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

November 2, 2018

Registered Company name:	TOPY INDUSTRIES, LIMITED	Stock listing: Tokyo, Nagoya stock exchanges
Code number:	7231	URL: http://www.topy.co.jp/en/index.html
Representative:	Nobuhiko Takamatsu, President and CEO	
Contact:	Shuichi Tachibana, Operating Officer, General Manager, General Affairs Department	
	Telephone: 03-3493-0777 / (Overseas) 81-3-3493-0777	

Scheduled date for submission of securities report: November 9, 2018
Scheduled date for dividend payment: December 4, 2018
Preparation of supplementary explanatory materials: Yes
Holding of quarterly financial results meeting: Yes (for institutional investors and analysts)

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

1. Consolidated Financial and Operating Results of the Second Quarter for Fiscal 2018 (April 1, 2018 - September 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	%
Second Quarter of Fiscal 2018	135,173	26.1	3,336	(7.4)	3,369	(15.8)	2,227	(19.5)
Second Quarter of Fiscal 2017	107,235	10.3	3,605	86.8	4,001	306.5	2,768	135.2

(Note) Comprehensive income: Second Quarter of Fiscal 2018 ¥2,342 million -44.1%
Second Quarter of Fiscal 2017 ¥4,190 million –%

	Profit per share	Profit per share after full dilution
	Yen	Yen
Second Quarter of Fiscal 2018	94.85	–
Second Quarter of Fiscal 2017	117.90	–

(2) Consolidated Financial Results

	Total assets	Net assets	Ratio of shareholders' equity to total assets	Net assets per share
	Million yen	Million yen	%	Yen
Second Quarter of Fiscal 2018	280,708	111,002	39.1	4,677.13
Fiscal 2017	248,102	109,859	43.9	4,640.13

(For reference) Shareholders' equity: Second Quarter of Fiscal 2018 ¥109,895 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	–	20.00			
Fiscal 2018 (Forecasts)			–	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
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

*The impact on consolidated business result of Fiscal 2018 by the accident occurred in steel making shop of Toyohashi Works on October 25, 2018, which damaged some facilities in the electric furnace, will be announced promptly after the amount is able to be reasonably estimated.

* 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)

Second 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

Second Quarter of Fiscal 2018	581,256 shares	Fiscal 2017	595,417 shares

(c) Average number of shares issued during the period

Second Quarter of Fiscal 2018	23,486,041 shares	Second Quarter of Fiscal 2017	23,482,470 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.”

(Method for acquiring supplementary briefing material on quarterly financial results)

The Company plans to hold a briefing session for institutional investors and securities analysts. A video of this briefing session and briefing material will be posted on the Company’s website promptly after the briefing session.

Index of Attached Documents

1. Qualitative Information Regarding Results of the Second Quarter for Fiscal 2018

(1) Explanation Regarding Consolidated Operating Results

During the first half of the fiscal year under review, the U.S. economy grew moderately while China and emerging countries continued their recovery trend, which helped the global economy record a moderate rebound as a whole, despite concerns over intensifying trade disputes such as additional duties determined by the U.S. and China. 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 proceeded steadily toward the final target with the Growth & Change 2018 initiative of the mid-term management plan, aiming to achieve sustainable growth and offer great workplaces. In the steel business segment, the Group launched the sale of TACoil on schedule, a new product with higher processing efficiency for bar coils, in October as part of its efforts to develop demand. The Group also began activities to create synergies with Ring Techs Co., Ltd., a steel wheel manufacturer, and Asahi Tec Corporation, an aluminum wheel manufacturer, which had been made wholly owned subsidiaries.

The financial results for the first half of the fiscal year under review include consolidated net sales of ¥135,173 million, an increase of 26.1% year on year, thanks to growth in sales of parts for the undercarriages of construction machinery and other products, the new consolidation of Ring Techs and Asahi Tec and so on. A significant rise in costs due to higher prices of sub-materials and temporary expenses for the acquisition of Asahi Tec, however, caused operating profit to decrease 7.4% year on year to ¥3,336 million, ordinary profit to fall 15.8% year on year to ¥3,369 million, and profit attributable to owners of parent to decline 19.5% year on year to ¥2,227 million.

Performance by Segment

(Steel Business)

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

Given these circumstances, the Group achieved net sales of ¥40,996 million (up 23.6% year on year) by taking steps to recover sales prices while aiming for growth in sales volume. Operating profit, however, decreased to ¥1,297 million (down 22.6% year on year) due to the significant impact of higher cost caused by the rising prices of auxiliary and other materials.

(Automotive & Industrial Machinery Components Business)

In the construction machinery industry, domestic sales of hydraulic shovels experienced a reactionary fall from last year’s last-minute surge in demand before the emission control regulations. Meanwhile, overseas demand continued to grow, particularly in China and North America. Global demand for mining machinery also remained favorable. In the automotive industry, the volume of domestic automobile production remained broadly at the same level as that in the same period of the previous year.

Given these conditions, the Group achieved net sales of ¥85,845 million (up 29.6% year on year) by steadily meeting demand for products such as parts for the undercarriages of construction machinery, very large wheels for mining and by taking advantage of the new consolidation of Ring Techs and Asahi Tec and so on. Also, the Group achieved operating profit of ¥3,652 million (up 13.9% year on year) although there were a significant rise in costs due to higher prices of sub-materials and temporary expenses for the acquisition of Asahi Tec.

(Power Business)

The group endeavored to maintain the stable supply of electricity in line with its business plan. The Group achieved net sales of ¥4,908 million (up 6.0% year on year) thanks to higher electricity prices. Operating profit, however, was ¥367 million (down 23.8% year on year) due to an increase in repair cost.

(Others)

The Group worked to expand overseas and domestic sales of synthetic mica used in cosmetics and other products and, for Crawler Robot, accelerated the development of a crawler mechanism for back/forth and left/right movement to cater to agriculture and distribution industries. Moreover, the other business including 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 remained steady on the whole. As a result, net sales for the quarter came to ¥3,422 million (up 7.0% year on year), with operating profit of ¥812 million (up 15.6% year on year).

(2) Explanation Regarding Financial Status

Total assets at the end of the second quarter of the consolidated fiscal year under review stood at ¥280,708 million, an increase of ¥32,605 million from the end of the previous consolidated fiscal year. Primary factors for the increase include a ¥9,355 million increase in property, plant and equipment, a ¥9,079 million increase in inventories, a ¥4,050 million increase in cash and deposits, a ¥4,158 million in investments, and a ¥2,482 million increase in intangible assets.

Total liabilities were ¥169,705 million, or an increase of ¥31,462 million compared with the end of the previous consolidated fiscal year. This was caused mainly by an increase of ¥11,986 million in short-term loans payable, an increase of ¥9,573 million in accounts payable, and an increase of ¥8,272 million in long-term loans payable.

Total net assets came to ¥111,002 million, or an increase of ¥1,142 million from the end of the previous consolidated fiscal year. This was attributable primarily to an increase of ¥815 million in valuation difference on available-for-sale securities and an increase of ¥814 million in retained earnings.

(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 in spite of various problems. 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 China, and the outlook for the Chinese economy.

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.

The impact on consolidated business result of Fiscal 2018 by the accident occurred in steel making shop of Toyohashi Works on October 25, 2018, which damaged some facilities in the electric furnace, will be announced promptly after the amount is able to be reasonably estimated.

2. Quarterly Consolidated Financial Statements and Important Notes

(1) Quarterly Consolidated Balance Sheets

(Million yen)

	Previous Consolidated Accounting Term (March 31, 2018)	Second Quarter Consolidated Accounting Term (September 30, 2018)
Assets		
Current assets		
Cash and deposits	23,179	27,229
Notes and accounts receivable - trade	53,253	54,855
Merchandise and finished goods	17,572	24,357
Work in process	5,503	6,067
Raw materials and supplies	12,452	14,183
Other	6,600	7,296
Allowance for doubtful accounts	(65)	(91)
Total current assets	118,495	133,898
Non-current assets		
Property, plant and equipment		
Buildings and structures	85,948	91,454
Accumulated depreciation	(57,633)	(62,099)
Buildings and structures, net	28,315	29,355
Machinery, equipment and vehicles	186,638	199,774
Accumulated depreciation	(145,132)	(154,802)
Machinery, equipment and vehicles, net	41,506	44,971
Land	15,897	17,504
Leased assets	3,493	4,828
Accumulated depreciation	(2,172)	(2,881)
Leased assets, net	1,320	1,947
Construction in progress	3,871	6,239
Other	38,586	42,186
Accumulated depreciation	(37,290)	(40,643)
Other, net	1,295	1,543
Total property, plant and equipment	92,206	101,562
Intangible assets		
Goodwill	–	2,333
Other	3,078	3,227
Total intangible assets	3,078	5,561
Investments and other assets		
Investment securities	29,351	30,546
Long-term loans receivable	469	481
Deferred tax assets	1,342	1,430
Net defined benefit asset	365	391
Other	2,852	6,892
Allowance for doubtful accounts	(60)	(56)
Total investments and other assets	34,321	39,686
Total non-current assets	129,606	146,809
Total assets	248,102	280,708

(Million yen)

	Previous Consolidated Accounting Term (March 31, 2018)	Second Quarter Consolidated Accounting Term (September 30, 2018)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	26,324	33,128
Electronically recorded obligations - operating	17,694	20,463
Short-term loans payable	17,356	29,343
Current portion of bonds	5,000	5,000
Lease obligations	582	774
Income taxes payable	1,715	1,080
Other	14,218	19,244
Total current liabilities	82,891	109,035
Non-current liabilities		
Bonds payable	20,800	15,800
Long-term loans payable	17,940	26,212
Lease obligations	875	1,145
Deferred tax liabilities	494	1,409
Provision for corporate officers’ retirement benefits	158	129
Provision for officers’ stock benefits	28	52
Provision for directors’ retirement benefits	42	36
Reserve for repairs	248	298
Net defined benefit liability	11,249	11,978
Asset retirement obligations	276	323
Other	3,238	3,283
Total non-current liabilities	55,351	60,670
Total liabilities	138,242	169,705
Net assets		
Shareholders’ equity		
Capital stock	20,983	20,983
Capital surplus	18,652	18,652
Retained earnings	63,302	64,117
Treasury shares	(1,734)	(1,707)
Total shareholders’ equity	101,203	102,046
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	7,970	8,785
Deferred gains or losses on hedges	(9)	3
Foreign currency translation adjustment	31	(745)
Remeasurements of defined benefit plans	(235)	(194)
Total accumulated other comprehensive income	7,756	7,848
Non-controlling interests	899	1,107
Total net assets	109,859	111,002
Total liabilities and net assets	248,102	280,708

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

(Quarterly Consolidated Statements of Income)

(Second Quarter Consolidated Cumulative Accounting Term)

(Million yen)

	Previous Second Quarter Consolidated Cumulative Accounting Term (April 1, 2017 - September 30, 2017)	Second Quarter Consolidated Cumulative Accounting Term (April 1, 2018 - September 30, 2018)
Net sales	107,235	135,173
Cost of sales	89,345	114,809
Gross profit	17,890	20,363
Selling, general and administrative expenses	14,285	17,027
Operating profit	3,605	3,336
Non-operating income		
Interest income	32	48
Dividends income	363	382
Foreign exchange gains	420	23
Share of profit of entities accounted for using equity method	169	153
Other	169	189
Total non-operating income	1,156	796
Non-operating expenses		
Interest expenses	329	324
Other	430	439
Total non-operating expenses	759	763
Ordinary profit	4,001	3,369
Extraordinary income		
Gain on sales of non-current assets	14	3
Gain on sales of investment securities	51	0
Total extraordinary income	66	3
Extraordinary losses		
Loss on sales of non-current assets	127	3
Loss on retirement of non-current assets	170	138
Other	0	0
Total extraordinary losses	297	142
Profit before income taxes	3,770	3,230
Income taxes	951	932
Profit	2,818	2,298
Profit attributable to non-controlling interests	50	70
Profit attributable to owners of parent	2,768	2,227

(Quarterly Consolidated Statements of Comprehensive Income)

(Second Quarter Consolidated Cumulative Accounting Term)

(Million yen)

	Previous Second Quarter Consolidated Cumulative Accounting Term (April 1, 2017 - September 30, 2017)	Second Quarter Consolidated Cumulative Accounting Term (April 1, 2018 - September 30, 2018)
Profit	2,818	2,298
Other comprehensive income		
Valuation difference on available-for-sale securities	1,649	795
Deferred gains or losses on hedges	11	13
Foreign currency translation adjustment	(461)	(765)
Remeasurements of defined benefit plans, net of tax	146	40
Share of other comprehensive income of associates accounted for using equity method	25	(40)
Total other comprehensive income	1,371	43
Comprehensive income	4,190	2,342
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	4,137	2,320
Comprehensive income attributable to non-controlling interests	53	21

(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 second quarter under review, by profit before income taxes for the second quarter.