



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

November 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: November 11th, 2014
Scheduled date to pay dividends December 2nd, 2014
Preparation of supplemental explanatory materials: Yes
Holding of quarterly financial results meeting: Yes (for institution investors and analysts, in Japanese)

(Figures less than ¥1 million have been omitted)

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

(April 1, 2014 - September 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	%
Second Quarter of Fiscal 2014	113,399	1.9	2,194	31.7	1,636	35.8	854	119.1
Second Quarter of Fiscal 2013	111,303	(3.9)	1,667	(58.4)	1,205	(66.2)	390	(81.7)

(Note) Comprehensive income: Second Quarter of Fiscal 2014 ¥1,749 million (71.0%)
 Second Quarter of Fiscal 2013 ¥6,042 million 992.3%

	Net income per share	Net income per share
	Yen	after full dilution Yen
Second Quarter of Fiscal 2014	3.61	—
Second Quarter of Fiscal 2013	1.65	—

(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
Second Quarter of Fiscal 2014	247,868	97,586	38.7	404.73
Fiscal 2013	232,714	96,219	40.5	398.39

(For reference) Shareholders' equity: Second Quarter of Fiscal 2014 ¥ 95,858 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	—	1.00			
Fiscal 2014 (Forecast)			—	3.00	4.00

(Note) Changes to the latest dividend forecast: None

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)

	Net sales		Operating profit		Ordinary profit		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal 2014	244,000	4.0	6,600	24.3	5,700	27.1	3,600	88.0

	Net income per share
	Yen
Fiscal 2014	15.20

(Note) Changes to the latest forecasts for consolidated figures: None

※ 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)

Second 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

Second Quarter of Fiscal 2014 3,928,235 shares

Fiscal 2013 3,912,870 shares

(c) Average number of shares issued during the period

Second Quarter of Fiscal 2014	236,855,729 shares
Second Quarter of Fiscal 2013	237,159,672 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".

(How to obtain supplemental explanatory information of quarterly results)

A briefing session for institute investors and analysts is scheduled to be held. Information materials and video recordings of this session are scheduled to be released on our homepage promptly after it is held.

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 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) Consolidated Operating Results

The global economy during this consolidated cumulative second quarter showed gradual recovery as the United States economy recovered and the European economy showed signs of picking back up; however, the growth slowed down in China and was at a standstill in other developing countries. Despite weak mining and manufacturing production, and personal spending due to increase in consumption tax, the economy in Japan showed signs of recovery supported by governmental economic policies and increase in equipment investments.

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 for the sales of undercarriage components for construction machinery PT. TOPY UNDERCARRIAGE INDONESIA (West Java, Indonesia) has commenced operation. We are steadily accomplishing our tasks as planned.

In addition, the Topy Industries Group has continued its efforts to structure appropriate sales price of steel, to establish production systems in compliance with demand, and to improve productivity and energy-savings costs etc.

As a result, net sales for this consolidated cumulative second quarter for the Topy Industries Group ended at ¥113,399 million (year-to-year comparison, 1.9% increase), operating income ended at ¥2,194 million (year-to-year comparison, 31.7% increase), ordinary income ended at ¥1,636 million (year-to-year comparison, 35.8% increase), and the quarterly net income ended at ¥854 million (year-to-year comparison, 119.1% increase).

【Performance by Segment】

(Steel Business)

For the electric furnace industry, demand for domestic construction was steady, however, difficult condition continued overall 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 ¥36,286 million (year-to-year comparison, 3.2% increase), and operating income of ¥1,387 million (year-to-year comparison, 139.2% increase).

(Automotive & Industrial Machinery Components Business)

Despite the downfall in demand after the tax raise, the automobile industry saw volume of domestic production similar to that of the same period last year. On the other hand, the demand in the construction machinery industry remained low as the Chinese and South East Asian markets and demand for mining machinery stagnated.

Under such conditions, the sales of wheels for passenger cars and trucks for the Topy Industries Group were steady. Net sales marked ¥69,957 million (year-to-year comparison, 0.9% increase); however, due to severe competition between construction machinery undercarriage components and despite continued improvement actions that were taken, operating income remained at ¥2,438 million (year-to-year comparison, 10.8% decrease).

(Others)

The Topy Industries Group also engages in businesses such as wholesale of 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, Koto-ku, Tokyo), and operation of sports club “OSSO”. Net sales resulted at ¥7,155 million, and operating income was ¥450 million.

(2) Financial Status

Total assets at the end of this second quarter consolidated accounting term marked ¥247,868 million, an increase of ¥15,153 million from the end of the previous consolidated accounting year. This was mainly due to increase trade receivables by ¥4,784 million, increase in tangible fixed assets by ¥5,960 million, and increase in investment securities by ¥2,948 million.

Liabilities ended at ¥150,282 million, an increase of ¥13,786 million from the end of the previous consolidated accounting year. This was mainly due to increase in interest-bearing debt by ¥11,599 million.

Net assets marked ¥97,586 million, an increase of ¥1,366 million from the end of the previous consolidated accounting year. This was mainly due to an increase in accumulated earnings by ¥434 million, an increase in valuation difference on available-for-sale securities by ¥1,852 million, and a decrease in foreign currency translation adjustment by ¥1,071 million.

(3) 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 the long-term effects from the rise in consumption tax, increase in cost such as electricity, the declining trend of the overseas economy etc., and this leaves us to believe the business environment surrounding the Topy Industries Group will continue to be difficult.

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 this Consolidation Cumulative Second Quarter.

Not applicable

(2) Application of Special Accounting Methods during the 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

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 second 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 second 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 second quarter each decreased by ¥48 million.

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

(Millions of yen)

	Previous Consolidated Accounting Term (March 31, 2014)	Second Quarter Consolidated Accounting Term (September 30, 2014)
Assets		
Current assets		
Cash and deposits	17,638	17,774
Notes and accounts receivable-trade	46,073	50,858
Merchandise and finished goods	12,790	15,091
Work in process	4,835	4,961
Raw materials and supplies	8,943	9,163
Deferred tax assets	1,657	1,750
Other	6,447	6,108
Allowance for doubtful accounts	(36)	(35)
Total current assets	98,349	105,671
Non-current assets		
Property, plant and equipment		
Buildings and structures	76,107	77,365
Accumulated depreciation	(50,592)	(51,416)
Buildings and structures, net	25,514	25,949
Machinery, equipment and vehicles	163,403	163,369
Accumulated depreciation	(134,910)	(136,151)
Machinery, equipment and vehicles, net	28,493	27,218
Land	18,387	18,353
Leased assets	3,610	3,598
Accumulated depreciation	(817)	(1,002)
Leased assets, net	2,792	2,596
Construction in progress	24,284	31,435
Other	31,668	31,936
Accumulated depreciation	(29,538)	(29,926)
Other, net	2,129	2,009
Total property, plant and equipment	101,602	107,562
Intangible assets		
Other	1,270	1,246
Total intangible assets	1,270	1,246
Investments and other assets		
Investment securities	26,426	29,375
Long-term loans receivable	597	598
Deferred tax assets	2,643	1,552
Claims provable in bankruptcy, claims provable in rehabilitation and other	1	1
Other	1,903	1,903
Allowance for doubtful accounts	(79)	(45)
Total investments and other assets	31,492	33,386
Total non-current assets	134,365	142,196
Total assets	232,714	247,868

	Previous Consolidated Accounting Term (March 31, 2014)	Second Quarter Consolidated Accounting Term (September 30, 2014)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	26,279	29,041
Electronically recorded obligations-operating	7,552	8,263
Short-term loans payable	22,607	29,107
Current portion of bonds	5,000	—
Lease obligations	389	386
Income taxes payable	1,103	846
Other	19,259	18,441
Total current liabilities	82,192	86,086
Non-current liabilities		
Bonds payable	18,900	28,900
Long-term loans payable	15,946	16,045
Lease obligations	2,403	2,210
Deferred tax liabilities	52	65
Provision for corporate officers' retirement benefits	98	125
Reserve for repairs	478	541
Net defined benefit liability	11,441	11,505
Asset retirement obligations	271	270
Liabilities from application of equity method	774	808
Other	3,937	3,723
Total non-current liabilities	54,303	64,195
Total liabilities	136,495	150,282
Net assets		
Shareholders' equity		
Capital stock	20,983	20,983
Capital surplus	18,824	18,824
Retained earnings	51,695	52,130
Treasury shares	(919)	(922)
Total shareholders' equity	90,584	91,015
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	5,447	7,299
Deferred gains or losses on hedges	(4)	4
Foreign currency translation adjustment	534	(537)
Remeasurements of defined benefit plans	(2,196)	(1,924)
Total accumulated other comprehensive income	3,779	4,842
Minority interests	1,855	1,727
Total net assets	96,219	97,586
Total liabilities and net assets	232,714	247,868

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

(Quarterly Consolidated Statements of Income)

(Second Quarter Consolidation Cumulative Accounting Term)

(Millions of yen)

	Previous Second Quarter Consolidated Cumulative Accounting Term (April 1, 2013 - September 30, 2013)	Second Quarter Consolidated Cumulative Accounting Term (April 1, 2014 - September 30, 2014)
Net sales	111,303	113,399
Cost of sales	95,464	97,732
Gross profit	15,838	15,666
Selling, general and administrative expenses	14,171	13,471
Operating income	1,667	2,194
Non-operating income		
Interest income	21	28
Dividends income	249	326
Other	263	154
Total non-operating income	534	509
Non-operating expenses		
Interest expenses	486	527
Share of loss of entities accounted for using equity method	103	0
Other	406	539
Total non-operating expenses	996	1,067
Ordinary income	1,205	1,636
Extraordinary income		
Gain on sales of non-current assets	11	7
Other	0	—
Total extraordinary income	11	7
Extraordinary losses		
Loss on sales of non-current assets	1	3
Loss on retirement of non-current assets	178	164
Other	16	3
Total extraordinary losses	196	171
Income before income taxes and minority interests	1,020	1,472
Income taxes	551	752
Income before minority interests	468	719
Minority interests in income (loss)	78	(135)
Net income	390	854

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

	Previous Second Quarter Consolidated Cumulative Accounting Term (April 1, 2013 - September 30, 2013)	Second Quarter Consolidated Cumulative Accounting Term (April 1, 2014 - September 30, 2014)
	(Millions of yen)	
Income before minority interests	468	719
Other comprehensive income		
Valuation difference on available-for-sale securities	2,840	1,831
Deferred gains or losses on hedges	(6)	9
Foreign currency translation adjustment	2,736	(1,105)
Remeasurements of defined benefit plans, net of tax	—	269
Share of other comprehensive income of associates accounted for using equity method	2	25
Total other comprehensive income	5,573	1,029
Comprehensive income	6,042	1,749
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	5,917	1,917
Comprehensive income attributable to minority interests	124	(168)

(3) Notes Regarding Quarterly Consolidated Financial Results

(Note on going concern)

None

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

None