Consolidated Basis Results of the Fiscal 2017
(April 1, 2017 – March 31, 2018)

May 10, 2018

Registered Company name: TOPY INDUSTRIES, LIMITED
Stock listing: Tokyo, Nagoya stock exchanges
Code number: 7231
URL: http://www.topy.co.jp/english/index.html
Representative: Nobuhiko Takamatsu, President and CEO
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Scheduled date for holding of ordinary general meeting of shareholders: June 26, 2018
Scheduled date for dividend payment: June 5, 2018
Scheduled date for submission of securities report: June 26, 2018
Preparation of supplementary explanatory materials: Yes
Holding of financial results meeting: Yes (for analysts and institutional investors)

(Figures of less than ¥1 million have been omitted)

1. Consolidated Financial and Operating Results of the Fiscal 2017 (April 1, 2017 - March 31, 2018)

(1) Consolidated Operating Results (Percentage figures are changes from the previous fiscal year)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal 2017	230,462	10.7	7,997	11.4	8,034	31.4	5,500	(23.5)
Fiscal 2016	208,237	(3.5)	7,180	(28.2)	6,116	(30.5)	7,191	322.9

(Note) Comprehensive income: Fiscal 2017 ¥7,199 million -6.5% Fiscal 2016 ¥7,702 million –%

	Profit per share	Profit per share after full dilution	Return on equity	Ordinary profit to total assets	Operating profit to net sales
	Yen	Yen	%	%	%
Fiscal 2017	234.25	–	5.2	3.4	3.5
Fiscal 2016	303.90	–	7.1	2.7	3.4

(For reference) Share of (profit) loss of entities accounted for using equity method: Fiscal 2017 ¥144 million
Fiscal 2016 ¥81 million

* 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
Fiscal 2017	249,221	109,859	43.7	4,640.13
Fiscal 2016	223,050	104,853	46.6	4,426.81

(For reference) Shareholders' equity: Fiscal 2017 ¥108,959 million Fiscal 2016 ¥103,951 million

(3) Consolidated Cash Flows

	Cash flow from operating activities	Cash flow from investing activities	Cash flow from financing activities	Cash and cash equivalents at end of period
	Million yen	Million yen	Million yen	Million yen
Fiscal 2017	10,780	(5,861)	1,834	23,036
Fiscal 2016	10,130	(1,016)	(16,861)	16,349

2. Dividends

	Dividends per share					Total dividends (annual)	Payout ratio (consolidated)	Dividends/ net assets (consolidated)
	End of first quarter	End of second quarter	End of third quarter	End of fiscal year	Full fiscal year			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
Fiscal 2016	–	1.00	–	70.00	–	1,885	26.3	1.9
Fiscal 2017	–	20.00	–	60.00	80.00	1,884	34.2	1.8
Fiscal 2018 (Forecasts)	–	20.00	–	70.00	90.00		31.1	

* 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 "-." The year-end dividends per share in the second quarter for fiscal 2016 are ¥10, converted in accordance with the standard after the consolidation of shares, and the full-year dividends per share for fiscal 2016 are ¥80.

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
First half	133,000	24.0	3,000	(16.8)	2,900	(27.5)	1,800	(35.0)	76.65
Full year	283,000	22.8	10,000	25.0	10,100	25.7	6,800	23.6	289.58

* NOTE

(1) Changes in the State of Material Subsidiaries during the Period: Yes

Newly included: – Ring Techs Co., Ltd. Excluded: –

(2) 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

(3) Number of Shares Issued (Common shares)

(a) Number of shares issued at the end of the period (including treasury stock)

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

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

Fiscal 2017 595,417 shares Fiscal 2016 595,205 shares

(c) Average number of shares issued during the period

Fiscal 2017 23,482,598 shares Fiscal 2016 23,662,858 shares

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

(For reference) Non-Consolidated Results

1. Non-Consolidated Financial and Operating Results of the Fiscal 2017 (April 1, 2017 - March 31, 2018)

(1) Non-Consolidated Operating Results (Percentage figures are changes from the previous fiscal year)

	Net sales		Operating profit		Ordinary profit		Profit	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal 2017	138,872	13.4	2,771	11.2	4,199	(12.9)	2,259	(66.2)
Fiscal 2016	122,501	(4.0)	2,493	(49.1)	4,822	(19.0)	6,677	295.1

	Profit per share	Profit per share after full dilution
	Yen	Yen
Fiscal 2017	96.21	–
Fiscal 2016	282.15	–

* 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 fiscal year.

(2) Non-Consolidated Financial Results

	Total assets	Net assets	Ratio of shareholders' equity to total assets	Net assets per share
	Million yen	Million yen	%	Yen
Fiscal 2017	191,869	79,297	41.3	3,376.40
Fiscal 2016	174,125	77,907	44.7	3,317.20

(For reference) Shareholders' equity: Fiscal 2017 ¥79,297 million
Fiscal 2016 ¥77,907 million

2. Non-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		Profit per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
First half	75,000	14.5	500	(69.6)	1,400	(43.6)	1,100	(41.4)	46.84
Full year	155,000	11.6	2,300	(17.0)	3,800	(9.5)	2,800	23.9	119.22

*These Consolidated Basic Results are not included in the scope of 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 “1. Overview of Operating Results” on page 4.

(Obtaining supplementary documents of financial results)

Supplementary documents will be posted on the Company's website.

Index of Attached Documents

1. Overview of Operating Results

(1) Overview of Operating Results for the Fiscal Year under Review

Operating Results for the Consolidated Fiscal Year under review

During the consolidated fiscal year under review, the global economy staged a moderate recovery overall, reflecting solid economic conditions in the United States and Europe as well as signs of continued recovery in China and emerging countries. The Japanese economy made a gradual recovery as employment environment and consumer spending picked up and industrial production and capital spending showed an upward trend.

Under these circumstances, the Group steadily implemented the Growth & Change 2018 initiative of the mid-term management plan to achieve sustainable growth and offer great workplaces. As part of these efforts, to expand the global supply system in the steel wheel business, the Group established a joint venture in India where long-term automobile manufacture can be expected. In addition, to further build up the business base, the Group made Ring Techs Co., Ltd. (which engages in the same type of business as that of the Group) a wholly-owned subsidiary. Furthermore, the Group continued to work on rationalizing costs through reassessing its production systems and improving productivity according to demand. Also, Kanagawa Factory has been awarded the 2017 Energy Conservation Grand Prize through the promotion of energy saving. .

As disclosed on April 17, 2018, in order to formulate a new base structure of global supply system for aluminum wheels, the Group has decided to make ATC Holdings Co, Ltd., a holding company of ASAHI TEC Corporation, a wholly-owned subsidiary. The process of making ATC Holdings Co, Ltd. a wholly-owned subsidiary is scheduled to finish at the end of May, after gaining approval from domestic and international competition law authorities.

As a result, net sales for the consolidated fiscal year under review for the Topy Industries Group were ¥230,462 million (up 10.7% year on year), operating profit was ¥7,997 million (up 11.4% year on year) and ordinary profit was ¥8,034 million (up 31.4% year on year). On the other hand, profit attributable to owners of parent closed at ¥5,500 million (down 23.5% year on year) due to extraordinary income of a gain on sales of non-current assets recorded in the previous term.

Performance by Segment

(Steel Business)

In the electric furnace industry, demand for steel materials remained firm. Meanwhile, the prices of iron and steel scrap, the main materials, rose, and the prices of auxiliary materials such as alloy iron and electricity cost etc. also escalated, which led to the continued adverse circumstances.

In this environment, the Topy Industries Group sought to continue cost improvement and rationalize sales prices. As a result, the sales price rose above the increased price of iron and steel scrap; however, mainly due to the increased costs of auxiliary materials net sales came to ¥71,525 million (up 12.1% year on year). However, operating profit was ¥1,925 million (down 33.2% year on year).

(Automotive & Industrial Machinery Components Business)

In the construction machinery industry, domestic sales of hydraulic shovels increased due to last-minute demand before emission regulations etc., and demand in China increased substantially backed by infrastructure investment. In addition, demand for mining equipment also expanded due to increased coal prices, among other factors. In the automobile industry, domestic automobile production exceeded the results of the previous fiscal year owing to brisk exports; however, demand in the United States where good movement had been seen, showed a weakening trend in passenger car sales.

Given these conditions, the Group succeeded in selling a greater number of components, including parts for the undercarriages of construction machinery and very large wheels for mining, in particular. As a result, net sales stood at ¥142,790 million (up 10.1% year on year). Operating profit rose to ¥8,433 million (up 29.2% year on year) as a result of the efforts to minimize fixed costs and improve cost management through response to increase in sales volume.

(Power Business)

The group endeavored to maintain the stable supply of electricity in line with its business plan. Despite the increase in coal price, the fuel for power generation, net sales came to ¥9,596 million (up 13.9% year on year) and operating profit grew 76.1% year on year, to ¥871 million, due to the increase in the electricity sales price being greater than the increase of coal price.

(Others)

The Topy Industries Group has also endeavored in expanding domestic and international sales of synthetic mica used in cosmetics and other products, and in developing application of crawler robots. Furthermore, 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. Net sales were ¥6,548 million, and operating profit was ¥1,465 million.

(2) Overview of Financial Position for the Fiscal Year under Review

Asset, liabilities and net assets

Total assets at the end of the consolidated fiscal year under review increased by ¥26,171 million from the end of the previous consolidated fiscal year, to ¥249,221 million. This was mainly due to an increase of ¥9,472 million in notes and accounts receivable-trade, a rise of ¥8,964 million in inventories and an increase of ¥6,600 million in cash and deposits.

Liabilities were ¥139,361 million, an increase of ¥21,165 million from the end of the previous consolidated fiscal year. This mainly reflected an increase of ¥11,171 million in accounts payable, a rise of ¥5,264 million in interest-bearing debts and an increase of ¥976 million in income tax payable.

Net assets were ¥109,859 million, an increase of ¥5,005 million from the end of the previous consolidated fiscal year. This was mainly due to an increase of ¥3,380 million in retained earnings, an increase of ¥1,359 million in valuation difference on available-for-sale securities and an increase of ¥543 million in remeasurements of defined benefit plans. As a result, net assets per share stood at ¥4,640.13 and the net worth ratio was 43.7%.

Cash flows

Cash and cash equivalents (hereinafter referred to as “funds”) during this consolidated fiscal year stood at ¥23,036 million (an increase of ¥6,687 million year on year). This was due to the allocation of increased funds from operating activities and financing activities to the purchase of property, plant and equipment in investment activities.

(Cash flows from operating activities)

Funds provided by operating activities during this consolidated fiscal year stood at ¥10,780 million (an increase of ¥650 million year on year). This mainly reflected profit before income taxes and non-controlling interests of ¥7,933 million (a decrease of ¥2,963 million year on year), depreciation of ¥10,599 million (a decrease of ¥32 million year on year), notes and accounts receivable-trade of ¥7,497 million (a decrease of ¥3,049 million year on year) and inventories of ¥7,007 million (a decrease of ¥6,763 million year on year).

(Cash flows from investment activities)

Funds used in investment activities during this consolidated fiscal year stood at ¥5,861 million (a decrease of ¥4,845 million year on year). This mainly reflected expenditure for the purchase of property, plant and equipment of ¥8,330 million (an increase of ¥108 million year on year) and proceeds from the purchase of shares of subsidiaries, resulting in a change in the scope of consolidation of ¥3,181 million (an increase of ¥3,181 year on year).

(Cash flows from financing activities)

Funds used in financing activities during this consolidated fiscal year stood at ¥1,834 million (an increase of ¥18,695 million year on year). This mainly reflected proceeds from long-term loans payable of ¥7,565 million (an increase of ¥6,490 million year on year) and repayments of long-term loans payable of ¥6,351 million (an increase of ¥2,890 million year on year).

(Reference) Cash flow-related indicators

	Fiscal 2013	Fiscal 2014	Fiscal 2015	Fiscal 2016	Fiscal 2017
Equity ratio (%)	40.5	42.1	42.7	46.6	43.7
Equity ratio based on market value (%)	18.5	26.2	22.7	31.1	29.2
The ratio of interest-bearing debt to operating cash flow (years)	8.6	4.0	3.6	5.5	5.7
Interest coverage ratio (times)	8.0	17.0	16.9	12.0	17.3

Equity ratio: Shareholders’ equity / Total assets

Equity ratio based on market value: Market capitalization / Total assets

The ratio of interest-bearing debt to operating cash flow: Interest-bearing debt / Cash flows

Interest coverage ratio: Cash flows / Interest payments

(Note 1) All amounts are on a consolidated basis.

(Note 2) Total market value for stocks is calculated on the basis of the number of outstanding shares, excluding treasury stock.

(Note 3) Cash flows are cash flows from operating activities.

(Note 4) Interest-bearing debt is all the debt with interest on the consolidated balance sheet.

(3) Future Outlook

The global economy is expected to 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. However, the Group will need to keep a close eye on the business environment surrounding the Group due to uncertain factors, such as protectionist movements mainly in the United States and the outlook of economic conditions in China and emerging countries.

Under these business conditions, the Topy Industries Group is proceeding with its medium-term plan, "Growth & Change 2018." The implementation period for this plan is three years, and it commenced in the previous fiscal year. Working in line with this plan, the Group will aim to achieve sustainable growth by steadily carrying out a number of measures. These measures include accelerating the global development of the automotive and industrial machinery components business that the Group regards as drivers of growth, expanding the lineups of products by taking advantage of the Group's unique technologies in the steel business, and taking on the challenges of developing new business related to crawler robots and mica. The Group will work to transform itself into a company that is able to provide job satisfaction to individuals who will play leading roles by ensuring that they have every opportunity to fully demonstrate their potential.

For the consolidated results of the next fiscal year, the Group forecasts net sales of ¥283,000 million, operating profit of ¥100,00 million, ordinary profit of ¥10,100 million, and ¥6,800 million for profit attributable to owners of parent upon the reflection of the impact on the business results of ATC Holding Co., Ltd. being made a wholly-owned subsidiary.

(4) Basic Profit Allocation Policy, and Dividends for the Current and New Fiscal Year

The Company's basic policy for profit distribution is to return profits to its shareholders based on the consolidated business results, while at the same time increasing retained earnings for the development of future business and the strengthening of corporate structure. The Company will allocate retained earnings to investment in new business and the development of new technologies and products that will contribute to long-term, stable business development, thereby enabling it to strengthen its corporate structure and global competitiveness. In terms of the index of profit return based on consolidated business earnings, it will aim for an approximate range of 30% to 35%, a consolidated payout ratio that will be determined after carefully studying the possibility of continuing to pay dividends consistently.

For the year-end dividend for this consolidated fiscal year, the Company plans to pay ¥60 per share. Given the interim dividend of ¥20 per share paid, the annual dividend for the fiscal year under review will be ¥80 per share.

In terms of the dividends for the next fiscal year, the Company plans to pay ¥90 yen per year.

2. Basic Policy for the Selection of Accounting Standards

The Group adopts the Japanese accounting standards, taking into account the possibility of comparing terms of consolidated financial statements and performances between the companies.

It will work to adopt the International Financial Reporting Standards as appropriate, considering the situation in both Japan and other countries.

3. Consolidated Financial Statements and Key Notes

(1) Consolidated Balance Sheets

(Million yen)

	Previous Consolidated Accounting Year (March 31, 2017)	Current Consolidated Accounting Year (March 31, 2018)
Assets		
Current assets		
Cash and deposits	16,579	23,179
Notes and accounts receivable-trade	43,781	53,253
Merchandise and finished goods	12,337	17,572
Work in process	4,310	5,503
Raw materials and supplies	9,915	12,452
Deferred tax assets	1,530	1,434
Other	5,728	6,600
Allowance for doubtful accounts	(28)	(65)
Total current assets	94,154	119,930
Non-current assets		
Property, plant and equipment		
Buildings and structures	83,348	85,948
Accumulated depreciation	(54,051)	(57,633)
Buildings and structures, net	29,296	28,315
Machinery, equipment and vehicles	179,388	186,638
Accumulated depreciation	(134,090)	(145,132)
Machinery, equipment and vehicles, net	45,298	41,506
Land	15,499	15,897
Leased assets	3,955	3,493
Accumulated depreciation	(2,044)	(2,172)
Leased assets, net	1,910	1,320
Construction in progress	1,849	3,871
Other	32,809	38,586
Accumulated depreciation	(31,001)	(37,290)
Other, net	1,808	1,295
Total property, plant and equipment	95,663	92,206
Intangible assets		
Other	1,722	3,078
Total intangible assets	1,722	3,078
Investments and other assets		
Investment securities	27,272	29,351
Long-term loans receivable	626	469
Deferred tax assets	1,025	1,027
Net defined benefit asset	–	365
Other	2,681	2,852
Allowance for doubtful accounts	(94)	(60)
Total investments and other assets	31,510	34,005
Total non-current assets	128,895	129,291
Total assets	223,050	249,221

(Million yen)

	Previous Consolidated Accounting Year (March 31, 2017)	Current Consolidated Accounting Year (March 31, 2018)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	20,499	26,324
Electronically recorded obligations-operating	12,348	17,694
Short-term loans payable	16,503	17,356
Current portion of bonds	3,300	5,000
Lease obligations	604	582
Income taxes payable	738	1,715
Other	11,224	14,218
Total current liabilities	65,218	82,891
Non-current liabilities		
Bonds payable	20,800	20,800
Long-term loans payable	15,227	17,940
Lease obligations	1,765	875
Deferred tax liabilities	789	1,613
Provision for corporate officers' retirement benefits	195	158
Provision for officers' stock benefits	–	28
Provision for directors' retirement benefits	–	42
Reserve for repairs	305	248
Net defined benefit liability	11,031	11,249
Asset retirement obligations	177	276
Other	2,683	3,238
Total non-current liabilities	52,977	56,470
Total liabilities	118,196	139,361
Net assets		
Shareholders' equity		
Capital stock	20,983	20,983
Capital surplus	18,625	18,652
Retained earnings	59,922	63,302
Treasury shares	(1,728)	(1,734)
Total shareholders' equity	97,801	101,203
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	6,610	7,970
Deferred gains or losses on hedges	(14)	(9)
Foreign currency translation adjustment	332	31
Remeasurements of defined benefit plans	(778)	(235)
Total accumulated other comprehensive income	6,149	7,756
Non-controlling interests	902	899
Total net assets	104,853	109,859
Total liabilities and net assets	223,050	249,221

(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

(Consolidated Statements of Income)

(Million yen)

	Previous Consolidated Accounting Year (April 1, 2016 - March 31, 2017)	Current Consolidated Accounting Year (April 1, 2017 - March 31, 2018)
Net sales	208,237	230,462
Cost of sales	173,350	192,741
Gross profit	34,886	37,720
Selling, general and administrative expenses	27,706	29,723
Operating profit	7,180	7,997
Non-operating income		
Interest income	77	69
Dividends income	619	683
Share of profit of entities accounted for using equity method	81	144
Insurance income	133	31
Other	267	382
Total non-operating income	1,179	1,311
Non-operating expenses		
Interest expenses	802	608
Foreign exchange losses	728	—
Premium paid	136	135
Other	575	530
Total non-operating expenses	2,243	1,274
Ordinary profit	6,116	8,034
Extraordinary income		
Gain on sales of non-current assets	7,104	266
Gain on sales of investment securities	54	520
Gain on bargain purchase	–	3,066
Other	38	–
Total extraordinary income	7,197	3,853
Extraordinary losses		
Loss on sales of non-current assets	890	303
Loss on retirement of non-current assets	779	496
Loss on reduction of non-current assets	14	–
Loss on valuation of investment securities	4	1,089
Restructuring loss	300	–
Impairment loss	356	2,007
Other	69	55
Total extraordinary losses	2,415	3,953
Profit before income taxes and non-controlling interests	10,897	7,933
Income taxes - current	1,750	2,402
Income taxes - deferred	1,719	(70)
Total income taxes	3,469	2,331
Profit	7,427	5,602
Profit attributable to non-controlling interests	236	101
Profit attributable to owners of parent	7,191	5,500

(Consolidated Statements of Comprehensive Income)

(Million yen)

	Previous Consolidated Accounting Year (April 1, 2016 - March 31, 2017)	Current Consolidated Accounting Year (April 1, 2017 - March 31, 2018)
Profit	7,427	5,602
Other comprehensive income		
Valuation difference on available-for-sale securities	1,563	1,354
Deferred gains or losses on hedges	(0)	5
Foreign currency translation adjustment	(1,604)	(310)
Remeasurements of defined benefit plans, net of tax	265	542
Share of other comprehensive income of associates accounted for using equity method	51	5
Total other comprehensive income	274	1,597
Comprehensive income	7,702	7,199
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	7,475	7,107
Comprehensive income attributable to non-controlling interests	226	91

(3) Consolidated Statements of Changes in Net Assets

Previous Consolidated Accounting Year (April 1, 2016 - March 31, 2017)

(Million yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at the beginning of year	20,983	18,824	54,152	(931)	93,028
Changes of items during period					
Dividends of surplus			(1,421)		(1,421)
Profit attributable to owners of parent			7,191		7,191
Purchase of treasury shares				(1,663)	(1,663)
Disposal of treasury shares		(65)		865	800
Change in ownership interest of parent due to transactions with non-controlling interests		(133)			(133)
Net changes of items other than shareholders' equity					
Total changes of items during period	–	(198)	5,770	(797)	4,773
Balance at the end of year	20,983	18,625	59,922	(1,728)	97,801

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at the beginning of year	4,995	(13)	1,927	(1,044)	5,865	1,080	99,973
Changes of items during period							
Dividends of surplus							(1,421)
Profit attributable to owners of parent							7,191
Purchase of treasury shares							(1,663)
Disposal of treasury shares							800
Change in ownership interest of parent due to transactions with non-controlling interests							(133)
Net changes of items other than shareholders' equity	1,614	(0)	(1,594)	265	284	(178)	106
Total changes of items during period	1,614	(0)	(1,594)	265	284	(178)	4,880
Balance at the end of year	6,610	(14)	332	(778)	6,149	902	104,853

Current Consolidated Accounting Year (April 1, 2017 - March 31, 2018)

(Million yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at the beginning of year	20,983	18,625	59,922	(1,728)	97,801
Changes of items during period					
Dividends of surplus			(2,120)		(2,120)
Profit attributable to owners of parent			5,500		5,500
Purchase of treasury shares				(13)	(13)
Disposal of treasury shares				7	7
Change in ownership interest of parent due to transactions with non-controlling interests		27			27
Net changes of items other than shareholders' equity					
Total changes of items during period	–	27	3,380	(5)	3,402
Balance at the end of year	20,983	18,652	63,302	(1,734)	101,203

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at the beginning of year	6,610	(14)	332	(778)	6,149	902	104,853
Changes of items during period							
Dividends of surplus							(2,120)
Profit attributable to owners of parent							5,500
Purchase of treasury shares							(13)
Disposal of treasury shares							7
Change in ownership interest of parent due to transactions with non-controlling interests							27
Net changes of items other than shareholders' equity	1,359	4	(301)	543	1,606	(2)	1,603
Total changes of items during period	1,359	4	(301)	543	1,606	(2)	5,005
Balance at the end of year	7,970	(9)	31	(235)	7,756	899	109,859

(4) Consolidated Cash Flow Statements

(Million yen)

	Previous Consolidated Accounting Year (April 1, 2016 - March 31, 2017)	Current Consolidated Accounting Year (April 1, 2017 - March 31, 2018)
Cash flows from operating activities–		
Profit (loss) before income taxes and non-controlling interests	10,897	7,933
Depreciation	10,631	10,599
Gain on bargain purchase	–	(3,066)
Impairment loss	356	2,007
Increase (decrease) in allowance for doubtful accounts	24	0
Increase (decrease) in allowance for executive directors' retirement benefits	35	(37)
Increase (decrease) in allowance for periodic repairs	134	(57)
Increase (decrease) in net defined benefit liability	400	385
Interest and dividend income	(697)	(752)
Interest expenses	802	608
Insurance income	(133)	(31)
Share of (profit) loss of entities accounted for using equity method	(81)	(144)
Loss (gain) on sales of short-term and long-term investment securities	(54)	(520)
Loss (gain) on valuation of short-term and long-term investment securities	4	1,089
Loss (gain) on sales and retirement of property, plant and equipment	(5,434)	533
Loss on reduction of non-current assets	14	–
Decrease (increase) in notes and accounts receivable - trade	(4,448)	(7,497)
Decrease (increase) in inventories	(243)	(7,007)
Increase (decrease) in notes and accounts payable - trade	3,037	8,707
Increase/decrease in other assets/liabilities	(1,934)	(1,292)
Subtotal	13,313	11,457
Interest and dividend income received	776	808
Interest expenses paid	(842)	(623)
Proceeds from insurance income	133	31
Income taxes paid	(3,250)	(893)
Net cash provided by (used in) operating activities	10,130	10,780

(Million yen)

	Previous Consolidated Accounting Year (April 1, 2016 - March 31, 2017)	Current Consolidated Accounting Year (April 1, 2017 - March 31, 2018)
Cash flows from investing activities		
Net decrease (increase) in time deposits	142	86
Purchase of property, plant and equipment	(8,439)	(8,330)
Proceeds from sales of property, plant and equipment	9,637	916
Purchase of investment securities	(13)	(1,474)
Proceeds from sales of investment securities	69	883
Payments for investments in capital	(756)	–
Payments of loans receivable	(20)	(16)
Collection of loans receivable	17	173
Purchase of intangible assets	(496)	(1,449)
Payments for liquidation of subsidiaries and associates	(809)	–
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	–	3,181
Payments for sales of investments in capital of subsidiaries and associates resulting in change in scope of consolidation	(365)	–
Other, net	18	168
Net cash provided by (used in) investing activities	(1,016)	(5,861)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(5,511)	1,741
Proceeds from long-term loans payable	1,074	7,565
Repayments of long-term loans payable	(9,241)	(6,351)
Proceeds from issuance of bonds	298	4,954
Redemption of bonds	(300)	(3,300)
Increase (decrease) in deposits received through CMS	0	0
Repayments of lease obligations	(377)	(578)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(352)	–
Purchase of treasury shares	(1,663)	(13)
Proceeds from disposal of treasury shares	800	0
Cash dividends paid	(1,419)	(2,117)
Dividends paid to non-controlling interests	(168)	(66)
Net cash provided by (used in) financing activities	(16,861)	1,834
Effect of exchange rate change on cash and cash equivalents	(502)	(65)
Net increase (decrease) in cash and cash equivalents	(8,250)	6,687
Cash and cash equivalents at the beginning of year	24,599	16,349
Cash and cash equivalents at the end of year	16,349	23,036

(5) Notes regarding the consolidated financial statements

(Note Related to Going-Concern Assumption)

None

(Segment information)

1. Summary of the reportable segments

The reportable segments of the Company are units constituting the Company that are to be regularly examined by the Board of Directors to determine the allocation of management resources and evaluate the business results, as their financial information is available separately from that of others.

The Company has business divisions by product and service, and each business division develops a comprehensive domestic and overseas strategy for the products and services it offers in conducting its business activities.

Accordingly, the Company consists of segments by product and service based on the business divisions. There are three reportable segments: the Steel Business, the Automotive & Industrial Machinery Components Business and the Power Business.

The Steel Business produces general section steel, deformed section steel, deformed bar steel and other steel products. The Automotive & Industrial Machinery Component Business produces various wheels for automobiles, industrial vehicles and construction machinery, pressing products, components for construction machinery, industrial fasteners, etc. The Power Business engages in the wholesale of electricity.

2. Method of calculating amounts of net sales, profits or losses, assets and other items by reportable segment

The accounting method for the business segments reported is the same as that stated in “Important basic matters for preparation of the consolidated financial statements.” In addition, the profits of the reportable segments show operating profits. The internal revenue and transfer between segments are based on the actual market price.

3. Information regarding amounts of net sales, profits or losses, assets and other items by reportable segment

Previous consolidated fiscal year (from April 1, 2016 to March 31, 2017)

(Million yen)

	Reportable segment				Others (Note) 1	Total	Amount of adjustment (Note) 2	Amount recorded in the consolidated financial statements (Note) 3
	Steel	Automotive & Industrial Machinery Components	Power	Total				
Net sales								
Net sales to outside customers	63,803	129,681	8,425	201,910	6,326	208,237	–	208,237
Internal sales or transfer between segments	13,955	–	–	13,955	–	13,955	(13,955)	–
Total	77,758	129,681	8,425	215,865	6,326	222,192	(13,955)	208,237
Profits of segment	2,882	6,524	494	9,901	1,557	11,459	(4,279)	7,180
Assets of segment	84,891	97,093	5,797	187,783	13,328	201,112	21,938	223,050
Other items								
Depreciation	4,324	5,244	602	10,170	384	10,555	76	10,631
Increase in property, plant and equipment and intangible assets	2,937	5,601	593	9,131	202	9,334	540	9,874

(Note) 1. The category “Others” includes the business segments not included in the reportable segments such as synthetic mica, crawler robots, indoor and outdoor sign systems, civil engineering and construction, the leasing of real estate and the operation of the sports club.

2. The details of the adjustment are as explained below.

(1) Profits of segment in an amount of a loss of ¥4,279 million are common corporate expenses, etc. not allocated to the respective reportable segments. The common corporate expenses are mainly the expenses related to the administrative divisions of the Company that are not attributable to the reportable segments.

(2) Assets of segment in an amount of ¥21,938 million include the corporate assets of ¥26,228 million not allocated to the respective reportable segments and the elimination of intra-company transactions between segments in an amount of -¥4,290 million. The corporate assets are mainly the assets related to the administrative divisions of the Company that are not attributable to the reportable segments.

(3) Of the Other items, depreciation of ¥76 million mainly relates to the equipment of the administrative divisions of the Company. In addition, an increase in property, plant and equipment and intangible assets in an amount of ¥540 million is mainly capital spending of the administrative divisions of the Company.

3. Profit of segment is adjusted with operating profit recorded under the consolidated financial statements.

Consolidated fiscal year under review (from April 1, 2017 to March 31, 2018)

(Million yen)

	Reportable segment				Others (Note) 1	Total	Amount of adjustment (Note) 2	Amount recorded in the consolidated financial statements (Note) 3
	Steel	Automotive & Industrial Machinery Components	Power	Total				
Net sales								
Net sales to outside customers	71,525	142,790	9,596	223,913	6,548	230,462	–	230,462
Internal sales or transfer between segments	19,782	–	–	19,782	–	19,782	(19,782)	–
Total	91,308	142,790	9,596	243,695	6,548	250,244	(19,782)	230,462
Profits of segment	1,925	8,433	871	11,230	1,465	12,695	(4,698)	7,997
Assets of segment	94,420	110,603	5,495	210,519	14,847	225,366	23,855	249,221
Other items								
Depreciation	4,296	5,224	541	10,061	454	10,516	82	10,599
Increase in property, plant and equipment and intangible assets	4,118	5,635	367	10,121	488	10,610	1,522	12,132

(Note) 1. The category “Others” includes the business segments not included in the reportable segments such as synthetic mica, crawler robots, indoor and outdoor sign systems, civil engineering and construction, the leasing of real estate and the operation of the sports club.

2. The details of the adjustment are as explained below.

(1) Profits of segment in an amount of a loss of ¥4,698 million are common corporate expenses, etc. not allocated to the respective reportable segments. The common corporate expenses are mainly the expenses related to the administrative divisions of the Company that are not attributable to the reportable segments.

(2) Assets of segment in an amount of ¥23,855 million include the corporate assets of ¥29,913 million not allocated to the respective reportable segments and the elimination of intra-company transactions between segments in an amount of -¥6,058 million. The corporate assets are mainly the assets related to the administrative divisions of the Company that are not attributable to the reportable segments.

(3) Of the Other items, depreciation of ¥82 million mainly relates to the equipment of the administrative divisions of the Company. In addition, an increase in property, plant and equipment and intangible assets in an amount of ¥1,522 million is mainly capital spending of the administrative divisions of the Company.

3. Profit of segment is adjusted with operating profit recorded under the consolidated financial statements.

(Information per share)

	Previous consolidated fiscal year (from April 1, 2016 to March 31, 2017)	Consolidated fiscal year under review (from April 1, 2017 to March 31, 2018)
Net assets per share	4,426.81 yen	4,640.13 yen
Profit per share	303.90 yen	234.25 yen

(Note) 1. Profit per share after full dilution is not stated because there are no dilutive shares.

2. The shares were consolidated at the ratio of 10 to 1 shares of common stock effective on October 1, 2016. Accordingly, in the calculation of profit per share, it was assumed that the said stock consolidation took place at the beginning of the previous consolidated fiscal year.

3. In the calculation of net assets per share, the shares of the Company that are held by the trust related to the stock compensation plan for directors, etc. are included in the treasury shares that are deducted from the total number of shares

issued and outstanding at the end of the fiscal year (72 thousand shares for the previous consolidated fiscal year and 68 thousand shares for the consolidated fiscal year under review).

In addition, also in the calculation of profit per share, the said shares above are included in the treasury shares that are deducted in the calculation of the average number of shares during the fiscal year (72 thousand shares for the previous consolidated fiscal year and 69 thousand shares for the consolidated fiscal year under review).

4. The bases for the calculation of profit per share are as shown below.

	Previous consolidated fiscal year (from April 1, 2016 to March 31, 2017)	Consolidated fiscal year under review (from April 1, 2017 to March 31, 2018)
Profit attributable to owners of parent (million yen)	7,191	5,500
Amount not attributable to common shareholders (million yen)	–	–
Profit attributable to owners of parent in relation to common shares (million yen)	7,191	5,500
Average number of shares during the fiscal year (thousand shares)	23,662	23,482

(Important events after the reporting period)

(A subsidiary made upon the acquisition of shares)

The Company decided to acquire the shares at the meeting of the Board of Directors on April 17, 2018 and entered into an agreement for the transfer of the shares on the same day.

The outline is as shown below.

(1) Purpose of the acquisition of shares

The Company positions the automotive components business as a driver of growth under the medium-term consolidated management plan, “Growth & Change 2018,” which is currently implemented to achieve sustainable growth by accelerating the global business expansion. To this end, the Company decided to acquire the shares for the construction of a new foundation for the global system to supply aluminum wheels.

(2) Names of the companies and entities from which the Company acquires the shares

Unison Capital III(F), L.P. and seven other partnerships

(3) Name, business and scale of the company to be acquired

(i) Name: ATC Holdings Co., Ltd.

(ii) Business description: management of the subsidiaries engaging in the manufacture and sales of aluminum wheels for automobiles and two-wheel vehicles and aluminum gravity casting components for automobiles

(iii) Stated capital: 100 million yen

(4) Date of acquisition of shares

May 31, 2018 (scheduled)

(5) Number of shares to be acquired, acquisition cost and shareholding ratio after acquisition

(i) Number of shares acquired: 1,214,100 thousand shares

(ii) Acquisition cost: 14,494 million yen (rough estimate)

(iii) Shareholding ratio after acquisition: 100%

(6) Method of financing of the funds for payment and payment of those funds

Appropriation of the funds on hand and interest-bearing debts