



Consolidated Basis Results of the First Quarter for Fiscal 2017 (April 1, 2017 – June 30, 2017)

August 3, 2017

Registered Company name: TOPY INDUSTRIES, LIMITED Stock listing: Tokyo, Nagoya stock exchanges
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Scheduled date for submission of securities report: August 9, 2017 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 2017 (April 1, 2017 - June 30, 2017)

(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 2017	52,489	6.5	2,090	309.7	2,518	830.1	1,753	119.3
First Quarter of Fiscal 2016	49,301	(7.6)	510	(58.8)	270	(75.3)	799	40.2

(Note) Comprehensive income: First Quarter of Fiscal 2017 ¥1,497 million –%
First Quarter of Fiscal 2016 (¥2,406) million –%

	Profit per share	Profit per share after full dilution
	Yen	Yen
First Quarter of Fiscal 2017	74.69	–
First Quarter of Fiscal 2016	33.78	–

* The Company consolidated ten shares of its common stock into one share on October 1, 2016, the effective day. As a result, profit per share has been calculated under the assumption that the aforementioned consolidation of shares was carried out at the beginning of the previous consolidated fiscal year.

(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 2017	224,016	104,701	46.3	4,420.55
Fiscal 2016	223,050	104,853	46.6	4,426.81

(For reference) Shareholders' equity: First Quarter of Fiscal 2017 ¥103,802 million Fiscal 2016 ¥103,951 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 2016	–	1.00	–	70.00	–
Fiscal 2017	–	–	–	–	–
Fiscal 2017 (Forecasts)	–	20.00	–	50.00	70.00

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

* The Company consolidated ten shares of its common stock into one share on October 1, 2016, the effective day. As a result, the year-end dividends per share for fiscal 2016 presented are the amount that takes into account the effects of the aforementioned consolidation of shares, and full-year dividends per share for fiscal 2016 shows "–." Based on a conversion standard applicable after the consolidation of shares, 10 yen is the dividend per share for the end of the second quarter of fiscal 2016, which makes the full year dividend per share 80 yen.

3. Consolidated Financial Forecasts for Fiscal 2017 (April 1, 2017 - March 31, 2018)

(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 2017 (Cumulative)	110,000	13.2	2,000	3.6	2,100	113.3	1,300	10.4	55.36
Fiscal 2017	227,000	9.0	7,500	4.5	7,400	21.0	4,900	(31.9)	208.67

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: – 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 2017 24,077,510 shares Fiscal 2016 24,077,510 shares

(b) Number of treasury stock at the end of the period
First Quarter of Fiscal 2017 595,629 shares Fiscal 2016 595,205 shares

(c) Average number of shares issued during the period
First Quarter of Fiscal 2017 23,482,131 shares First Quarter of Fiscal 2016 23,681,288 shares

* The Company consolidated ten shares of its common stock into one share on October 1, 2016, the effective day. As a result, the average number of shares issued during the period has been calculated under the assumption that the aforementioned consolidation of shares was carried out at the beginning of the previous consolidated fiscal year.

* A quarterly results report does not need to undergo a quarterly review.

* 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."

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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 3th, 2017 at 13:30 (GMT+9).
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1. Qualitative Information Regarding Results of the First Quarter for Fiscal 2017

(1) Explanation Regarding Consolidated Operating Results

During the first quarter of the consolidated fiscal year under review, the U.S. economy remained firm and Europe continued to recover. In addition, China and emerging countries showed signs of a turnaround, helping the global economy record a moderate rebound as a whole. The Japanese economy remained on a recovery trend supported by improvements in employment conditions and industrial production, among other factors.

Under these circumstances, the Group moved forward with the Growth & Change 2018 initiative of the mid-term management plan to achieve sustainable growth and offer great workplaces. As part of these efforts, the Group decided to establish a joint venture with Wheels India Limited to manufacture and sell passenger car steel wheels in India, accelerating its global development. It also started the reformation of backbone systems to strengthen its corporate infrastructure. It furthermore continued to work on reassessing production systems and improving productivity according to demand, and rationalizing costs through energy saving and other measures.

With regard to the Group's financial results for the first quarter of the consolidated fiscal year under review, net sales and operating profit came to ¥52,489 million (up 6.5% year on year) and ¥2,090 million (up 309.7% year on year), and ordinary profit increased to ¥2,518 million (up 830.1% year on year). Profit attributable to owners of parent also rose to ¥1,753 million (up 119.3% year on year).

Performance by Segment

(Steel Business)

In the electric furnace industry, crude steel production increased from a year before. On the other hand, iron and steel scrap prices remained at a higher level than a year before due to the effects of a surge in prices that occurred later in the previous year. In this environment, the Group strived to rationalize sales prices to cope with a rise in iron and scrap prices. As a result, net sales increased to ¥16,250 million (up 1.4% year on year). Operating profit came to ¥1,092 million (up 87.1% year on year). This was attributable to the impacts of increased demand of steel materials for parts for the undercarriages of construction machinery supplied to the Automotive & Industrial Machinery Components business, as well as the wider gap between sales prices and iron and steel scrap prices.

(Automotive & Industrial Machinery Components Business)

In the automobile industry, the number of vehicles produced in Japan, and passenger cars in particular, increased year on year. However, there were signs of weakening in favorable demand trends in the United States. In the construction machinery industry, sales soared due to a surge in demand before the enforcement of emission control as well as a rise in demand in China on the back of an increase in infrastructure investments. Demand for mining equipment was also on a recovery path.

Given these conditions, the Group succeeded in selling a greater number of components, including parts for the undercarriages of construction machinery and very large-sized wheels in particular. As a result, net sales stood at ¥32,823 million (up 9.8% year on year). In addition, operating profit rose to ¥1,760 million (up 191.9% year on year), partly reflecting efforts for cost reductions such as the control of fixed costs through the flexible reassessment of production systems.

(Power Business)

Stable supply of power according to business plans was continued. Net sales were ¥1,902 million (up 3.1% year on year) and operating profit was ¥34 million (compared to an operating loss of ¥22 million in the same period of the previous year) due to decrease in repair cost despite the increase of coal price, fuel for power generation, being greater than the increase in electricity sales prices.

(Others)

The Topy Industries Group also engages in the manufacture and sales of synthetic mica used in cosmetics and other products, the manufacture and sales of crawler robots, wholesale electricity utility, 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. Net sales were ¥1,512 million, and operating profit was ¥340 million.

(2) Explanation Regarding Financial Status

Total assets at the end of the first quarter of the consolidated fiscal year under review stood at ¥224,016 million, an increase of ¥966 million from the end of the previous consolidated fiscal year. This was largely due to an increase of ¥2,448 million in cash and deposits and a decrease of ¥1,638 million in property, plant and equipment.

Liabilities were ¥119,315 million, or an increase of ¥1,119 million compared with the end of the previous consolidated fiscal year. This was mainly due to an increase of ¥1,680 million in short-term loans payable.

Net assets came to ¥104,701 million, or a decrease of ¥152 million from the end of the previous consolidated fiscal year. This was mainly attributable to a decrease of ¥571 million in the foreign currency translation adjustment and an increase of ¥210 million in the valuation difference on available-for-sale securities.

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

The Japanese economy is expected to recover moderately going forward thanks to improvements in employment/income conditions and the government policy, among other factors. Despite this, the business conditions surrounding the Group are likely to remain uncertain, given protectionist movements mainly in the United States and Europe, concern about the outlook of the economies of China and emerging countries, and production overcapacity in China, among other factors.

During the first quarter consolidated accounting term, the price of steel scrap, the main raw material of the Group, decreased and demand for parts for the undercarriages of construction machinery increased compared to the estimate of the previous forecast, however, future of these external environments are unclear.

Therefore, the full-year consolidated financial forecast remains unchanged from the forecast announced on May 12, 2017. 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, 2017)	First Quarter Consolidated Accounting Term (June 30, 2017)
Assets		
Current assets		
Cash and deposits	16,579	19,028
Notes and accounts receivable-trade	43,781	42,455
Merchandise and finished goods	12,337	13,467
Work in process	4,310	5,043
Raw materials and supplies	9,915	9,689
Deferred tax assets	1,530	1,606
Other	5,728	5,093
Allowance for doubtful accounts	(28)	(28)
Total current assets	94,154	96,355
Non-current assets		
Property, plant and equipment		
Buildings and structures	83,348	83,074
Accumulated depreciation	(54,051)	(54,210)
Buildings and structures, net	29,296	28,863
Machinery, equipment and vehicles	179,388	179,897
Accumulated depreciation	(134,090)	(135,097)
Machinery, equipment and vehicles, net	45,298	44,800
Land	15,499	15,123
Leased assets	3,955	3,933
Accumulated depreciation	(2,044)	(2,136)
Leased assets, net	1,910	1,797
Construction in progress	1,849	1,724
Other	32,809	32,952
Accumulated depreciation	(31,001)	(31,237)
Other, net	1,808	1,715
Total property, plant and equipment	95,663	94,024
Intangible assets		
Other	1,722	1,739
Total intangible assets	1,722	1,739
Investments and other assets		
Investment securities	27,272	27,663
Long-term loans receivable	626	628
Deferred tax assets	1,025	1,018
Other	2,681	2,679
Allowance for doubtful accounts	(94)	(93)
Total investments and other assets	31,510	31,896
Total non-current assets	128,895	127,660
Total assets	223,050	224,016

(Million yen)

	Previous Consolidated Accounting Term (March 31, 2017)	First Quarter Consolidated Accounting Term (June 30, 2017)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	20,499	19,888
Electronically recorded obligations-operating	12,348	13,181
Short-term loans payable	16,503	18,184
Current portion of bonds	3,300	3,300
Lease obligations	604	594
Income taxes payable	738	381
Other	11,224	12,411
Total current liabilities	65,218	67,942
Non-current liabilities		
Bonds payable	20,800	20,800
Long-term loans payable	15,227	13,714
Lease obligations	1,765	1,597
Deferred tax liabilities	789	923
Provision for corporate officers' retirement benefits	195	186
Provision for officers' stock benefits	–	36
Reserve for repairs	305	140
Net defined benefit liability	11,031	11,206
Asset retirement obligations	177	178
Other	2,683	2,589
Total non-current liabilities	52,977	51,373
Total liabilities	118,196	119,315
Net assets		
Shareholders' equity		
Capital stock	20,983	20,983
Capital surplus	18,625	18,652
Retained earnings	59,922	60,026
Treasury shares	(1,728)	(1,730)
Total shareholders' equity	97,801	97,932
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	6,610	6,820
Deferred gains or losses on hedges	(14)	(6)
Foreign currency translation adjustment	332	(238)
Remeasurements of defined benefit plans	(778)	(705)
Total accumulated other comprehensive income	6,149	5,870
Non-controlling interests	902	898
Total net assets	104,853	104,701
Total liabilities and net assets	223,050	224,016

(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, 2016 - June 30, 2016)	First Quarter Consolidated Cumulative Accounting Term (April 1, 2017 - June 30, 2017)
Net sales	49,301	52,489
Cost of sales	42,031	43,349
Gross profit	7,270	9,139
Selling, general and administrative expenses	6,760	7,049
Operating profit	510	2,090
Non-operating income		
Interest income	18	15
Dividends income	321	355
Foreign exchange gains	–	310
Share of profit of entities accounted for using equity method	25	134
Other	77	36
Total non-operating income	443	853
Non-operating expenses		
Interest expenses	240	174
Foreign exchange losses	263	–
Other	177	250
Total non-operating expenses	682	425
Ordinary profit	270	2,518
Extraordinary income		
Gain on sales of non-current assets	3	11
Gain on sales of investment securities	19	51
Gain on investments in capital of subsidiaries and associates	624	–
Total extraordinary income	647	62
Extraordinary losses		
Loss on sales of non-current assets	0	127
Loss on retirement of non-current assets	60	87
Other	3	–
Total extraordinary losses	63	214
Profit before income taxes	855	2,366
Income taxes	(11)	582
Profit	866	1,783
Profit attributable to non-controlling interests	66	29
Profit attributable to owners of parent	799	1,753

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

(Million yen)

	Previous First Quarter Consolidated Cumulative Accounting Term (April 1, 2016 - June 30, 2016)	First Quarter Consolidated Cumulative Accounting Term (April 1, 2017 - June 30, 2017)
Profit	866	1,783
Other comprehensive income		
Valuation difference on available-for-sale securities	(1,934)	190
Deferred gains or losses on hedges	(1)	7
Foreign currency translation adjustment	(1,380)	(577)
Remeasurements of defined benefit plans, net of tax	90	73
Share of other comprehensive income of associates accounted for using equity method	(47)	20
Total other comprehensive income	(3,272)	(286)
Comprehensive income	(2,406)	1,497
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(2,457)	1,474
Comprehensive income attributable to non-controlling interests	51	23

(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.