



Consolidated Basis Results of the Third Quarter for Fiscal 2020 (April 1, 2020 - December 31, 2020)

February 2, 2021

Registered Company name: TOPY INDUSTRIES, LIMITED

Stock listing: Tokyo, Nagoya stock exchanges

Code number: 7231

URL: <http://www.topy.co.jp/>

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: February 10, 2021

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 2020 (April 1, 2020 - December 31, 2020)

(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 2020	161,030	(20.5)	(2,491)	-	(1,033)	-	(2,165)	-
Third Quarter of Fiscal 2019	202,628	(4.7)	3,881	(27.1)	3,941	(29.4)	2,519	(34.2)

(Note) Comprehensive income: Third Quarter of Fiscal 2020 ¥111 million -96.7%
Third Quarter of Fiscal 2019 ¥3,409 million -81.2%

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Third Quarter of Fiscal 2020	(92.24)	-
Third Quarter of Fiscal 2019	107.22	-

(2) Consolidated Financial Results

	Total assets	Net assets	Capital adequacy ratio	Net assets per share
	Million yen	Million yen	%	Yen
Third Quarter of Fiscal 2020	265,751	103,646	38.6	4,408.51
Fiscal 2019	254,659	103,800	40.3	4,372.66

(For reference) Shareholders' equity: Third Quarter of Fiscal 2020 ¥102,701 million
Fiscal 2019 ¥102,732 million

2. Dividends

Base date	Dividends per share				
	End of first quarter	End of Third quarter	End of third quarter	End of fiscal year	Full fiscal year
	Yen	Yen	Yen	Yen	Yen
Fiscal 2019	-	40.00	-	0.00	40.00
Fiscal 2020	-	0.00	-	-	-
Fiscal 2020 (Forecasts)	-	-	-	20.00	20.00

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

3. Consolidated Financial Forecasts for Fiscal 2020 (April 1, 2020 - March 31, 2021)

(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 2020	217,000	(17.6)	(2,500)	-	(1,500)	-	(2,500)	-	(106.39)

(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."

(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)

Third Quarter of Fiscal 2020	24,077,510 shares	Fiscal 2019	24,077,510 shares
------------------------------	-------------------	-------------	-------------------

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

Third Quarter of Fiscal 2020	781,413 shares	Fiscal 2019	583,315 shares
------------------------------	----------------	-------------	----------------

(c) Average number of shares issued during the period

Third Quarter of Fiscal 2020	23,475,762 shares	Third Quarter of Fiscal 2019	23,495,011 shares
------------------------------	-------------------	------------------------------	-------------------

* These consolidated financial results are not included in the scope of quarterly audits by certified public accountants or audit corporations.

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

(Caution concerning future descriptions etc.)

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

Index of Attached Documents

1. Qualitative Information Regarding Results of the Third Quarter for Fiscal 2020	2
(1) Explanation Regarding Consolidated Operating Results	2
(2) Explanation Regarding Financial Status	2
(3) Explanation Regarding Future Estimate Information such as Consolidated Financial Performance Estimates	3
2. Quarterly Consolidated Financial Statements and Important Notes	4
(1) Quarterly Consolidated Balance Sheets	4
(2) Quarterly Consolidated Statements of Income and Quarterly Consolidated Statements of Comprehensive Income.....	6
Quarterly Consolidated Statements of Income	
Third Quarter Consolidated Cumulative Accounting Term	6
Quarterly Consolidated Statements of Comprehensive Income	
Third Quarter Consolidated Cumulative Accounting Term	7
(3) Notes Regarding Quarterly Consolidated Financial Results	8
(Note Related to Going Concern).....	8
(Note on Significant Changes in the Amount of Shareholders' Equity).....	8
(Application of Special Accounting Methods for Presenting Quarterly Consolidated Financial Statements)	8

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 2, 2021 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 2020

(1) Explanation Regarding Consolidated Operating Results

During the first nine months of the fiscal year under review, the global economy suffered a severe downturn caused by the COVID-19 pandemic. Although there were signs of recovery, the United States, Europe and Southeast Asia continued to face difficult conditions. As domestic and overseas economic activities restarted, the Japanese economy saw improvements in exports and consumer spending. The economy, however, did not achieve a full-scale recovery from the downturn due to COVID-19 and was sluggish overall.

Under these circumstances, the Group took preventive measures against COVID-19 and focused on ensuring a stable supply to customers. The Group has established a company-wide management reform committee and has been taking steps to modify its production systems to promptly respond to a sharp decrease in demand and reduce fixed costs as part of its emergency measures to bolster its earnings strength. In addition, the Group has worked to optimize its production system in the Automotive & Industrial Machinery Components Business and implemented the development, sale, etc. of its original products in the Steel Business. The Group also worked to strengthen its sustainable ESG management base according to the medium-term business plan, Growth & Change 2021. It started to build sorting equipment to improve iron recycling levels and acquired the EcoLeaf environmental label, which discloses quantitative environmental information on products over their entire life cycle, for six steel products.

The financial results for the first nine months of the fiscal year under review include consolidated net sales of ¥161,030 million (down 20.5% year on year), an operating loss of ¥2,491 million (compared to operating profit of ¥3,881 million in the same period of the previous year), an ordinary loss of ¥1,033 million (compared to ordinary profit of ¥3,941 million in the same period of the previous year), and a loss attributable to owners of parent of ¥2,165 million (compared to profit attributable to owners of parent of ¥2,519 million in the same period of the previous year), chiefly reflecting the results in the first half, despite a recovery in demand and an improvement in earnings in the third quarter.

Performance by Segment

(Steel Business)

Demand for steel materials of manufacturing companies in the steel industry fell substantially and the production of crude steel dropped sharply. The electric furnace industry faced a challenging situation as the price of steel scrap, the main raw material of steel, rose sharply in the third quarter, reflecting a sharp increase in demand for steel in China, which had recovered from the COVID-19 pandemic.

Given these circumstances, the Group's net sales declined to ¥53,519 million (down 4.6% year on year) due to a decrease in selling prices, although the Group focused on exports and sale to the construction industry and the sales amount rose year on year. Although the Group implemented cost reductions through emergency measures to raise earnings, operating profit fell to ¥944 million (down 73.5% year on year), reflecting a steep rise in steel scrap prices before an improvement in selling prices.

(Automotive & Industrial Machinery Components Business)

In the automotive industry, production decreased significantly worldwide primarily due to sluggish demand and the suspension of factory operations in Japan and overseas in the first half of the fiscal year, although there are signs of recovery. The construction machinery industry was on a recovery trend as economic activity resumed in China and other regions, but the production of hydraulic shovels declined due to weak demand in the first half of the fiscal year. Demand for mining machinery fell particularly in Southeast Asia.

Given these conditions, the Group considered reform plans for a more profitable business structure and cut costs through emergency measures. However, due to a significant fall in sales volume, net sales decreased to ¥97,594 million (down 27.5% year on year), and the operating loss stood at ¥787 million (compared to operating profit of ¥2,672 million in the same period of the previous year).

(Power Business)

A challenging business environment continued in the power business due to suppression of coal fueled power generation backed by global warming issues and intensifying price competition. Given these circumstances, the Group worked on the stable supply of electricity in line with its business plan. As a consequence, net sales came to ¥5,520 million (down 19.4% year on year) and operating profit amounted to ¥175 million (down 63.3% year on year).

(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 ¥4,396 million (down 12.5% year on year) and operating profit was ¥375 million (down 60.6% year on year) due to a fall in sales from sports club operations and sales of mica in cosmetics, which was caused by COVID-19.

(2) Explanation Regarding Financial Status

Total assets at the end of the third quarter of the consolidated fiscal year under review stood at ¥265,751 million, an increase of ¥11,092 million from the end of the previous consolidated fiscal year. This was mainly due to increases of ¥7,499 million and ¥2,037 million in notes and accounts receivable - trade and cash and deposits, respectively.

Total liabilities were ¥162,104 million, an increase of ¥11,246 million compared with the end of the previous consolidated fiscal year. This was mainly due to an increase of ¥9,842 million in short-term borrowings.

Total net assets came to ¥103,646 million, or a decrease of ¥153 million from the end of the previous consolidated fiscal year. This was mainly due to an increase of ¥231 million in treasury shares.

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

The global economic situation is unstable, reflecting restrictions and voluntary restraints on social and economic activities due to the resurgence of COVID-19 infections and the U.S.-China conflict. The Group's operating environment is likely to remain difficult.

The full-year consolidated financial forecast has not been changed from the forecast announced on November 5, 2020. 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, 2020	As of December 31, 2020
Assets		
Current assets		
Cash and deposits	23,811	25,849
Notes and accounts receivable - trade	44,764	52,264
Merchandise and finished goods	20,708	17,924
Work in process	5,529	5,685
Raw materials and supplies	14,018	13,716
Other	6,271	7,399
Allowance for doubtful accounts	(28)	(54)
Total current assets	115,074	122,784
Non-current assets		
Property, plant and equipment		
Buildings and structures	92,392	92,651
Accumulated depreciation	(62,551)	(63,899)
Buildings and structures, net	29,841	28,751
Machinery, equipment and vehicles	209,235	211,321
Accumulated depreciation	(162,259)	(166,355)
Machinery, equipment and vehicles, net	46,976	44,966
Land	15,256	15,198
Leased assets	5,141	2,528
Accumulated depreciation	(3,625)	(1,388)
Leased assets, net	1,515	1,140
Construction in progress	4,778	6,477
Other	43,460	43,976
Accumulated depreciation	(41,383)	(42,023)
Other, net	2,076	1,952
Total property, plant and equipment	100,445	98,487
Intangible assets		
Other	4,637	4,071
Total intangible assets	4,637	4,071
Investments and other assets		
Investment securities	24,774	29,547
Long-term loans receivable	479	482
Deferred tax assets	1,360	1,401
Retirement benefit asset	295	295
Other	7,642	8,730
Allowance for doubtful accounts	(50)	(48)
Total investments and other assets	34,500	40,407
Total non-current assets	139,584	142,966
Total assets	254,659	265,751

(Millions of yen)

	As of March 31, 2020	As of December 31, 2020
Liabilities		
Current liabilities		
Notes and accounts payable - trade	24,562	24,013
Electronically recorded obligations - operating	12,687	16,937
Short-term borrowings	15,495	25,338
Current portion of bonds payable	5,500	5,500
Lease obligations	433	244
Income taxes payable	502	668
Other	14,872	13,033
Total current liabilities	74,053	85,736
Non-current liabilities		
Bonds payable	27,300	27,300
Long-term borrowings	28,486	26,719
Lease obligations	572	402
Deferred tax liabilities	4,649	6,122
Provision for corporate officers' retirement benefits	175	222
Provision for share-based remuneration for directors (and other officers)	39	36
Provision for retirement benefits for directors (and other officers)	46	30
Reserve for repairs	290	401
Retirement benefit liability	12,285	12,371
Asset retirement obligations	355	357
Other	2,602	2,402
Total non-current liabilities	76,805	76,368
Total liabilities	150,858	162,104
Net assets		
Shareholders' equity		
Share capital	20,983	20,983
Capital surplus	18,606	18,606
Retained earnings	61,444	59,279
Treasury shares	(1,711)	(1,943)
Total shareholders' equity	99,323	96,925
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	5,440	8,807
Deferred gains or losses on hedges	(5)	(10)
Foreign currency translation adjustment	(1,401)	(2,429)
Remeasurements of defined benefit plans	(625)	(592)
Total accumulated other comprehensive income	3,409	5,775
Non-controlling interests	1,068	945
Total net assets	103,800	103,646
Total liabilities and net assets	254,659	265,751

(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, 2019	Nine months ended December 31, 2020
Net sales	202,628	161,030
Cost of sales	173,564	141,548
Gross profit	29,063	19,482
Selling, general and administrative expenses	25,182	21,974
Operating profit (loss)	3,881	(2,491)
Non-operating income		
Interest income	54	106
Dividend income	692	657
Share of profit of entities accounted for using equity method	973	1,283
Subsidies for employment adjustment	—	529
Other	202	258
Total non-operating income	1,923	2,836
Non-operating expenses		
Interest expenses	462	381
Foreign exchange losses	419	604
Other	980	392
Total non-operating expenses	1,862	1,378
Ordinary profit (loss)	3,941	(1,033)
Extraordinary income		
Gain on sales of non-current assets	15	54
Gain on sales of investment securities	17	19
Total extraordinary income	32	74
Extraordinary losses		
Loss on sales of non-current assets	2	4
Loss on retirement of non-current assets	183	128
Other	1	—
Total extraordinary losses	186	133
Profit (loss) before income taxes	3,787	(1,092)
Income taxes	1,228	1,081
Profit (loss)	2,559	(2,174)
Profit (loss) attributable to non-controlling interests	40	(9)
Profit (loss) attributable to owners of parent	2,519	(2,165)

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

(Millions of yen)

	Nine months ended December 31, 2019	Nine months ended December 31, 2020
Profit (loss)	2,559	(2,174)
Other comprehensive income		
Valuation difference on available-for-sale securities	1,630	3,360
Deferred gains or losses on hedges	0	(5)
Foreign currency translation adjustment	(546)	(1,062)
Remeasurements of defined benefit plans, net of tax	29	33
Share of other comprehensive income of entities accounted for using equity method	(264)	(39)
Total other comprehensive income	850	2,285
Comprehensive income	3,409	111
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	3,381	200
Comprehensive income attributable to non- controlling interests	28	(89)

(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.