



Consolidated Basis Results of the First Quarter for Fiscal 2014 (April 1, 2014 - June 30, 2014)

August 5th, 2014

Registered Company name: TOPY INDUSTRIES, LIMITED

Stock listing: Tokyo, Nagoya stock exchanges

Code number: 7231

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Scheduled date to submit Securities Report: August 8th, 2014

Scheduled date to pay dividends —

Preparation of supplemental explanatory materials: No

Holding of quarterly financial results meeting: No

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

1. Consolidated Financial and Operating Results of the First Quarter for Fiscal 2014

(April 1, 2014 - June 30, 2014)

(1) Consolidated Operating Results (Cumulative)

(Percentage figures are changes from the same period of the previous fiscal year.)

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
First Quarter of Fiscal 2014	55,540	2.7	744	22.1	703	83.8	285	—
First Quarter of Fiscal 2013	54,075	(10.1)	610	(72.3)	383	(80.8)	12	(98.8)

(Note) Comprehensive income: First Quarter of Fiscal 2014 ¥654 million (81.1%)
First Quarter of Fiscal 2013 ¥3,473 million 503.7%

	Net income per share	Net income per share after full dilution
	Yen	Yen
First Quarter of Fiscal 2014	1.21	—
First Quarter of Fiscal 2013	0.05	—

(2) Consolidated Financial Results

	Total assets	Net assets	Ratio of shareholders' equity to total assets	Assets shareholders' equity per share
	Millions of yen	Millions of yen	%	Yen
First Quarter of Fiscal 2014	237,497	96,560	39.8	399.45
Fiscal 2013	232,714	96,219	40.5	398.39

(For reference) Shareholders' equity: First Quarter of Fiscal 2014 ¥ 94,612 million
Fiscal 2013 ¥ 94,363 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 2013	Yen —	Yen 0.00	Yen —	Yen 2.00	Yen 2.00
Fiscal 2014	—				
Fiscal 2014 (Forecast)		1.00	—	3.00	4.00

Note: Whether changes to the latest dividend forecast has been made: No

3. Consolidated Financial Forecasts for Fiscal 2014 (April 1, 2014-March 31, 2015)

(Percentage figures are changes from the same period of the previous fiscal year, or the same quarter period)

	Net sales		Operating profit		Ordinary profit		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Second Quarter (Cumulative)	117,000	5.1	2,100	26.0	1,600	32.8	700	79.4
Fiscal 2014	244,000	4.0	6,600	24.3	5,700	27.1	3,600	88.0

	Net income per share
	Yen
Second Quarter (Cumulative)	2.96
Fiscal 2014	15.20

Note: Whether changes to the latest forecasts for consolidated figures has been made: No

※ NOTE

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

Newly included: — 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 during the Preparation of 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

Note: For details, please refer to “Changes in Accounting Principles, Changes in Accounting Estimates, and Retrospective Restatements”.

(4) Number of Shares Issued (Common shares)

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

First Quarter of Fiscal 2014 240,775,103 shares

Fiscal 2013 240,775,103 shares

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

First Quarter of Fiscal 2014	3,917,847 shares
Fiscal 2013	3,912,870 shares

(c) Average number of shares issued during the period

First Quarter of Fiscal 2014	236,860,849 shares
First Quarter of Fiscal 2013	237,163,676 shares

* Status of Performance of Quarterly Review Procedures

This note on the settlement of accounts is an exception to the quarter review process based on the Financial Instruments and Exchange Law, and such quarter review process based on the Financial Instruments and Exchange Law has not been completed at the time of disclosure of this note on the settlement of accounts.

* 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 of issue of this document. The actual earnings are subject to change from the estimated values due to various factors. For assumed conditions of earnings forecast and precaution statement in using earnings forecast, please refer to "Explanation Regarding Future Estimate Information Such as Consolidated Financial Performance Estimates".

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 August 5th, 2014 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.

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1. Qualitative Information Regarding Results of this Quarter

(1) Explanation Regarding Consolidated Operating Results

The global economy during this consolidated cumulative first quarter showed gradual recovery as the United States economy recovered and the European economy picked back up; however, the growth slowed down in China and was at a standstill in other developing countries. The economy in Japan showed signs of recovery supported by governmental economic policies and increase in public and equipment investments, despite weak personal spending due to downward rebound from increased demand before the tax raise.

Under such conditions, the Topy Industries Group has implemented the medium-term consolidated management plan “Growth & Change 2015” with its basic principle being global “Growth” and “Change” to achieve a highly-profitable structure. As one part of such plan, and in response to the demand increase in the ASEAN region, our subsidiary company PT. TOPY PALINGDA MANUFACTURING INDONESIA (West Java, Indonesia) has commenced production of wheels for trucks, etc., to further improve corporate value. In addition, the Topy Industries Group has continued its efforts to structure appropriate sales price of steel, establish production systems in compliance with demand and improve cost by increasing productivity.

As a result, net sales for this consolidated cumulative first quarter for the Topy Industries Group ended at ¥55,540 million (year-to-year comparison, 2.7% increase), operating income ended at ¥744 million (year-to-year comparison, 22.1% increase), ordinary income ended at ¥703 million (year-to-year comparison, 83.8% increase), and the quarterly net income ended at ¥285 million (year-to-year comparison, 2,157.1% increase).

【Performance by Segment】

(Steel Business)

Although demand was fairly equal to that of the same period last year, an extremely difficult condition continues for the electric furnace mill industry due to increase in electricity and other costs.

Under such circumstances, the Topy Industries Group has endeavored in the formulation of appropriate sales price structures and intensive cost reduction. This resulted in net sales of ¥17,651 million (year-to-year comparison, 1.2% increase), and operating income of ¥792 million (year-to-year comparison, 137.3% increase).

(Automotive & Industrial Machinery Components Business)

Despite the downward rebound of demand after the tax raise, with the presentation of new models etc. the automobile industry saw domestic production exceed that of the same period last year. On the other hand, the environment surrounding the construction machinery industry remained severe as the South East Asian markets decelerated, and demand for mining machinery stagnated.

Under such conditions, the Topy Industries Group was able to acquire steady demand of wheels for trucks and passenger cars, and sales of such wheels were strong. Net sales marked ¥34,676 million (year-to-year comparison, 3.0% increase), however, due to decrease in sales volume of machinery undercarriage components, operating income remained at ¥912 million (year-to-year comparison, 4.8% decrease).

(Others)

The Topy Industries Group also engages in wholesale electricity utility, indoor and outdoor sign systems, manufacture and sales of synthetic mica used in cosmetics etc., manufacture and sales of crawler robots, civil

engineering and construction, real estate lease such as “Topy-Rec Plaza” (Minami-Suna, Kotoku, Tokyo), and operation of sports club “OSSO”. Net sales resulted at ¥3,212 million, and operating income was ¥93 million.

(2) Explanation Regarding Financial Status

Total assets at the end of this first quarter consolidated accounting term marked ¥237,497 million, an increase of ¥4,782 million from the end of the previous consolidated accounting year. This was mainly due to increase in inventories by ¥1,167 million, increase in tangible fixed assets by ¥1,786 million, and increase in investment securities by ¥1,328 million.

Liabilities ended at ¥140,937 million, an increase of ¥4,441 million from the end of the previous consolidated accounting year. This was mainly due to increase in interest-bearing debt by ¥4,475 million.

Net assets marked ¥96,560 million, an increase of ¥341 million from the previous consolidated accounting year. This was mainly due to an increase in valuation difference on available-for-sale securities by ¥960 million, an increase in foreign currency translation adjustment by ¥709 million and an increase in retirement benefit adjustment by ¥136 million

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

With regards to the outlook of the economic environment from here onward, there is hope for gradual recovery as a result of governmental economic policies. However, concerns remain such as increase in cost such as electricity, cutback of credit expansion in the United States, unclear trend of the economy etc. in China and other developing countries, and leave us to believe the business environment surrounding the Topy Industries Group will continue to be extremely harsh.

Under such management conditions, and in promoting the medium-term consolidated management plan, “Growth & Change 2015”, the Topy Industries Group will strive to further improve its cooperate value by active business development into oversea markets where growth can be expected, and by solidifying the domestic manufacturing base to establish a business structure strong enough to withstand drastically changing environments. The Topy Industries Group will continue to pursue consecutive profit and seek further progression by exerting its competitive advantage of “integrated manufacture from raw material to product” as define by the cooperate message “One-piece Cycle”. The consolidated business performance forecast for the full business year has not changed from the announcement made on May 9th, 2014. This decision is based on the information available at the time of issue of this document. The actual performance is subject to change from the forecast due to unforeseeable contributing factors.

2. Items Regarding Summary Information (Other)

(1) Significant Transfer of Subsidiaries during The Period of Consolidation Total for this Quarter.

Not applicable

(2) Application of Special Accounting Methods during Preparation of Quarterly Consolidated Financial Statements.

(Calculation of tax expense)

Tax expense is calculated by multiplying the first quarter net income before tax with the estimated effective tax rate. The estimated effective tax rate is the rational estimate of tax rate after application of tax effect accounting

on current net earnings before tax of the consolidated accounting year including this second quarter consolidated accounting term.

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

Change in accounting Principles

(Application of accounting standards etc. regarding retirement benefits)

Provisions stated in Section 35 of the “Accounting Standard for Retirement Benefits” (ASBJ Statement No. 26, hereinafter referred to as the “Retirement Benefits Accounting Standard”) and Section 67 of the “Guidance on the Accounting Standard for Retirement Benefits” (ASBJ Guidance No. 25, hereinafter “Guidance on Retirement Benefits”) have been applied from the first quarter of this consolidated accounting term. With this application, calculation methods for retirement benefit obligations and service cost have been changed. Under this change, the calculation method for annual allocation expenses for projected benefit obligations is changed from the straight-line attribution standard pro-rated on employees’ years of service to benefit formula standard pro-rated on employees’ salaries. The method for determining the time period over which the discount rate is imputed is changed from the average remaining years of service for employees to mainly the expected period length of benefits payments and weighted average discount rate reflecting the amount to be paid in each period under the expected length of benefits payments for all employees under the plan.

In accordance with the transitional treatment prescribed in Section 37 of the Retirement Benefits Accounting Standard, the Company applied the Accounting Standard for Retirement Benefits at the beginning of the first quarter of this consolidated accounting term, and the effect of the accounting change in retirement benefit obligations and service cost was reflected in retained earnings.

This resulted in the allocation of net defined benefit liability decrease of ¥84 million for retirement benefit for this first quarter consolidated accounting term, and accumulated income increased by ¥53 million. Also, operating income, ordinary income and net income before taxes for this consolidate cumulative first quarter each decreased by ¥24 million.

3. Quarterly Consolidated Financial Statements
(1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	Previous Consolidated Accounting Term (March 31, 2014)	First Quarter Consolidated Accounting Term (June 30, 2014)
Assets		
Current assets		
Cash and deposits	17,638	18,171
Notes and accounts receivable-trade	46,073	47,284
Merchandise and finished goods	12,790	14,225
Work in process	4,835	5,069
Raw materials and supplies	8,943	8,442
Deferred tax assets	1,657	1,747
Other	6,447	5,762
Allowance for doubtful accounts	(36)	(36)
Total current assets	98,349	100,668
Non-current assets		
Property, plant and equipment		
Buildings and structures	76,107	75,921
Accumulated depreciation	(50,592)	(50,985)
Buildings and structures, net	25,514	24,935
Machinery, equipment and vehicles	163,403	162,936
Accumulated depreciation	(134,910)	(135,835)
Machinery, equipment and vehicles, net	28,493	27,100
Land	18,387	18,399
Leased assets	3,610	3,657
Accumulated depreciation	(817)	(916)
Leased assets, net	2,792	2,741
Construction in progress	24,284	28,203
Other	31,668	31,770
Accumulated depreciation	(29,538)	(29,761)
Other, net	2,129	2,009
Total property, plant and equipment	101,602	103,389
Intangible assets		
Other	1,270	1,234
Total intangible assets	1,270	1,234
Investments and other assets		
Investment securities	26,426	27,755
Long-term loans receivable	597	600
Deferred tax assets	2,643	2,034
Claims provable in bankruptcy, claims provable in rehabilitation and other	1	1
Other	1,903	1,893
Allowance for doubtful accounts	(79)	(80)
Total investments and other assets	31,492	32,204
Total non-current assets	134,365	136,828
Total assets	232,714	237,497

	Previous Consolidated Accounting Term (March 31, 2014)	First Quarter Consolidated Accounting Term (June 30, 2014)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	26,279	28,511
Electronically recorded obligations-operating	7,552	7,826
Short-term loans payable	22,607	18,075
Current portion of bonds	5,000	5,000
Lease obligations	389	387
Income taxes payable	1,103	492
Other	19,259	17,294
Total current liabilities	82,192	77,588
Non-current liabilities		
Bonds payable	18,900	28,900
Long-term loans payable	15,946	14,952
Lease obligations	2,403	2,307
Deferred tax liabilities	52	58
Provision for corporate officers' retirement benefits	98	111
Reserve for repairs	478	509
Net defined benefit liability	11,441	11,560
Asset retirement obligations	271	270
Liabilities from application of equity method	774	789
Other	3,937	3,886
Total non-current liabilities	54,303	63,348
Total liabilities	136,495	140,937
Net assets		
Shareholders' equity		
Capital stock	20,983	20,983
Capital surplus	18,824	18,824
Retained earnings	51,695	51,561
Treasury shares	(919)	(920)
Total shareholders' equity	90,584	90,448
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	5,447	6,408
Deferred gains or losses on hedges	(4)	(8)
Foreign currency translation adjustment	534	(175)
Remeasurements of defined benefit plans	(2,196)	(2,060)
Total accumulated other comprehensive income	3,779	4,163
Minority interests	1,855	1,947
Total net assets	96,219	96,560
Total liabilities and net assets	232,714	237,497

(2) Quarterly Consolidated Statements of Income and Quarterly
(Quarterly Consolidated Statements of Income)
(First Quarter Consolidation Cumulative Accounting Term)

(Millions of yen)

	Previous First Quarter Consolidated Cumulative Accounting Term (April 1, 2013 - June 30, 2013)	First Quarter Consolidated Cumulative Accounting Term (April 1, 2014 - June 30, 2014)
Net sales	54,075	55,540
Cost of sales	46,719	48,104
Gross profit	7,355	7,435
Selling, general and administrative expenses	6,745	6,691
Operating income	610	744
Non-operating income		
Interest income	9	10
Dividends income	239	315
Share of profit of entities accounted for using equity method	—	0
Other	101	73
Total non-operating income	350	400
Non-operating expenses		
Interest expenses	196	262
Share of loss of entities accounted for using equity method	19	—
Other	362	178
Total non-operating expenses	577	441
Ordinary income	383	703
Extraordinary income		
Gain on sales of non-current assets	10	6
Other	0	—
Total extraordinary income	11	6
Extraordinary losses		
Loss on sales of non-current assets	—	1
Loss on retirement of non-current assets	81	66
Other	11	1
Total extraordinary losses	92	69
Income before income taxes and minority interests	301	641
Income taxes	263	402
Income before minority interests	37	239
Minority interests in income (loss)	24	(46)
Net income	12	285

(Quarterly Consolidated Statements of Income)
(First Quarter Consolidation Cumulative Accounting Term)

(Millions of yen)

	Previous First Quarter Consolidated Cumulative Accounting Term (April 1, 2013 - June 30, 2013)	First Quarter Consolidated Cumulative Accounting Term (April 1, 2014 - June 30, 2014)
Income before minority interests	37	239
Other comprehensive income		
Valuation difference on available-for-sale securities	1,839	954
Deferred gains or losses on hedges	(17)	(4)
Foreign currency translation adjustment	1,632	(677)
Remeasurements of defined benefit plans	—	134
Share of other comprehensive income of associates accounted for using equity method	(17)	8
Total other comprehensive income	3,436	415
Comprehensive income	3,473	654
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	3,434	669
Comprehensive income attributable to minority interests	39	(14)

(3) Notes regarding Quarterly Consolidated Financial Results

(Note related to Going Concern)

None

(Note on significant changes in the amount of shareholders' equity)

None