



## Consolidated Basis Results of the Second Quarter for Fiscal 2012

(April 1, 2012 - September 30, 2012)

November 2<sup>nd</sup>, 2012

**Registered Company name:** TOPY INDUSTRIES, LIMITED

**Stock listing:** Tokyo, Osaka, Nagoya stock exchanges

**Code number:** 7231

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

**Representative:** Yasuo Fujii, President and CEO

**Contact:** Satoshi Kumazawa, Operating Officer and General Manager,  
General Affairs Department

**Telephone:** 81-3-3493-0777

**Scheduled date to submit Securities Report:** November 9<sup>th</sup>, 2012

**Scheduled date to pay dividends** December 4<sup>th</sup>, 2012

**Preparation of supplemental explanatory materials:** Yes

**Holding of quarterly financial results meeting:** Yes (for analysts and institution investors, in Japanese)  
(Figures less than ¥1 million have been omitted.)

### 1. Consolidated Financial and Operating Results of the Second Quarter for Fiscal 2012

(April 1, 2012~September 30, 2012)

#### (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	%
<b>Second Quarter of Fiscal 2012</b>	<b>115,852</b>	<b>1.9</b>	<b>4,004</b>	<b>20.8</b>	<b>3,563</b>	<b>25.2</b>	<b>2,133</b>	<b>54.2</b>
Second Quarter of Fiscal 2011	113,692	6.5	3,314	22.8	2,845	40.2	1,383	168.1

(Note) Comprehensive income: Second Quarter of Fiscal 2012 ¥553 million (137.3%)  
Second Quarter of Fiscal 2011 ¥233 million (-%)

	Net income per share	Net income per share after full dilution
	Yen	Yen
<b>Second Quarter of Fiscal 2012</b>	<b>8.99</b>	-
Second Quarter of Fiscal 2011	5.83	-

#### (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
<b>Second Quarter of Fiscal 2012</b>	<b>209,344</b>	<b>83,124</b>	<b>39.4</b>	<b>347.40</b>
Fiscal 2011	212,828	83,096	38.7	347.37

(For reference) Shareholders' equity: Second Quarter of Fiscal 2012 ¥ 82,395 million  
Fiscal 2011 ¥ 82,389 million



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

Second Quarter of Fiscal 2012	3,600,737 shares
Fiscal 2011	3,592,942 shares

(c) Average number of shares issued during the term

Second Quarter of Fiscal 2012	237,179,394 shares
Second Quarter of Fiscal 2011	237,195,279 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 “Qualitative information regarding consolidated earnings forecast”.

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 2<sup>nd</sup>, 2012 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.

## **Index of Attached Documents**

1. Qualitative Information Regarding Quarterly Results .....	2
2. Items Regarding (Other) Summary Information.....	4
3. Summary of Key Events Regarding Assumption of Going Business.....	5
4. Consolidated Financial Statements	
(1) Consolidated quarterly balance sheets.....	6
(2) Consolidated quarterly statements of (comprehensive) income .....	8
(3) Consolidated quarterly statements of comprehensive income .....	9

## 1. Qualitative Information Regarding Quarterly Results

### (1) Qualitative information regarding consolidated operating results

Despite gradual recovery in the United States, the global economy during this consolidated cumulative second quarter showed notable slowdown due to stagnation in Europe from the continuing debt crisis and braking growth in China and other developing countries. The economy in Japan showed positive transition backed by steady domestic demand following government subsidy for ecologically-friendly vehicles and recovery demand from the Great East Japan Earthquake. However, the situation was extremely tough at the latter half of the quarter due to the prolonging situation of the high Yen and the declining oversea economy.

Under such conditions, the Topy Industries Group has formulated and launched a new mid-term consolidated management plan “Growth & Change 2015” with its basic principle being global “Growth” and “Change” to a highly-profitable structure. As one part of such plan, the oxygen plant to be used at the electric furnace has been renewed so that the oxygen supply system is ready prior to the modernization of the steel making facilities at Toyohashi Factory (Toyohashi, Aichi). Furthermore, the Topy Industries Group has continued to formulate production systems responding to demand, and cost improvement by reforming productivity.

As a result, the Topy Industries Group business performance was able to mark net sales of ¥115,852 million (year-to-year comparison 1.9% increase), operating income of ¥4,004 million (year-to-year comparison 20.8% increase), ordinary income of ¥3,563 million (year-to-year comparison 25.2% increase), and net income of ¥2,133 million (year-to-year comparison 54.2% increase) for this consolidated cumulative second quarter.

#### 【Performance by Segment】

##### (Steel Business)

The environment surrounding the electric furnace mill industry continued to be extremely difficult due to delay in recovery demand from the Earthquake and fall in market conditions for products.

Under such circumstances, the Topy Industries Group strove to secure its sales volume for construction steel, however, due to decline in price and demand for undercarriage components for construction machinery used in automotive & industrial machinery components business, net sales resulted in ¥34,451 million (year-to-year comparison 0.5% increase), operating income resulted in ¥421 million (year-to-year comparison 75.9% decrease).

##### (Automotive & Industrial Machinery Components Business)

The automobile industry saw huge increases compared to the previous year in terms of domestic production volume as government subsidy for ecologically-friendly vehicle

became effective. However, the construction machinery industry was, despite continued steady domestic recovery for demand from the Earthquake, largely effected by the demand decline from China and resulted in tough environments.

Under such conditions, the Topy Industries Group construction machinery components were affected by the drastic decline in demand from China while on the other hand, demand for truck and passenger car wheels made steady increase and sales also showed positive results. In addition, Topy Industries Group has continued every effort of improvement measures. This resulted in marking net sales of ¥74,095 million (year-to-year comparison 2.7% increase) and operating income of ¥5,428 million (year-to-year comparison 60.8% increase).

(Others)

The Topy Industries Group also engages in wholesale electricity utility, indoor and outdoor sign systems, manufacture of synthetic mica used in cosmetics etc., manufacture and sales of LED display and crawler robots, civil engineering and construction, real estate lease such as “Topy-Rec Plaza” (Minami-Suna, Kotoku, Tokyo), operation of sports club “OSSO”. These together resulted in net sales of ¥7,305 million, and operating income of ¥542 million.

## (2) Qualitative Information Regarding Consolidated Financial Status

Total assets at the end of this second quarter consolidated accounting term marked ¥209,344 million, a decrease of ¥3,483 million from the end of the previous consolidated accounting year. This was mainly due to decrease in cash and deposits by ¥3,994 million, decrease in notes and accounts receivables-trade by ¥6,208 million, decrease in investment securities by ¥2,570 million, increase in inventories by ¥1,325 million, and increase in property, plant and equipment by ¥7,953 million etc.

Liabilities ended at ¥126,219 million, a decrease of ¥3,511 million from the end of the previous consolidated accounting year. This was mainly due to decrease in notes and accounts payable-trade by ¥3,307 million etc.

Net assets marked ¥83,124 million, an increase of ¥27 million from the end of the previous consolidated accounting year. This was mainly due to increase in retained earnings by ¥1,658 million, a decrease in valuation difference on available-for-sale securities by ¥1,727 million and an increase in in foreign currency translation adjustment by ¥91 million etc.

## (3) Qualitative Information Regarding Consolidated Earnings Forecast

Concerning the economic prospects for Japan, a domestic demand expansion is expected from recovery of the Great East Japan Earthquake. However, due to exchange rate trends, the European debt crisis, and the slowdown of the Chinese economy etc., a strong sense of uncertainty surrounds the oversea economic conditions and continued attention towards demand trend is necessary.

Under such management conditions, and in promoting our new mid-term consolidated management plan, “Growth & Change 2015”, the Topy Industries Group will strive to further improve its cooperate value by active business development into overseas markets where growth can be expected, and establishing 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 defined by the cooperate message “One-piece Cycle”.

The consolidated business performance forecast for the full business year has not been changed from the announcement of September 21<sup>st</sup>, 2012. All decisions are based on information accessible at the time of issue of this document. Actual business performances and forecast values are subject to change due to various factors.

## 2. Items Regarding (Other) Summary Information

- (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 second 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

a. Changes in Accounting Principles that are Difficult to Distinguish from Changes in Accounting Estimates

(Change in Depreciation Method)

Following the amendment of the Corporate Tax Act, Topy Industries and our domestic consolidated subsidiaries have changed the depreciation method in accordance to the revised Corporate Tax Act from the first quarter of this consolidated accounting term for property, plant and equipment acquired after April 1<sup>st</sup>, 2012.

This will result in an increase of, compared to the previous method, ¥24 million in each of operating income, ordinary income and net income before income taxes and minority interests for this consolidated cumulative second quarter..

b. Changes in Accounting Estimates

(Changes in Depreciable Life)

Topy Industries passed the resolution to enhance the steel making facilities at Toyohashi Factory during the Board of Directors meeting held on March 27<sup>th</sup>, 2012. Full operation is scheduled to commence in April 2015.

In response to this, the depreciable life of property, plant and equipment expected to be disposed has been reviewed and the depreciation and amortization amount has been hereafter changed to have an expiration date at the end of March, 2015.

This will result in, compared to the previous method, a decrease of ¥178 million in each of operating income, ordinary income and net income before income taxes and minority interests for this consolidated cumulative second quarter.

#### (4) Additional Information

##### (Abolition of Retirement Benefits for Directors)

As one step of the review process of the compensation structure for directors, Topy Industries, during the ordinary general meeting of shareholders held on June 28<sup>th</sup>, 2012, passed the resolution for cutoff payment (the timing of payment shall be at the retirement of the director and auditor) following the abolition of retirement benefits for directors.

In response to this decision, the provision for director's retirement benefits ¥314 million, has been disposed and accounts payable from cutoff payment are displayed as included in "Others" under noncurrent liabilities.

The operating officers of Topy Industries and directors of our consolidated subsidiaries will retain the system of retirement benefits for directors. In preparation to payment of retirement benefit payment to these directors, necessary payment at the end of this second quarter consolidated accounting term based on internal regulations has been accounted for under "Provision for directors' retirement benefits".

### 3. Summary of Key Events Regarding Assumption of Going Business.

Not Applicable



4. Consolidated Financial Statements  
(1) Consolidated quarterly balance sheets

(Millions of yen)

	Previous Consolidated Accounting Term (March 31, 2012)	Second Quarter Consolidated Accounting Term (September 30, 2012)
Assets		
Current assets		
Cash and deposits	22,232	18,238
Notes and accounts receivable-trade	56,891	50,683
Merchandise and finished goods	13,129	13,853
Work in process	4,319	4,545
Raw materials and supplies	8,380	8,756
Deferred tax assets	2,113	2,240
Other	4,918	4,138
Allowance for doubtful accounts	(50)	(39)
Total current assets	111,936	102,416
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	70,120	71,286
Accumulated depreciation	(47,121)	(47,689)
Buildings and structures, net	22,999	23,596
Machinery, equipment and vehicles	152,281	153,134
Accumulated depreciation	(126,450)	(127,891)
Machinery, equipment and vehicles, net	25,831	25,243
Land	17,681	17,627
Lease assets	1,045	3,601
Accumulated depreciation	(170)	(231)
Lease assets, net	875	3,369
Construction in progress	3,019	8,379
Other	28,292	28,900
Accumulated depreciation	(26,769)	(27,234)
Other, net	1,522	1,665
Total property, plant and equipment	71,930	79,883
Intangible assets		
Other	1,525	1,428
Total intangible assets	1,525	1,428
Investments and other assets		
Investment securities	21,779	19,208
Long-term loans receivable	594	596
Deferred tax assets	3,135	3,939
Claims provable in bankruptcy, claims provable in rehabilitation and other	2	2
Other	1,981	1,917
Allowance for doubtful accounts	(57)	(50)
Total investments and other assets	27,435	25,615
Total noncurrent assets	100,891	106,927
Total assets	212,828	209,344

(Millions of yen)

	Previous Consolidated Accounting Term (March 31, 2012)	Second Quarter Consolidated Accounting Term (September 30, 2012)
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable-trade	44,338	41,031
Short-term loans payable	25,044	22,315
Current portion of bonds	300	300
Lease obligations	77	393
Income taxes payable	2,616	1,370
Other	10,883	14,062
Total current liabilities	83,261	79,472
Noncurrent liabilities		
Bonds payable	13,900	13,600
Long-term loans payable	18,846	16,764
Lease obligations	797	2,976
Deferred tax liabilities	86	0
Provision for retirement benefits	6,473	6,848
Provision for directors' retirement benefits	896	496
Reserve for repairs	473	580
Asset retirement obligations	260	240
Liabilities from application of equity method	949	1,042
Other	3,786	4,196
Total noncurrent liabilities	46,470	46,747
Total liabilities	129,731	126,219
<b>Net assets</b>		
Shareholders' equity		
Capital stock	20,983	20,983
Capital surplus	18,824	18,824
Retained earnings	47,794	49,453
Treasury stock	(863)	(864)
Total shareholders' equity	86,739	88,396
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,216	(511)
Deferred gains or losses on hedges	(2)	(17)
Foreign currency translation adjustment	(5,563)	(5,472)
Total accumulated other comprehensive income	(4,349)	(6,000)
Minority interests	706	729
Total net assets	83,096	83,124
Total liabilities and net assets	212,828	209,344

## (2) Consolidated quarterly statements of (comprehensive) income

(Millions of yen)

	Previous Second Quarter Consolidated Cumulative Accounting Term (April 1, 2011 - September 30, 2011)	Second Quarter Consolidated Cumulative Accounting Term (April 1, 2012 - September 30, 2012)
Net sales	113,692	115,852
Cost of sales	97,467	98,058
Gross profit	16,224	17,793
Selling, general and administrative expenses	12,909	13,788
Operating income	3,314	4,004
Non-operating income		
Interest income	19	17
Dividends income	232	196
Amortization of negative goodwill	114	
Gain on valuation of forward exchange contracts	52	107
Other	217	133
Total non-operating income	636	454
Non-operating expenses		
Interest expenses	493	440
Equity in losses of affiliates	269	40
Foreign exchange losses	118	210
Other	224	203
Total non-operating expenses	1,105	895
Ordinary income	2,845	3,563
Extraordinary income		
Gain on sales of noncurrent assets	26	39
Other	4	0
Total extraordinary income	30	39
Extraordinary loss		
Loss on sales of noncurrent assets	0	21
Loss on retirement of noncurrent assets	257	174
Loss on foreign currency translation adjustment with liquidation of foreign subsidiaries	354	
Other	67	20
Total extraordinary losses	680	217
Income before income taxes and minority interests	2,195	3,386
Income taxes	753	1,189
Income before minority interests	1,442	2,196
Minority interests in income	58	63
Net income	1,383	2,133

## (3) Consolidated quarterly statements of comprehensive income

(Millions of yen)

	Previous Second Quarter Consolidated Cumulative Accounting Term (April 1, 2011 - September 30, 2011)	Second Quarter Consolidated Cumulative Accounting Term (April 1, 2012 - September 30, 2012)
Income before minority interests	1,442	2,196
Other comprehensive income		
Valuation difference on available-for-sale securities	(1,396)	(1,704)
Deferred gains or losses on hedges	(13)	(15)
Foreign currency translation adjustment	220	99
Share of other comprehensive income of associates accounted for using equity method	(20)	(22)
Total other comprehensive income	(1,208)	(1,643)
Comprehensive income	233	553
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	187	481
Comprehensive income attributable to minority interests	46	71