



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

(April 1, 2012 - December 31 2012)

February 5<sup>th</sup>, 2013

**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

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**Scheduled date to submit Securities Report:** February 12<sup>th</sup>, 2013

**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 Third Quarter for Fiscal 2012

(April 1, 2012 - December 31, 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>Third Quarter of Fiscal 2012</b>	<b>171,077</b>	<b>(3.5)</b>	<b>6,296</b>	<b>(14.8)</b>	<b>5,601</b>	<b>20.9</b>	<b>3,181</b>	<b>8.8</b>
Third Quarter of Fiscal 2011	177,332	7.2	7,390	37.1	4,632	6.8	2,923	62.3

(Note) Comprehensive income: Third Quarter of Fiscal 2012 ¥3,794 million (364.1%)

Third Quarter of Fiscal 2011 ¥817 million (- %)

	Net income per share	Net income per share after full dilution
	Yen	Yen
<b>Third Quarter of Fiscal 2012</b>	<b>13.41</b>	-
Third Quarter of Fiscal 2011	12.32	-

#### (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>Third Quarter of Fiscal 2012</b>	<b>209,188</b>	<b>85,890</b>	<b>40.7</b>	<b>359.14</b>
Fiscal 2011	212,828	83,096	38.7	347.37

(For reference) Shareholders' equity: Third Quarter of Fiscal 2012 ¥ 85,175 million

Fiscal 2011 ¥ 82,389 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
	Yen	Yen	Yen	Yen	Yen
Fiscal 2011	-	2.00	-	2.00	4.00
<b>Fiscal 2012</b>	-	2.00	-		
<b>Fiscal 2012 (Forecast)</b>			-	2.00	4.00

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

## 3. Consolidated Financial Forecasts for Fiscal 2012 (April 1, 2012~March 31, 2013)

(Percentage figures are changes from 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>Fiscal 2012</b>	<b>236,000</b>	<b>(1.9)</b>	<b>7,000</b>	<b>(33.7)</b>	<b>6,200</b>	<b>(15.1)</b>	<b>3,300</b>	<b>(15.8)</b>

	Net income per share
	Yen
<b>Fiscal 2012</b>	<b>13.91</b>

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 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: Yes

(d) Retrospective Restatements: None

Note: For further 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)

Third Quarter of Fiscal 2012 240,775,103 shares

Fiscal 2011 240,775,103 shares

(b) Number of Treasury Stock at the End of the Period

Third Quarter of Fiscal 2012	3,606,177 shares
Fiscal 2011	3,592,942 shares

(c) Average Number of Shares Issued During the Term

Third Quarter of Fiscal 2012	237,176,947 shares
Third Quarter of Fiscal 2011	237,193,513 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 February 5<sup>th</sup>, 2013 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 Quarterly Results

### (1) Qualitative Information Regarding Consolidated Operating Results

Despite gradual recovery in the United States, the global economy during the period of this consolidated cumulative third quarter continued to falter due to the European debt crisis and slowdown in growth in China and other developing countries. The economy in Japan seemed to bottom out towards the end of this period as public investment such as recovery demand etc. from the Great East Japan Earthquake, improvement in housing investment and personal spending etc. increased. However, the Japanese economy continued to remain low due to the continuing strong Yen and staggering overseas economies.

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 achieve a highly-profitable structure. As one part of such plan, the establishment of TOPY PALINGDA MANUFACTURING INDONESIA (Jawa Barat, Indonesia), a truck wheel manufacturing subsidiary, has been decided in order to respond to the demand increase in the ASEAN region.

Furthermore, the Topy Industries Group has continued its efforts to establish a production structure in response to demand, and to improve productivity and cost performance.

As a result, the Topy Industries Group financial performance marked net sales of ¥171,077 million (year-to-year comparison, 3.5% decrease), operating income of ¥6,296 million (year-to-year comparison, 14.8% decrease), ordinary income of ¥5,601 million (year-to-year comparison, 20.9% increase), and a quarterly net income of ¥3,181 million (year-to-year comparison, 8.8% increase) for this consolidated cumulative third quarter.

#### 【Performance by Segment】

##### (Steel Business)

The environment surrounding the electric furnace mill industry continued to be extremely difficult due to continued slowdown in demand for civil engineering / construction.

Under such circumstances, the Topy Industries Group has made its best effort to secure sales volume of civil engineering / construction steel. However, decline in sales price due to fall in market conditions and delay in recovery of steel demand for construction machinery undercarriage parts that are supplied to automobiles / industrial machinery components business resulted in net sales of ¥49,955 million (year-to-year comparison, 4.1% decrease), and operating income of ¥1,059 million (year-to-year comparison, 64.9% decrease).

(Automotive & Industrial Machinery Components Business)

In the automobile industry, the domestic production surpassed the previous year due to effective subsidy for ecologically-friendly vehicles etc. On the other hand, despite steady domestic demand with regards to recovery from the Earthquake, the environment for the construction machinery industry was very difficult as demand in China and Southeast Asia remained low.

Under such conditions, the Topy Industries Group construction machinery components were affected by the decline in Chinese and Southeast Asian demand, however, demand for truck wheels were securely acquired and sales were good and steady. Furthermore, all possible improvement plans have been continued. As a result, net sales marked ¥110,821 million (year-to-year comparison, 2.8% decrease), and operating income marked ¥8,009 million (year-to-year comparison, 16.6% 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), and operation of sports club “OSSO”.

Net sales resulted at ¥10,301 million, and operating income was ¥598 million.

## (2) Qualitative Information Regarding Consolidated Financial Status

Total assets at the end of this third quarter consolidated accounting term marked ¥209,188 million, a decrease of ¥3,639 million from the end of the previous consolidated accounting year. This was mainly due to decrease in cash and deposits by ¥4,555 million, decrease in notes and accounts receivables-trade by ¥7,907 million, and increase in property, plant and equipment by ¥8,696 million etc.

Liabilities ended at ¥123,297 million, a decrease of ¥6,433 million from the end of the previous consolidated accounting year. This was mainly due to decrease in notes and accounts payable-trade by ¥9,733 million, decrease in interest-bearing debt by ¥3,682 million, and increase in accounts-payable included in current liabilities by ¥6,775 million.

Net assets marked ¥85,890 million, an increase of ¥2,794 million from the end of the previous consolidated accounting year. This was mainly due to increase in retained earnings by ¥2,232 million, and an increase in valuation difference on available-for-sale securities by ¥549 million etc.

## (3) Qualitative Information Regarding Consolidated Earnings Forecast

With regards to the outlook of the economic environment from here onward, there is hope for recovery of the domestic economy as a result of governmental economical stimulations, and anticipation that the slowdown of the Chinese economy will level out.

However, the European debt crisis etc. still leave the overseas economic and exchange market trends unclear; therefore, the condition continues to require great caution.

Under such management conditions, and in promoting the new mid-term consolidated management plan, “Growth & Change 2015”, the Topy Industries Group will strive to further improve its cooperative value by active business development into overseas 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 defined by the cooperative 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 performance 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 third 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 third 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, ¥56 million in each of operating income, ordinary income and net income before income taxes and minority interests for this consolidated cumulative third 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 ¥269 million in each of operating income, ordinary income and net income before income taxes and minority interests for this consolidated cumulative third 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 third 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)	Third Quarter Consolidated Accounting Term (December 31, 2012)
Assets		
Current assets		
Cash and deposits	22,232	17,677
Notes and accounts receivable-trade	56,891	48,984
Merchandise and finished goods	13,129	13,533
Work in process	4,319	4,239
Raw materials and supplies	8,380	7,267
Deferred tax assets	2,113	2,169
Other	4,918	5,353
Allowance for doubtful accounts	(50)	(39)
Total current assets	111,936	99,185
Noncurrent assets		
Property, plant and equipment		
Buildings and structures		
Buildings and structures	70,120	71,493
Accumulated depreciation	(47,121)	(47,953)
Buildings and structures, net	22,999	23,540
Machinery, equipment and vehicles		
Machinery, equipment and vehicles	152,281	153,747
Accumulated depreciation	(126,450)	(128,686)
Machinery, equipment and vehicles, net	25,831	25,061
Land		
Land	17,681	17,617
Lease assets		
Lease assets	1,045	3,606
Accumulated depreciation	(170)	(331)
Lease assets, net	875	3,275
Construction in progress		
Construction in progress	3,019	9,518
Other		
Other	28,292	29,112
Accumulated depreciation	(26,769)	(27,500)
Other, net	1,522	1,611
Total property, plant and equipment	71,930	80,626
Intangible assets		
Other	1,525	1,069
Total intangible assets	1,525	1,069
Investments and other assets		
Investment securities	21,779	22,814
Long-term loans receivable	594	598
Deferred tax assets	3,135	2,837
Claims provable in bankruptcy, claims provable in rehabilitation and other	2	2
Other	1,981	2,106
Allowance for doubtful accounts	(57)	(53)
Total investments and other assets	27,435	28,307
Total noncurrent assets	100,891	110,002
Total assets	212,828	209,188

(Millions of yen)

	Previous Consolidated Accounting Term (March 31, 2012)	Third Quarter Consolidated Accounting Term (December 31, 2012)
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable-trade	44,338	34,605
Short-term loans payable	25,044	24,936
Current portion of bonds	300	300
Lease obligations	77	392
Income taxes payable	2,616	684
Other	10,883	16,343
Total current liabilities	83,261	77,262
Noncurrent liabilities		
Bonds payable	13,900	13,600
Long-term loans payable	18,846	15,572
Lease obligations	797	2,882
Deferred tax liabilities	86	1
Provision for retirement benefits	6,473	7,281
Provision for directors' retirement benefits	896	526
Reserve for repairs	473	634
Asset retirement obligations	260	239
Liabilities from application of equity method	949	1,073
Other	3,786	4,222
Total noncurrent liabilities	46,470	46,034
Total liabilities	129,731	123,297
<b>Net assets</b>		
Shareholders' equity		
Capital stock	20,983	20,983
Capital surplus	18,824	18,824
Retained earnings	47,794	50,027
Treasury stock	(863)	(865)
Total shareholders' equity	86,739	88,969
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,216	1,765
Deferred gains or losses on hedges	(2)	(3)
Foreign currency translation adjustment	(5,563)	(5,555)
Total accumulated other comprehensive income	(4,349)	(3,793)
Minority interests	706	715
Total net assets	83,096	85,890
Total liabilities and net assets	212,828	209,188

## (2) Consolidated Quarterly Statements of (Comprehensive) Income

(Millions of yen)

	Previous Third Quarter Consolidated Cumulative Accounting Term (April 1, 2011 - December 31, 2011)	Third Quarter Consolidated Cumulative Accounting Term (April 1, 2012 - December 31, 2012)
Net sales	177,332	171,077
Cost of sales	150,307	144,046
Gross profit	27,025	27,030
Selling, general and administrative expenses	19,634	20,734
Operating income	7,390	6,296
Non-operating income		
Interest income	30	26
Dividends income	359	337
Amortization of negative goodwill	114	
Equity in earnings of affiliates		57
Other	311	193
Total non-operating income	815	615
Non-operating expenses		
Interest expenses	741	652
Foreign exchange losses	89	332
Equity in losses of affiliates	2,421	
Other	322	324
Total non-operating expenses	3,574	1,310
Ordinary income	4,632	5,601
Extraordinary income		
Gain on sales of noncurrent assets	35	65
Other	5	2
Total extraordinary income	40	67
Extraordinary loss		
Loss on sales of noncurrent assets	0	23
Loss on retirement of noncurrent assets	307	273
Loss on foreign currency translation adjustment with liquidation of foreign subsidiaries	380	
Other	90	26
Total extraordinary losses	778	324
Income before income taxes and minority interests	3,894	5,345
Income taxes	845	2,115
Income before minority interests	3,048	3,230
Minority interests in income	125	48
Net income	2,923	3,181

## (3) Consolidated Quarterly Statements of Comprehensive Income

(Millions of yen)

	Previous Third Quarter Consolidated Cumulative Accounting Term (April 1, 2011 - December 31, 2011)	Third Quarter Consolidated Cumulative Accounting Term (April 1, 2012 - December 31, 2012)
Income before minority interests	3,048	3,230
Other comprehensive income		
Valuation difference on available-for-sale securities	(1,963)	557
Deferred gains or losses on hedges	(6)	(1)
Foreign currency translation adjustment	(245)	16
Share of other comprehensive income of associates accounted for using equity method	(15)	(7)
Total other comprehensive income	(2,230)	564
Comprehensive income	817	3,794
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	733	3,737
Comprehensive income attributable to minority interests	84	57