



Consolidated Basis Results of the Third Quarter for Fiscal 2018 (April 1, 2018 – December 31, 2018)

February 1, 2019

Registered Company name: TOPY INDUSTRIES, LIMITED

Stock listing: Tokyo, Nagoya stock exchanges

Code number: 7231

URL: <http://www.topy.co.jp/en/index.html>

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Scheduled date for submission of securities report: February 8, 2019

Scheduled date for dividend payment: _____

Preparation of supplementary explanatory materials: No

Holding of quarterly financial results meeting: No

(1) Consolidated Operating Results (Cumulative)

1. Consolidated Financial and Operating Results of the Third Quarter for Fiscal 2018 (April 1, 2018 - December 31, 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 | % |
| Third Quarter of Fiscal 2018 | 212,531 | 25.6 | 5,302 | (18.2) | 5,557 | (19.6) | 3,793 | (19.4) |
| Third Quarter of Fiscal 2017 | 169,170 | 12.7 | 6,486 | 21.3 | 6,909 | 53.2 | 4,704 | 47.1 |

| | | | |
|------------------------------|------------------------------|----------------|--------|
| (Note) Comprehensive income: | Third Quarter of Fiscal 2018 | ¥1,824 million | -77.4% |
| | Third Quarter of Fiscal 2017 | ¥8,068 million | 346.2% |

| | Profit per share | Profit per share after full dilution |
|------------------------------|------------------|---|
| Third Quarter of Fiscal 2018 | Yen 161.52 | Yen — |
| Third Quarter of Fiscal 2017 | 200.36 | — |

(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 2018 | 279,897 | 110,013 | 38.9 | 4,632.84 |
| Fiscal 2017 | 248,102 | 109,859 | 43.9 | 4,640.13 |

(For reference) Shareholders' equity: Third Quarter of Fiscal 2018 ¥108,852 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 |
| Fiscal 2017 | Yen – | Yen 20.00 | Yen – | Yen 60.00 | Yen 80.00 |
| Fiscal 2018 | – | 20.00 | – | 70.00 | |
| 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 | 288,000 | 25.0 | 8,000 | 0.0 | 9,500 | 18.2 | 6,800 | 23.6 | 289.58 |

Note: Whether changes to the latest forecasts for consolidated figures have been made: Yes

For details, please refer to "Explanation Regarding Future Estimate Information such as Consolidated Financial Performance Estimates" on page 3 of the attached materials.

* 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" 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 2018 | 24,077,510 shares | Fiscal 2017 | 24,077,510 shares |
|------------------------------|-------------------|-------------|-------------------|

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

| | | | |
|------------------------------|----------------|-------------|----------------|
| Third Quarter of Fiscal 2018 | 581,613 shares | Fiscal 2017 | 595,417 shares |
|------------------------------|----------------|-------------|----------------|

(c) Average number of shares issued during the period (cumulative)

| | | | |
|------------------------------|-------------------|------------------------------|-------------------|
| Third Quarter of Fiscal 2018 | 23,489,048 shares | Third Quarter of Fiscal 2017 | 23,482,707 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" on page 3 of the attached documents.

Index of Attached Documents

| | |
|---|---|
| 1. Qualitative Information Regarding Results of the Third Quarter for Fiscal 2018 | 2 |
| (1) Explanation Regarding Consolidated Operating Results | 2 |
| (2) Explanation Regarding Financial Status | 3 |
| (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 Assumption) | 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 1st, 2019 at 13:30 (GMT+9).
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1. Qualitative Information Regarding Results of the Third Quarter for Fiscal 2018

(1) Explanation Regarding Consolidated Operating Results

During the first nine months of the fiscal year under review, the global economy has shown a gradual recovery as a whole due to the continuous economic expansion in the U.S. and a recovery trend in emerging countries remained. The outlooks of the global economy are, however, uncertain under the concern over the impact of the US-China trade dispute, and increasing signs of an economic slowdown in China.

The Japanese economy has continued a moderate recovery, reflecting capital spending that maintained its upward trend, as well as improved employment conditions.

Under these circumstances, the Group made steady progress toward the final targets set out in the Growth & Change 2018 initiative of the mid-term management plan, based on the concept of achieving sustainable growth and offering great workplaces. In the Industrial Machinery Components business, the Group built new steel belt assembly lines at PT. Topy Undercarriage Indonesia in response to growing demand for construction machinery in Southeast Asia. The facility commenced operation in November 2018.

With regard to the Group's financial results for the first nine months of the fiscal year under review, net sales came to ¥212,531 million (up 25.6% year on year), mainly reflecting the sale of a greater number of components including parts for the undercarriages of construction machinery and the effects of the acquisition of Ring Techs Co., Ltd. and Asahi Tec Corporation as consolidated subsidiaries. However, operating profit, ordinary profit and profit attributable to owners of parent decreased to ¥5,302 million (down 18.2% year on year), ¥5,557 million (down 19.6% year on year) and ¥3,793 million (down 19.4% year on year), due to temporary effect of the accident that caused damage to a facility in the steel-making shop of Toyohashi Works on October 25th, 2018.

Performance by Segment

(Steel Business)

In the electric furnace industry, demand for steel materials remained firm, primarily among construction companies. Meanwhile, harsh conditions persisted in terms of costs due to the continued surge of prices for sub-materials including electrode and alloy iron, although prices for steel scrap, a key raw material, began to decline in the third quarter of fiscal year 2018.

Given these circumstances, the Group achieved net sales of ¥59,488 million (up 16.5% year on year) by the rationalization of sales prices. Operating profit, however, decreased to ¥540 million (down 71.2% year on year) due to the accident that caused damage to a facility at the steel-making shop.

(Automotive & Industrial Machinery Components Business)

In the construction machinery industry, the global demand of hydraulic shovels continued to grow, mainly in China and North America. Global demand for mining machinery also remained solid. In the automotive industry, the number of automobiles produced in Japan remained almost unchanged from the same period of the previous year.

Given these conditions, the Group achieved net sales of ¥140,269 million (up 32.1% year on year), with operating profit of ¥6,956 million (up 8.5% year on year) largely due to its steady efforts to meet demand for parts for the undercarriages of construction machinery and very large wheels for mining and the effect resulting from the inclusion of newly consolidated subsidiaries, despite the factors of the decline in profits due to increased material costs and the temporary expense from corporate acquisition.

(Power Business)

The Group endeavored in the stable supply of electricity in line with its business plan. The Group achieved net sales of ¥7,506 million (up 7.1% year on year). Operating profit, however, was ¥687 million (down 3.0% year on year).

(Others)

The Group worked to expand overseas and domestic sales of synthetic mica used in cosmetics and other products. It also sought to improve sales organizations for crawler robots, while at the same time accelerating the development of a crawler mechanism for back/forth and left/right movement to cater to the needs of a range of businesses such as those in the agriculture and distribution industries. The Group also saw strong performance overall in other businesses, which included indoor and outdoor sign systems, civil engineering and construction, the leasing of real estate such as Topy-Rec Plaza (Minami-Suna, Koto-ku, Tokyo), and the operation of the sports club OSSO. As a result, net sales came to ¥5,266 million (up 8.5% year on year), with operating profit of ¥1,160 million (up 10.1% year on year).

(2) Explanation Regarding Financial Status

Total assets at the end of the third quarter of the consolidated fiscal year under review stood at ¥279,897 million, an increase of ¥31,795 million from the end of the previous consolidated fiscal year. Primary factors for the increase include a ¥10,852 million increase in property, plant and equipment, a ¥7,541 million increase in inventories, a ¥4,238 million in investments, a ¥3,564 million increase in notes and accounts receivable-trade, a ¥2,906 million increase in cash and deposits, and a ¥2,407 million increase in intangible assets.

Liabilities were ¥169,884 million, or an increase of ¥31,641 million compared with the end of the previous consolidated fiscal year. This was caused mainly by an increase of ¥11,048 million in long-term loans payable, an increase of ¥10,369 million in short-term loans payable, and an increase of ¥9,470 million in accounts payable.

Net assets came to ¥110,013 million, or an increase of ¥153 million from the end of the previous consolidated fiscal year. This was attributable primarily to an increase of ¥1,909 million in retained earnings and a decrease of ¥1,770 million in valuation difference on available-for-sale securities.

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

The Japanese economy is expected to remain on a moderate recovery path going forward, chiefly due to improvements in employment/income conditions and the implementation of economic measures by the government. However, in light of uncertain factors such as the growing seriousness of trade issues mainly in the United States and China and economic trends in China, the business conditions surrounding the Group are expected to remain uncertain and unpredictable.

In consideration of the impact of the accident in the steel-making shop and trends in recent financial results, the Group has reviewed the consolidated financial forecast for the fiscal year ending March 31, 2019 (April 1, 2018 – March 31, 2019) that was announced on May 10, 2018, and assumes net sales, operating profit, ordinary profit and profit attributable to owners of parent to ¥288,000 million, ¥8,000 million, ¥9,500 million and ¥6,800 million, respectively.

In addition, the operations at the steel making shop resumed on November 19th on 2018, and the production is in the normal condition at the present.

2. Quarterly Consolidated Financial Statements and Important Notes

(1) Quarterly Consolidated Balance Sheets

(Million yen)

| | Previous Consolidated Accounting Term (March 31, 2018) | Third Quarter Consolidated Accounting Term (December 31, 2018) |
|--|--|--|
| Assets | | |
| Current assets | | |
| Cash and deposits | 23,179 | 26,086 |
| Notes and accounts receivable - trade | 53,253 | 56,818 |
| Merchandise and finished goods | 17,572 | 22,296 |
| Work in process | 5,503 | 6,041 |
| Raw materials and supplies | 12,452 | 14,731 |
| Other | 6,600 | 8,902 |
| Allowance for doubtful accounts | (65) | (66) |
| Total current assets | 118,495 | 134,809 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Buildings and structures | 85,948 | 92,415 |
| Accumulated depreciation | (57,633) | (62,557) |
| Buildings and structures, net | 28,315 | 29,858 |
| Machinery, equipment and vehicles | 186,638 | 202,655 |
| Accumulated depreciation | (145,132) | (156,224) |
| Machinery, equipment and vehicles, net | 41,506 | 46,431 |
| Land | 15,897 | 17,502 |
| Leased assets | 3,493 | 4,862 |
| Accumulated depreciation | (2,172) | (2,965) |
| Leased assets, net | 1,320 | 1,896 |
| Construction in progress | 3,871 | 5,572 |
| Other | 38,586 | 42,748 |
| Accumulated depreciation | (37,290) | (40,949) |
| Other, net | 1,295 | 1,799 |
| Total property, plant and equipment | 92,206 | 103,059 |
| Intangible assets | | |
| Goodwill | – | 2,273 |
| Other | 3,078 | 3,212 |
| Total intangible assets | 3,078 | 5,486 |
| Investments and other assets | | |
| Investment securities | 29,351 | 26,933 |
| Long-term loans receivable | 469 | 490 |
| Deferred tax assets | 1,342 | 1,914 |
| Net defined benefit asset | 365 | 314 |
| Other | 2,852 | 6,947 |
| Allowance for doubtful accounts | (60) | (58) |
| Total investments and other assets | 34,321 | 36,542 |
| Total non-current assets | 129,606 | 145,088 |
| Total assets | 248,102 | 279,897 |

(Million yen)

| | Previous Consolidated Accounting Term (March 31, 2018) | Third Quarter Consolidated Accounting Term (December 31, 2018) |
|---|--|--|
| Liabilities | | |
| Current liabilities | | |
| Notes and accounts payable - trade | 26,324 | 31,962 |
| Electronically recorded obligations - operating | 17,694 | 21,526 |
| Short-term loans payable | 17,356 | 27,725 |
| Current portion of bonds | 5,000 | 5,000 |
| Lease obligations | 582 | 839 |
| Income taxes payable | 1,715 | 783 |
| Other | 14,218 | 19,089 |
| Total current liabilities | 82,891 | 106,926 |
| Non-current liabilities | | |
| Bonds payable | 20,800 | 15,800 |
| Long-term loans payable | 17,940 | 28,989 |
| Lease obligations | 875 | 941 |
| Deferred tax liabilities | 494 | 838 |
| Provision for corporate officers' retirement benefits | 158 | 144 |
| Provision for officers' stock benefits | 28 | 21 |
| Provision for directors' retirement benefits | 42 | 38 |
| Reserve for repairs | 248 | 333 |
| Net defined benefit liability | 11,249 | 12,320 |
| Asset retirement obligations | 276 | 323 |
| Other | 3,238 | 3,205 |
| Total non-current liabilities | 55,351 | 62,957 |
| Total liabilities | 138,242 | 169,884 |
| Net assets | | |
| Shareholders' equity | | |
| Capital stock | 20,983 | 20,983 |
| Capital surplus | 18,652 | 18,652 |
| Retained earnings | 63,302 | 65,212 |
| Treasury shares | (1,734) | (1,708) |
| Total shareholders' equity | 101,203 | 103,140 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 7,970 | 6,199 |
| Deferred gains or losses on hedges | (9) | (10) |
| Foreign currency translation adjustment | 31 | (291) |
| Remeasurements of defined benefit plans | (235) | (185) |
| Total accumulated other comprehensive income | 7,756 | 5,712 |
| Non-controlling interests | 899 | 1,160 |
| Total net assets | 109,859 | 110,013 |
| Total liabilities and net assets | 248,102 | 279,897 |

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

(Million yen)

| | Previous Third Quarter Consolidated Cumulative Accounting Term (April 1, 2017 - December 31, 2017) | Third Quarter Consolidated Cumulative Accounting Term (April 1, 2018 - December 31, 2018) |
|---|--|---|
| Net sales | 169,170 | 212,531 |
| Cost of sales | 141,053 | 181,336 |
| Gross profit | 28,116 | 31,194 |
| Selling, general and administrative expenses | 21,630 | 25,892 |
| Operating profit | 6,486 | 5,302 |
| Non-operating income | | |
| Interest income | 53 | 77 |
| Dividends income | 682 | 710 |
| Foreign exchange gains | 359 | – |
| Share of profit of entities accounted for using equity method | 169 | 326 |
| Other | 195 | 272 |
| Total non-operating income | 1,460 | 1,387 |
| Non-operating expenses | | |
| Interest expenses | 481 | 501 |
| Other | 555 | 630 |
| Total non-operating expenses | 1,037 | 1,132 |
| Ordinary profit | 6,909 | 5,557 |
| Extraordinary income | | |
| Gain on sales of non-current assets | 15 | 3 |
| Gain on sales of investment securities | 51 | 0 |
| Total extraordinary income | 67 | 3 |
| Extraordinary losses | | |
| Loss on sales of non-current assets | 127 | 6 |
| Loss on retirement of non-current assets | 193 | 206 |
| Other | 8 | 1 |
| Total extraordinary losses | 328 | 213 |
| Profit before income taxes | 6,647 | 5,346 |
| Income taxes | 1,867 | 1,444 |
| Profit | 4,779 | 3,901 |
| Profit attributable to non-controlling interests | 74 | 108 |
| Profit attributable to owners of parent | 4,704 | 3,793 |

(Quarterly Consolidated Statements of Comprehensive Income)

(Third Quarter Consolidated Cumulative Accounting Term)

(Million yen)

| | Previous Third Quarter Consolidated Cumulative Accounting Term (April 1, 2017 - December 31, 2017) | Third Quarter Consolidated Cumulative Accounting Term (April 1, 2018 - December 31, 2018) |
|--|--|---|
| Profit | 4,779 | 3,901 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | 3,236 | (1,682) |
| Deferred gains or losses on hedges | 5 | (0) |
| Foreign currency translation adjustment | (199) | (255) |
| Remeasurements of defined benefit plans, net of tax | 220 | 50 |
| Share of other comprehensive income of associates accounted for using equity method | 26 | (188) |
| Total other comprehensive income | 3,289 | (2,076) |
| Comprehensive income | 8,068 | 1,824 |
| Comprehensive income attributable to | | |
| Comprehensive income attributable to owners of parent | 7,992 | 1,750 |
| Comprehensive income attributable to non-controlling interests | 76 | 74 |

(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.