related to the acquisition of Ring Techs Co., Ltd., which came to be reflected as a wholly-owned subsidiary in the consolidated accounts in February 2018. Operating profit for the quarter increased to ¥2,185 million (up 24.1% year on year), reflecting successful cost reduction measures including the control of fixed costs while seeking to expand sales in terms of volume.

(Power Business)

The group endeavored to maintain the stable supply of electricity in line with its business plan. The Group achieved net sales of ¥2,008 million (up 5.6% year on year) and operating profit of ¥117 million (up 240.3% year on year), primarily reflecting electricity sale price rises.

(Others)

The Group succeeded in expanding overseas and domestic sales of synthetic mica used in cosmetics and other products, and has accelerated efforts to expand the areas of application for the Crawler Robot, a multi-directional mobile robot, for agricultures and logistics. Moreover, the Group engages in indoor and outdoor sign systems, civil engineering and construction, leasing of real estate such as Topy-Rec Plaza (Minami-Suna, Koto-ku, Tokyo) and the operation of the sports club OSSO. Due to the sales increase of synthetic mica, Net sales for the quarter came to ¥1,731 million (up 14.5% year on year), with operating profit of ¥423 million (up 24.4% year on year).

(2) Explanation Regarding Financial Status

Total assets at the end of the first quarter of the consolidated fiscal year under review stood at ¥278,971 million, an increase of ¥30,869 million from the end of the previous consolidated fiscal year.

Primary reasons for the increase are related to a ¥6,430 million increase in cash and deposits, a ¥3,583 million increase in notes/accounts receivable, a ¥5,146 million increase in merchandise and finished goods, a ¥6,454 million increase in tangible fixed assets, and a ¥4,857 million increase in investments and other assets.

Total liabilities were ¥169,016 million, or an increase of ¥30,774 million compared with the end of the previous consolidated fiscal year. This was mainly due to an increase of ¥22,894 million in short-term loans payable.

Total net assets came to ¥109,955 million, or an increase of ¥95 million from the end of the previous consolidated fiscal year.

Primary reasons for the increase are related to a ¥453 million increase in retained earnings, a ¥448 million increase in unrealized gains on available-for-sale securities, a ¥1,042 million decrease in the forex translation adjustment account, and a ¥219 million increase in non-controlling interest.

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

It is expected that the global economy will continue to make a steady recovery. The Japanese economy is also expected to continue recovering moderately going forward thanks to improvements in employment/income conditions and the government economic policy, among other factors.

It seems, however, that the business conditions surrounding the Group are expected to remain uncertain and unforeseeable, particularly in view of the ongoing trade disputes mainly in the U.S. and the outlook for China economies.

Therefore, the full-year consolidated financial forecast remains unchanged from the forecast announced on May 10, 2018. These forecasts are based on information available at the time this document was published, and thus the actual results may differ materially from the forecast due to a variety of factors.

2. Quarterly Consolidated Financial Statements and Important Notes

(1) Quarterly Consolidated Balance Sheets

(Million yen)

| | Previous Consolidated Accounting Term (March 31, 2018) | First Quarter Consolidated Accounting Term (June 30, 2018) |
|--|--|--|
| Assets | | |
| Current assets | | |
| Cash and deposits | 23,179 | 29,610 |
| Notes and accounts receivable - trade | 53,253 | 56,837 |
| Merchandise and finished goods | 17,572 | 22,718 |
| Work in process | 5,503 | 6,622 |
| Raw materials and supplies | 12,452 | 13,114 |
| Other | 6,600 | 5,841 |
| Allowance for doubtful accounts | (65) | (89) |
| Total current assets | 118,495 | 134,654 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Buildings and structures | 85,948 | 90,797 |
| Accumulated depreciation | (57,633) | (61,436) |
| Buildings and structures, net | 28,315 | 29,361 |
| Machinery, equipment and vehicles | 186,638 | 196,193 |
| Accumulated depreciation | (145,132) | (153,319) |
| Machinery, equipment and vehicles, net | 41,506 | 42,874 |
| Land | 15,897 | 17,475 |
| Leased assets | 3,493 | 4,183 |
| Accumulated depreciation | (2,172) | (2,621) |
| Leased assets, net | 1,320 | 1,561 |
| Construction in progress | 3,871 | 5,607 |
| Other | 38,586 | 42,268 |
| Accumulated depreciation | (37,290) | (40,486) |
| Other, net | 1,295 | 1,781 |
| Total property, plant and equipment | 92,206 | 98,661 |
| Intangible assets | | |
| Goodwill | – | 3,224 |
| Other | 3,078 | 3,253 |
| Total intangible assets | 3,078 | 6,477 |
| Investments and other assets | | |
| Investment securities | 29,351 | 30,040 |
| Long-term loans receivable | 469 | 470 |
| Deferred tax assets | 1,342 | 1,431 |
| Net defined benefit asset | 365 | 377 |
| Other | 2,852 | 6,916 |
| Allowance for doubtful accounts | (60) | (57) |
| Total investments and other assets | 34,321 | 39,178 |
| Total non-current assets | 129,606 | 144,317 |
| Total assets | 248,102 | 278,971 |

(Million yen)

| | Previous Consolidated Accounting Term (March 31, 2018) | First Quarter Consolidated Accounting Term (June 30, 2018) |
|---|--|--|
| Liabilities | | |
| Current liabilities | | |
| Notes and accounts payable - trade | 26,324 | 31,632 |
| Electronically recorded obligations - operating | 17,694 | 19,569 |
| Short-term loans payable | 17,356 | 40,251 |
| Current portion of bonds | 5,000 | 5,000 |
| Lease obligations | 582 | 789 |
| Income taxes payable | 1,715 | 1,016 |
| Other | 14,218 | 19,423 |
| Total current liabilities | 82,891 | 117,682 |
| Non-current liabilities | | |
| Bonds payable | 20,800 | 15,800 |
| Long-term loans payable | 17,940 | 16,626 |
| Lease obligations | 875 | 1,265 |
| Deferred tax liabilities | 494 | 1,342 |
| Provision for corporate officers' retirement benefits | 158 | 115 |
| Provision for officers' stock benefits | 28 | 52 |
| Provision for directors' retirement benefits | 42 | 33 |
| Reserve for repairs | 248 | 276 |
| Net defined benefit liability | 11,249 | 12,118 |
| Asset retirement obligations | 276 | 277 |
| Other | 3,238 | 3,425 |
| Total non-current liabilities | 55,351 | 51,333 |
| Total liabilities | 138,242 | 169,016 |
| Net assets | | |
| Shareholders' equity | | |
| Capital stock | 20,983 | 20,983 |
| Capital surplus | 18,652 | 18,652 |
| Retained earnings | 63,302 | 63,756 |
| Treasury shares | (1,734) | (1,735) |
| Total shareholders' equity | 101,203 | 101,657 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 7,970 | 8,418 |
| Deferred gains or losses on hedges | (9) | (3) |
| Foreign currency translation adjustment | 31 | (1,010) |
| Remeasurements of defined benefit plans | (235) | (224) |
| Total accumulated other comprehensive income | 7,756 | 7,178 |
| Non-controlling interests | 899 | 1,118 |
| Total net assets | 109,859 | 109,955 |
| Total liabilities and net assets | 248,102 | 278,971 |

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

(Million yen)

| | Previous First Quarter Consolidated Cumulative Accounting Term (April 1, 2017 - June 30, 2017) | First Quarter Consolidated Cumulative Accounting Term (April 1, 2018 - June 30, 2018) |
|---|--|---|
| Net sales | 52,489 | 64,638 |
| Cost of sales | 43,349 | 55,021 |
| Gross profit | 9,139 | 9,616 |
| Selling, general and administrative expenses | 7,049 | 7,022 |
| Operating profit | 2,090 | 2,594 |
| Non-operating income | | |
| Interest income | 15 | 16 |
| Dividends income | 355 | 372 |
| Unrealized loss on forward exchange contracts | 310 | 54 |
| Share of profit of entities accounted for using equity method | 134 | 32 |
| Other | 36 | 63 |
| Total non-operating income | 853 | 540 |
| Non-operating expenses | | |
| Interest expenses | 174 | 147 |
| Foreign exchange losses | 78 | 84 |
| Other | 172 | 110 |
| Total non-operating expenses | 425 | 342 |
| Ordinary profit | 2,518 | 2,792 |
| Extraordinary income | | |
| Gain on sales of non-current assets | 11 | 1 |
| Gain on sales of investment securities | 51 | — |
| Total extraordinary income | 62 | 1 |
| Extraordinary losses | | |
| Loss on sales of non-current assets | 127 | 1 |
| Loss on retirement of non-current assets | 87 | 36 |
| Total extraordinary losses | 214 | 37 |
| Profit before income taxes | 2,366 | 2,755 |
| Income taxes | 582 | 853 |
| Profit | 1,783 | 1,901 |
| Profit attributable to non-controlling interests | 29 | 34 |
| Profit attributable to owners of parent | 1,753 | 1,866 |

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

(Million yen)

| | Previous First Quarter Consolidated Cumulative Accounting Term (April 1, 2017 - June 30, 2017) | First Quarter Consolidated Cumulative Accounting Term (April 1, 2018 - June 30, 2018) |
|--|--|---|
| Profit | 1,783 | 1,901 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | 190 | 454 |
| Deferred gains or losses on hedges | 7 | 5 |
| Foreign currency translation adjustment | (577) | (1,078) |
| Remeasurements of defined benefit plans, net of tax | 73 | 10 |
| Share of other comprehensive income of associates accounted for using equity method | 20 | (6) |
| Total other comprehensive income | (286) | (612) |
| Comprehensive income | 1,497 | 1,288 |
| Comprehensive income attributable to | | |
| Comprehensive income attributable to owners of parent | 1,474 | 1,289 |
| Comprehensive income attributable to non-controlling interests | 23 | (1) |

(3) Notes Regarding Quarterly Consolidated Financial Results

(Note Related to Going-Concern Assumption)

None

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

None

(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.