



Consolidated Basis Results of the Third Quarter for Fiscal 2019 (April 1, 2019 – December 31, 2019)

February 4, 2020

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: February 12, 2020

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 Third Quarter for Fiscal 2019 (April 1, 2019 - December 31, 2019)

(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	%
Third Quarter of Fiscal 2019	202,628	(4.7)	3,881	(27.1)	3,941	(29.4)	2,519	(34.2)
Third Quarter of Fiscal 2018	212,531	25.6	5,326	(17.9)	5,581	(19.2)	3,829	(18.6)

(Note) Comprehensive income: Third Quarter of Fiscal 2019 ¥3,409 million 81.2%
Third Quarter of Fiscal 2018 ¥1,882 million -76.7%

	Profit per share	Profit per share after full dilution
	Yen	Yen
Third Quarter of Fiscal 2019	107.22	–
Third Quarter of Fiscal 2018	163.01	–

(Note) The figures indicated above reflect material adjustments made to the initial allocations of historical costs based on the provisional accounting treatment used for business combinations.

(2) Consolidated Financial Results

	Total assets	Net assets	Ratio of shareholders' equity to total assets	Net assets per share
	Million yen	Million yen	%	Yen
Third Quarter of Fiscal 2019	273,249	113,143	41.0	4,771.03
Fiscal 2018	284,198	112,362	39.2	4,737.26

(For reference) Shareholders' equity: Third Quarter of Fiscal 2019 ¥112,092 million Fiscal 2018 ¥111,304 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 2018	–	20.00	–	70.00	90.00
Fiscal 2019	–	40.00	–		
Fiscal 2019 (Forecasts)				20.00	60.00

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

3. Consolidated Financial Forecasts for Fiscal 2019 (April 1, 2019 - March 31, 2020)

(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 2019	270,000	(5.7)	6,500	(13.4)	7,000	(25.2)	4,500	(36.7)	191.53

(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: No

Newly included: – (Name) – Excluded: – (Name) –

(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” on page 8 of the attached documents.

(3) Changes in Accounting Principles, Changes in Accounting Estimates, and Retrospective Restatements

(a) Changes in accounting principles accompanying the amendment of accounting standards: None

(b) Changes other than those in (a) above: None

(c) Changes in accounting estimates: None

(d) Retrospective restatements: None

(4) Number of Shares Issued (Common shares)

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

Third Quarter of Fiscal 2019	24,077,510 shares	Fiscal 2018	24,077,510 shares
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(b) Number of treasury shares at the end of the period

Third Quarter of Fiscal 2019	583,166 shares	Fiscal 2018	582,007 shares
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(c) Average number of shares issued during the period (cumulative)

Third Quarter of Fiscal 2019	23,495,011 shares	Third Quarter of Fiscal 2018	23,489,048 shares
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* These consolidated financial results are not included in the scope of quarterly audits by certified public accountants or audit corporations.

* Explanation of the Appropriate Use of Performance Forecasts and Other Related Items

(Caution concerning future descriptions etc.)

The above estimate has been compiled based on information available at the time this disclosure was made. The actual earnings are subject to change from the estimated values due to various factors. For assumed conditions underlying the earnings forecast and cautionary statements in using the earnings forecast, please refer to “Explanation Regarding Future Estimate Information such as Consolidated Financial Performance Estimates” on page 3 of the attached documents.

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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 February 4th, 2020 at 13:30 (GMT+9).
The Company assumes no responsibility for this translation or for direct, indirect or any other forms of damages arising from the translation.

1. Qualitative Information Regarding Results of the Third Quarter for Fiscal 2019

(1) Explanation Regarding Consolidated Operating Results

During the first nine months of the fiscal year under review, the U.S. continued its economic recovery, while a sense of stagnation in the global economy increased amid an increasingly apparent slowdown in the Chinese economy, chiefly due to the impact of the U.S.-China trade tensions. The Japanese economy continued to see improvements in employment and personal income; exports remained weak, however, causing industrial production to decline further and resulting in a slowdown, particularly in the manufacturing industry.

Under these circumstances, the Group launched a medium-term management plan titled Growth & Change 2021 at the beginning of the fiscal year under review. The Group is diligently implementing measures such as the reduction of fixed costs by improving production systems while placing priority on increasing its earning power and achieving Group synergy.

The financial results for the first nine months of the fiscal year under review include consolidated net sales of ¥202,628 million (down 4.7% year on year), operating profit of ¥3,881 million (down 27.1% year on year), ordinary profit of ¥3,941 million (down 29.4% year on year), and profit attributable to owners of parent of ¥2,519 million (down 34.2% year on year) as a result of the significant impact of a fall in profit caused by a substantially lower sales volume of parts including for the undercarriages of construction machinery, which more than offset an increase in profit thanks to improvement in metal trading spreads in the steel business.

Performance by Segment

(Steel Business)

In the electric furnace industry, demand for steel materials of both construction and manufacturing companies remained low. The price of steel scrap, a key raw material, declined considerably from the beginning of the fiscal year.

Given these circumstances, the Group's net sales declined to ¥56,104 million (down 5.7% year on year) due to a decrease in selling prices, despite maintaining the sales volume at the same level. Operating profit increased to ¥3,560 million (up 558.2% year on year) thanks to an increase in the difference between selling prices and the steel scrap price and continuous cost reductions.

(Automotive & Industrial Machinery Components Business)

In the automotive industry, the domestic automobile production volume remained mostly unchanged from a year earlier, while the production volumes in North America and China decreased. In the construction machinery industry, Japanese manufacturers' production of hydraulic shovels dropped significantly year on year due to lower sales in China, Southeast Asia, and other countries, inventory adjustment, and the impact of damage to supply chains caused by typhoons in Japan. Demand for mining machinery declined primarily in Southeast Asia, reflecting lower resource prices.

Given these conditions, the sales volume of parts for the undercarriages of construction machinery and mining machinery wheels decreased substantially, and those of other products also fell, despite an increase in the sales volume of aluminum wheels. As a result, net sales totaled ¥134,647 million (down 4.0% year on year) and operating profit stood at ¥2,672 million (down 61.7% year on year).

(Power Business)

The Group endeavored to maintain a stable supply of electricity in line with its business plan. Net sales came to ¥6,849 million (down 8.8% year on year) and operating profit amounted to ¥478 million (down 30.3% year on year), given the challenging business environment amid lower demand and intensifying price competition.

(Others)

The Group operated civil engineering and construction business, real estate leasing including Topy-rec Plaza (Minami-suna, Koto-ku, Tokyo) and a sports club, OSSO, and manufactured and sold synthetic mica and crawler robots. Net sales came to ¥5,026 million (down 4.6% year on year), due in part to the sluggish civil engineering and construction business, and operating profit was limited to ¥953 million (down 17.8% year on year), primarily reflecting a rise in upfront expenses to increase synthetic mica production. As part of the activities for new businesses, the Group worked to prepare for the commercial production of synthetic mica used in cosmetics and other products at enhanced facilities, while focusing on the expansion of overseas and domestic sales. In the crawler robot segment, this year the Group will launch the sale of Sekisyu Crawler, a new transportation support AGV created with the cooperation of NEC Corporation and Nippon Express.

(2) Explanation Regarding Financial Status

Total assets at the end of the third quarter of the consolidated fiscal year under review stood at ¥273,249 million, a decrease of ¥10,949 million from the end of the previous consolidated fiscal year. This was mainly due to decreases of ¥6,016 million and ¥4,559 million in notes and accounts receivable - trade and cash and deposits, respectively.

Total liabilities were ¥160,105 million, a decrease of ¥11,730 million compared with the end of the previous consolidated fiscal year. This was primarily a result of a decrease in notes and accounts payable - trade of ¥8,078 million, a fall in electronically recorded obligations - operating of ¥1,943 million, and a decline in short-term loans payable of ¥1,896 million.

Total net assets came to ¥113,143 million, an increase of ¥781 million from the end of the previous consolidated fiscal year. Major factors included an increase in valuation difference on available-for-sale securities of ¥1,638 million and a decrease in foreign currency translation adjustment of ¥806 million.

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

The concerns over a slowdown in the global economy are likely to be aggravated by the U.S.-China trade friction, which may be prolonged, China's economic slowdown, the worsening of the Middle East situation, and the spread of infection with the novel coronavirus. In the Japanese economy, the Group's business environment is also expected to continue to be exposed to the risk of setbacks amid concerns over a slowdown in the domestic economy, which is affected by the global economy.

Taking this situation into account, the Group will focus on increasing its earning power by maximizing Group synergy, chiefly through the optimization of production systems, and by reducing costs in all areas. The Group will also continue to develop new businesses and products to meet social needs and aim to achieve sustainable growth.

The full-year consolidated financial forecast has not been changed from the forecast announced on November 1, 2019. This decision has been made based on information available to the Group as of the date of issuance of this release. The actual results may vary from the forecast due to various factors that will arise in the future.

2. Quarterly Consolidated Financial Statements and Important Notes

(1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2019	As of December 31, 2019
Assets		
Current assets		
Cash and deposits	29,671	25,112
Notes and accounts receivable - trade	59,818	53,802
Merchandise and finished goods	22,327	21,669
Work in process	7,413	6,064
Raw materials and supplies	15,169	14,265
Other	7,417	7,103
Allowance for doubtful accounts	△66	△61
Total current assets	141,751	127,955
Non-current assets		
Property, plant and equipment		
Buildings and structures	93,166	94,566
Accumulated depreciation	△62,636	△64,177
Buildings and structures, net	30,530	30,388
Machinery, equipment and vehicles	204,197	208,539
Accumulated depreciation	△157,286	△161,363
Machinery, equipment and vehicles, net	46,911	47,176
Land	15,287	15,411
Leased assets	5,089	5,148
Accumulated depreciation	△3,290	△3,525
Leased assets, net	1,799	1,623
Construction in progress	3,696	4,452
Other	42,392	43,390
Accumulated depreciation	△40,630	△41,346
Other, net	1,761	2,044
Total property, plant and equipment	99,986	101,096
Intangible assets		
Other	5,160	4,670
Total intangible assets	5,160	4,670
Investments and other assets		
Investment securities	27,093	30,034
Long-term loans receivable	478	483
Deferred tax assets	2,340	1,675
Retirement benefit asset	345	345
Other	7,100	7,044
Allowance for doubtful accounts	△58	△55
Total investments and other assets	37,300	39,527
Total non-current assets	142,447	145,294
Total assets	284,198	273,249

(Millions of yen)

	As of March 31, 2019	As of December 31, 2019
Liabilities		
Current liabilities		
Notes and accounts payable - trade	31,880	23,801
Electronically recorded obligations - operating	20,268	18,325
Short-term borrowings	19,414	17,517
Current portion of bonds	5,000	5,000
Lease obligations	878	574
Income taxes payable	2,170	422
Other	18,293	17,085
Total current liabilities	97,907	82,727
Non-current liabilities		
Bonds payable	22,800	27,800
Long-term borrowings	32,461	30,852
Lease obligations	888	589
Deferred tax liabilities	1,093	1,130
Provision for corporate officers' retirement benefits	162	172
Provision for share-based remuneration for directors (and other officers)	21	39
Provision for retirement benefits for directors (and other officers)	41	43
Reserve for repairs	371	262
Retirement benefit liability	12,617	13,153
Asset retirement obligations	373	368
Other	3,096	2,966
Total non-current liabilities	73,929	77,378
Total liabilities	171,836	160,105
Net assets		
Shareholders' equity		
Share capital	20,983	20,983
Capital surplus	18,606	18,606
Retained earnings	68,532	68,460
Treasury shares	△1,708	△1,711
Total shareholders' equity	106,413	106,339
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	6,284	7,922
Deferred gains or losses on hedges	△5	△4
Foreign currency translation adjustment	△1,023	△1,830
Remeasurements of defined benefit plans	△365	△335
Total accumulated other comprehensive income	4,890	5,752
Non-controlling interests	1,057	1,051
Total net assets	112,362	113,143
Total liabilities and net assets	284,198	273,249

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

(Millions of yen)

	Nine months ended December 31, 2018	Nine months ended December 31, 2019
Net sales	212,531	202,628
Cost of sales	181,336	173,564
Gross profit	31,194	29,063
Selling, general and administrative expenses	25,868	25,182
Operating profit	5,326	3,881
Non-operating income		
Interest income	77	54
Dividend income	710	692
Share of profit of entities accounted for using equity method	326	973
Other	272	202
Total non-operating income	1,387	1,923
Non-operating expenses		
Interest expenses	501	462
Foreign exchange losses	171	419
Other	458	980
Total non-operating expenses	1,132	1,862
Ordinary profit	5,581	3,941
Extraordinary income		
Gain on sales of non-current assets	3	15
Gain on sales of investment securities	0	17
Total extraordinary income	3	32
Extraordinary losses		
Loss on sales of non-current assets	6	2
Loss on retirement of non-current assets	206	183
Other	1	1
Total extraordinary losses	213	186
Profit before income taxes	5,370	3,787
Income taxes	1,433	1,228
Profit	3,937	2,559
Profit attributable to non-controlling interests	108	40
Profit attributable to owners of parent	3,829	2,519

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

(Millions of yen)

	Nine months ended December 31, 2018	Nine months ended December 31, 2019
Profit	3,937	2,559
Other comprehensive income		
Valuation difference on available-for-sale securities	△1,682	1,630
Deferred gains or losses on hedges	△0	0
Foreign currency translation adjustment	△233	△546
Remeasurements of defined benefit plans, net of tax	50	29
Share of other comprehensive income of entities accounted for using equity method	△188	△264
Total other comprehensive income	△2,054	850
Comprehensive income	1,882	3,409
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,807	3,381
Comprehensive income attributable to non- controlling interests	74	28

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