



Consolidated Basis Results of the Second Quarter for Fiscal 2021 (April 1, 2021 – September 30, 2021)

November 5, 2021

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Scheduled date for submission of securities report: November 12, 2021 Scheduled date for dividend payment: –

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 Results of the Second Quarter for Fiscal 2021 (April 1, 2021 – September 30, 2021)

(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 2021	125,059	28.4	(1,462)	–	(1,588)	–	(1,472)	–
Second Quarter of Fiscal 2020	97,419	(29.0)	(4,231)	–	(3,927)	–	(4,226)	–

(Note) Comprehensive income: Second Quarter of Fiscal 2021 ¥2,125 million –%
 Second Quarter of Fiscal 2020 -¥3,884 million –%

	Profit per share	Profit per share after full dilution
	Yen	Yen
Second Quarter of Fiscal 2021	(63.21)	–
Second Quarter of Fiscal 2020	(179.89)	–

(2) Consolidated Financial Position

	Total assets	Net assets	Ratio of shareholders' equity to total assets	Net assets per share
	Million yen	Million yen	%	Yen
Second Quarter of Fiscal 2021	267,983	110,195	40.7	4,685.95
Fiscal 2020	264,672	108,385	40.6	4,611.46

(For reference) Shareholders' equity: Second Quarter of Fiscal 2021 ¥109,189 million Fiscal 2020 ¥107,428 million

2. Dividends

	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 2020	–	0.00	–	20.00	20.00
Fiscal 2021	–	0.00			
Fiscal 2021 (Forecasts)			–	20.00	20.00

Note: Whether changes to the latest dividend forecasts have been made: Yes

For details, please refer to "Announcement Regarding the Adjustment of Financial Forecasts and Dividends Forecast" released today.

3. Consolidated Financial Forecasts for Fiscal 2021 (April 1, 2021 – March 31, 2022)

(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 2021	266,000	18.2	1,500	—	1,000	—	1,500	159.1	64.37

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

For details, please refer to “Announcement Regarding the Adjustment of Financial Forecasts and Dividends Forecast” released today.

* NOTE

(1) Changes in the State of Material Subsidiaries during the Period: None

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: Yes

(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 2021 24,077,510 shares Fiscal 2020 24,077,510 shares

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

Second Quarter of Fiscal 2021 775,961 shares Fiscal 2020 781,625 shares

(c) Average number of shares issued during the period

Second Quarter of Fiscal 2021 23,297,330 shares Second Quarter of Fiscal 2020 23,495,147 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 5.

(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 2021	2
(1) Explanation Regarding Consolidated Operating Results	2
(2) Explanation Regarding Financial Position	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	
Second Quarter Consolidated Cumulative Accounting Term	6
Quarterly Consolidated Statements of Comprehensive Income	
Second 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
(Changes in Accounting Policies)	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 November 5, 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 Second Quarter for Fiscal 2021

(1) Explanation Regarding Consolidated Operating Results

During the first half of the consolidated fiscal year under review, there were signs of recovery in the U.S., Europe, and other regions as COVID-19 vaccinations progressed, but the global economy continued to face a difficult environment due to the impact of the spread of COVID-19 variants, among other factors. The Japanese economy also showed signs of recovery but faced a challenging situation mainly because of continued restrictions on economic activity under the state of emergency and priority measures such as prevention of the spread of COVID-19, in addition to the supply shortage of semiconductors in the latter period of the first half of the fiscal year under review.

Under these circumstances, the Group produced and sold products to meet demand and worked to improve earnings. The Group worked to optimize its production system in the Automotive & Industrial Machinery Components Business and implemented the development and sale of its unique products in response to customer and social needs. The Group implemented initiatives in line with the medium-term business plan, Growth & Change 2021. In addition, the Group installed the Sales Headquarters, a new organization, to strengthen its sales capability, while also taking steps for the future, including the decision to establish a Business Development Strategy Center whose purpose is centralized and integrated management of the basic research phase and practical use phase of the development of new strategic products and new technologies and creation of new businesses.

The financial results for the first half of the fiscal year under review include consolidated net sales of ¥125,059 million (up 28.4% year on year) due to the recovery in demand in the Automotive & Industrial Machinery Components Business and an improvement in steel sales prices in response to a rise in steel scrap prices. Given the impact of an increase in cost due to rising steel scrap prices and a sharp rise in the price of coal, the fuel for power generation, we posted an operating loss of ¥1,462 million (compared to an operating loss of ¥4,231 million in the same period of the previous year), and an ordinary loss of ¥1,588 million (compared to an ordinary loss of ¥3,927 million in the same period of the previous year). The loss attributable to owners of parent was ¥1,472 million (compared to loss attributable to owners of parent of ¥4,226 million in the same period of the previous year).

The Group has applied Accounting Standards for Revenue Recognition (Accounting Standards Board of Japan (ASBJ) Statement No. 29 issued on March 31, 2020) since the beginning of the first quarter of the consolidated fiscal year under review. For details, please refer to 2. Quarterly Consolidated Financial Statements and Important Notes (3) Notes Regarding Quarterly Consolidated Financial Results (Changes in Accounting Policies).

Performance by Segment

(Steel Business)

The steel industry continued to face a challenging situation as the price of steel scrap, a principal raw material of steel, continued to rise sharply from the second half of the previous fiscal year.

Given these circumstances, the Group worked to improve steel sales prices. Net sales increased to ¥42,361 million (up 29.1% year on year). However, we were unable to pass on increased costs due to sharply rising steel scrap prices to steel sales prices, resulting in an operating loss of ¥38 million (compared to an operating profit of ¥671 million in the same period of the previous year).

(Automotive & Industrial Machinery Components Business)

In the automotive industry, production volume was higher than in the same period of the previous year, but the industry faced a difficult business environment as production was reduced later in the first half of the fiscal year due to the supply shortage of semiconductors, among other factors. In the construction machinery industry, demand for hydraulic shovels expanded mainly in the United States and Southeast Asia. Demand for mining machinery remained strong worldwide due to rising resource prices.

Given these conditions, the sales volume of mainly commercial vehicle wheels and parts for the undercarriages of construction machinery increased. As a result, net sales totaled ¥75,936 million (up 30.9% year on year) and operating profit stood at ¥1,465 million (compared to operating loss of ¥3,176 million in the same period of the previous year).

(Power Business)

The business environment remained challenging in the power business due to a surge in coal prices, a fuel for power generation. Given these circumstances, the Group worked on the stable supply of electricity in line with its business plan but was affected by an increase in cost. As a result, net sales stood at ¥3,854 million (up 5.7% year on year) and the operating loss was ¥783 million (compared to an operating profit of ¥146 million in the same period of the previous year).

(Science Business)

The Group manufactures and sells synthetic mica and robots. Synthetic mica was affected by weak demand for cosmetics in Japan, offsetting a recovery in demand for cosmetics overseas. As a result, net sales fell 14.7% year on year to ¥426 million, and operating loss amounted to ¥162 million (compared to an operating loss of ¥204 million in the same period of the previous fiscal year).

(Leasing Business)

In the leasing business, operating profit was ¥350 million (down 0.0% year on year).

(Others)

The Group operates a civil engineering and construction business, sports club OSSO, and other businesses. Net sales came to ¥2,480 million (up 1.2% year on year) and operating profit was ¥88 million (down 30.9% year on year).

(2) Explanation Regarding Financial Position

Total assets at the end of the second quarter of the consolidated fiscal year under review stood at ¥267,983 million, an increase of ¥3,310 million from the end of the previous consolidated fiscal year. Primary factors for the increase included an increase of ¥3,781 million in merchandise and finished goods.

Total liabilities were ¥157,787 million, an increase of ¥1,501 million compared with the end of the previous consolidated fiscal year. This was caused mainly by an increase of ¥1,615 million in electronically recorded obligations - operating.

Total net assets came to ¥110,195 million, an increase of ¥1,809 million from the end of the previous consolidated fiscal year. This was mainly due to an increase of ¥1,763 million in foreign currency translation adjustments.

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

While the global economy is expected to recover from the downturn in economic activities, the business environment surrounding the Group is likely to remain difficult due to significant concerns, including the impact of the U.S.-China conflict and the semiconductor shortage on automotive production and the globally tight supply of marine container transportation services as well as increases in prices of energy and raw materials.

The Group has reviewed the consolidated financial forecasts for the fiscal year ending March 31, 2022 (April 1, 2021 to March 31, 2022) announced on May 11, 2021 and forecasts net sales of ¥266,000 million, an operating profit of ¥1,500 million, an ordinary profit of ¥1,000 million, and a profit attributable to owners of parent of ¥1,500 million. For details, please refer to “Announcement Regarding the Adjustment of Financial Forecasts and Dividends Forecast” released today.

2. Quarterly Consolidated Financial Statements and Important Notes

(1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2021	As of September 30, 2021
Assets		
Current assets		
Cash and deposits	24,477	22,670
Notes and accounts receivable-trade	51,109	—
Notes and accounts receivable - trade, and contract assets	—	48,035
Merchandise and finished goods	20,926	24,708
Work in process	4,902	6,008
Raw materials and supplies	14,574	16,481
Other	6,427	6,815
Allowance for doubtful accounts	△58	△63
Total current assets	122,360	124,656
Non-current assets		
Property, plant and equipment		
Buildings and structures	93,281	94,378
Accumulated depreciation	△64,517	△65,264
Buildings and structures, net	28,763	29,113
Machinery, equipment and vehicles	213,046	215,972
Accumulated depreciation	△168,097	△169,439
Machinery, equipment and vehicles, net	44,949	46,532
Land	15,279	15,099
Leased assets	2,584	2,407
Accumulated depreciation	△1,461	△1,484
Leased assets, net	1,122	922
Construction in progress	6,051	3,273
Other	44,073	41,942
Accumulated depreciation	△42,148	△39,978
Other, net	1,924	1,964
Total property, plant and equipment	98,091	96,906
Intangible assets		
Other	3,890	3,512
Total intangible assets	3,890	3,512
Investments and other assets		
Investment securities	29,257	31,728
Long-term loans receivable	206	203
Deferred tax assets	1,634	1,696
Retirement benefit asset	386	386
Other	8,892	8,934
Allowance for doubtful accounts	△47	△42
Total investments and other assets	40,329	42,906
Total non-current assets	142,311	143,326
Total assets	264,672	267,983

(Millions of yen)

	As of March 31, 2021	As of September 30, 2021
Liabilities		
Current liabilities		
Notes and accounts payable-trade	27,009	27,608
Electronically recorded obligations-operating	13,215	14,830
Short-term borrowings	23,982	22,056
Current portion of bonds payable	5,300	300
Lease obligations	232	139
Income taxes payable	923	607
Other	13,539	13,698
Total current liabilities	84,201	79,239
Non-current liabilities		
Bonds payable	27,000	37,000
Long-term borrowings	24,793	21,828
Lease obligations	367	284
Deferred tax liabilities	5,736	6,546
Provision for corporate officers' retirement benefits	211	164
Provision for share awards for directors (and other officers)	36	23
Provision for retirement benefits for directors (and other officers)	60	21
Reserve for repairs	398	257
Retirement benefit liability	10,782	10,554
Asset retirement obligations	358	345
Other	2,339	1,522
Total non-current liabilities	72,084	78,548
Total liabilities	156,286	157,787
Net assets		
Shareholders' equity		
Share capital	20,983	20,983
Capital surplus	18,606	18,606
Retained earnings	62,023	60,255
Treasury shares	△1,943	△1,931
Total shareholders' equity	99,669	97,913
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	9,443	11,181
Deferred gains or losses on hedges	12	9
Foreign currency translation adjustment	△2,266	△502
Remeasurements of defined benefit plans	568	587
Total accumulated other comprehensive income	7,758	11,276
Non-controlling interests	957	1,005
Total net assets	108,385	110,195
Total liabilities and net assets	264,672	267,983

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

(Millions of yen)

	Six months ended September 30, 2020	Six months ended September 30, 2021
Net sales	97,419	125,059
Cost of sales	87,374	111,164
Gross profit	10,044	13,895
Selling, general and administrative expenses	14,276	15,357
Operating loss	△4,231	△1,462
Non-operating income		
Interest income	47	63
Dividend income	352	359
Foreign exchange gains	—	220
Share of profit of entities accounted for using equity method	200	—
Subsidies for employment adjustment	444	38
Other	189	165
Total non-operating income	1,234	847
Non-operating expenses		
Interest expenses	259	237
Foreign exchange losses	416	—
Share of loss of entities accounted for using equity method	—	439
Other	254	296
Total non-operating expenses	930	972
Ordinary loss	△3,927	△1,588
Extraordinary income		
Gain on sale of non-current assets	14	36
Gain on sale of investment securities	17	0
Gain on reversal of provision incurred from business combination	—	791
Total extraordinary income	32	828
Extraordinary losses		
Loss on sale of non-current assets	1	2
Loss on retirement of non-current assets	87	104
Total extraordinary losses	88	107
Loss before income taxes	△3,983	△866
Income taxes	250	568
Loss	△4,234	△1,434
Profit (loss) attributable to non-controlling interests	△7	37
Loss attributable to owners of parent	△4,226	△1,472

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

(Millions of yen)

	Six months ended September 30, 2020	Six months ended September 30, 2021
Loss	△4,234	△1,434
Other comprehensive income		
Valuation difference on available-for-sale securities	1,412	1,697
Deferred gains or losses on hedges	△2	△2
Foreign currency translation adjustment	△933	1,309
Remeasurements of defined benefit plans, net of tax	21	19
Share of other comprehensive income of entities accounted for using equity method	△148	536
Total other comprehensive income	349	3,560
Comprehensive income	△3,884	2,125
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	△3,827	2,045
Comprehensive income attributable to non-controlling interests	△57	80

(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 first quarter.

(Changes in Accounting Policies)

(Application of Accounting Standard for Revenue Recognition, etc.)

The Group has applied the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020), etc. since the beginning of the first quarter of the consolidated fiscal year under review and recognizes revenue from goods or services which the Group promised to provide at an amount expected to be received in exchange for the goods or services at the time when control over the promised goods or services is transferred to a customer.

As a result, for the first half of the consolidated fiscal year under review, net sales and cost of sales decreased by ¥10,807 million and ¥10,844 million, respectively. The operating loss, ordinary loss and loss before income taxes each decreased by ¥36 million. In addition, the balance of retained earnings at the beginning of the period increased by ¥171 million.

Because the Accounting Standard for Revenue Recognition, etc. has been applied, "Notes and accounts receivable - trade," which was included in "Current assets" in the consolidated balance sheets for the previous fiscal year, began to be included in "Notes, accounts receivable-trade and contract assets" from the first quarter of the consolidated fiscal year under review.

(Application of Accounting Standard for Fair Value Measurement etc.)

The Group has applied "Accounting Standard for Fair Value Measurement" (ASBJ Statement No.30, July 4, 2019), etc. from the beginning of the first quarter of the consolidated fiscal year under review. In accordance with the transitional treatment set forth in Article 19 of Accounting Standard for Fair Value Measurement and Article 44-2 of "Accounting Standard for Financial Instruments" (ASBJ Statement No.10, July 4, 2019), the Group has applied prospectively a new accounting policy prescribed by Accounting Standard for Fair Value Measurement, etc. This has no effect on the quarterly consolidated financial statements.