



**Consolidated Basis Results of the Second Quarter for Fiscal 2015**  
**(April 1, 2015 - September 30, 2015)**

November 5<sup>th</sup>, 2015

**Registered Company name:** TOPY INDUSTRIES, LIMITED  
**Stock listing:** Tokyo, 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:** November 11<sup>th</sup>, 2015  
**Scheduled date to pay dividends:** December 8<sup>th</sup>, 2015  
**Preparation of supplemental explanatory materials:** Yes  
**Holding of quarterly financial results meeting:** Yes(for institution investors and analysts, in Japanese)

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

**1. Consolidated Financial and Operating Results of the Second Quarter for Fiscal 2015**

(April 1, 2015 - September 30, 2015)

**(1) Consolidated Operating Results (Cumulative)**

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

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
<b>Second Quarter of Fiscal 2015</b>	<b>108,516</b>	<b>(4.3)</b>	<b>3,268</b>	<b>48.9</b>	<b>2,764</b>	<b>68.9</b>	<b>(3,305)</b>	—
Second Quarter of Fiscal 2014	113,399	1.9	2,194	31.7	1,636	35.8	854	119.1

(Note) Comprehensive income: Second Quarter of Fiscal 2015 (¥5,751) million - %  
 Second Quarter of Fiscal 2014 ¥1,749 million (71.0%)

	Net income per share	Net income per share after full dilution
	Yen	Yen
<b>Second Quarter of Fiscal 2015</b>	<b>(13.96)</b>	—
Second Quarter of Fiscal 2014	3.61	—

**(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 2015</b>	<b>242,989</b>	<b>101,406</b>	<b>41.1</b>	<b>422.15</b>
Fiscal 2014	252,456	107,941	42.1	448.36

(For reference) Shareholders' equity: Second Quarter of Fiscal 2015 ¥99,975 million  
 Fiscal 2014 ¥106,187 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 2014	Yen —	Yen 1.00	Yen —	Yen 3.00	Yen 4.00
<b>Fiscal 2015</b>	—	<b>1.00</b>			
<b>Fiscal 2015 (Forecasts)</b>			—	<b>5.00</b>	<b>6.00</b>

Note: Whether changes to the latest dividend forecasts have been made: No

## 3. Consolidated Financial Forecasts for Fiscal 2015 (April 1, 2015-March 31, 2016)

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

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
<b>Fiscal 2015</b>	<b>230,000</b>	<b>(3.2)</b>	<b>9,700</b>	<b>51.0</b>	<b>8,800</b>	<b>45.7</b>	<b>1,500</b>	<b>(36.4)</b>

	Net income per share
	Yen
<b>Fiscal 2015</b>	<b>6.33</b>

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

### ※ 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 2015 240,775,103 shares

Fiscal 2014 240,775,103 shares

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

Second Quarter of Fiscal 2015 3,950,274 shares

Fiscal 2014 3,939,837 shares

(c) Average number of shares issued during the period

Second Quarter of Fiscal 2015	236,830,195 shares
Second Quarter of Fiscal 2014	236,855,729 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 5<sup>th</sup>, 2015 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 the Second Quarter for Fiscal 2015

### (1) Explanation Regarding Consolidated Operating Results

The global economy during this consolidated cumulative second quarter showed an overall gradual recovery as the rebound of the United States' economy continued and the European economy picked back up; however, the downturn of economy strengthened in China and other developing countries. The economy in Japan showed signs of gradual recovery supported by pickup in capital investment as company revenue improved. However, individual consumption and industrial production etc. continued to be weak, and a temporary lull of the economy was seen.

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 business structure. As one part of such plan, Topy Fastener Mexico S.A. DE C.V. (San Luis Potosi, Mexico), a manufacturing subsidiary for industrial fasteners, has been established.

Furthermore, we have continued to work on maintaining appropriate sales price of steel, establishing a production system that responds to demand, improving productivity, and improving cost by energy-conservation activities etc. We have also decided to execute structural reformation by integration of manufacturing sites in China in order to respond to the substantial decrease in demand for construction machinery and mining machinery.

As a result, net sales for this consolidated cumulative second quarter for the Topy Industries Group ended at ¥108,516 million (year-to-year comparison, 4.3% decrease), operating income ended at ¥3,268 million (year-to-year comparison, 48.9% increase), ordinary income ended at ¥2,764 million (year-to-year comparison, 68.9% increase). However, due to allocation of loss from restructuring associated with the integration of manufacturing sites in China etc., quarterly net income which is attributable to the shareholders of the parent company ended at ¥3,305 million (year-to-year comparison of quarterly net profit which is attributable to the shareholders of the parent company: ¥854 million).

#### **【Performance by Segment】**

##### (Steel Business)

In the electric steel furnace industry, difficult conditions continued as production of crude steel fell below that of the same period of last year due to decline in demand from the main market of construction steel, and as market conditions rapidly declined.

Under such circumstances, net sales of the Topy Industries Group resulted at ¥33,096 million (year-to-year comparison, 8.8% decrease) due to decrease in sales price. On the other hand, and although affected by the slowdown in demand for steel material towards the automotive and industrial machinery components business, as a result of securing volume of export etc., maintaining appropriate sales price, realizing the positive impact of the new steel making facilities and other intensive cost reduction efforts, operating income ended at ¥1,592 million (year-to-year comparison, 14.8% increase).

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

The automobile industry saw volume of domestic production decrease below that of same period last year due to the large effect of downfall in demand after the tax raise of light vehicles. As for the construction machinery

industry, the Chinese and South East Asian markets shrunk further and demand for mining machinery continued to be low.

Under such conditions, and despite continued improvement actions that were taken by the Topy Industries Group, the effects from slowdown in demand for construction machinery components in China and other emerging countries and decrease in sales of construction machinery components etc. resulted in net sales of ¥66,805 million (year-to-year comparison, 4.5% decrease) and operating income of ¥1,849 million (year-to-year comparison, 24.1% decrease).

(Power Business)

We have changed the supply destination of electricity to Power Producer and Suppliers, and have continued stable electric supply following the laid out business plan. Net sales ended at ¥5,096 million (year-to-year comparison, 46.7% increase) and operating income ended at ¥1,156 million (year-to-year comparison, ¥208 million operating deficit).

(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 ¥35,17 million, and operating income was ¥685 million.

(2) Explanation Regarding Financial Status

Total assets at the end of this second quarter consolidated accounting term marked ¥242,989 million, a decrease of ¥9,467 million from the end of the previous consolidated accounting year. This was mainly due to decrease in tangible fixed assets by ¥5,585 million and decrease in investment securities by ¥3,804 million.

Liabilities ended at ¥141,583 million, a decrease of ¥2,932 million from the end of the previous consolidated accounting year. This was mainly due to a decrease in debt by ¥419 million, a decrease in income tax payable by ¥742 million, and a decrease in deferred tax liability by ¥1,158 million.

Net assets marked ¥101,406 million, a decrease of ¥6,534 million from the previous consolidated accounting year. This was mainly due to a decrease in retained earnings by ¥4,016million and a decrease in valuation difference on available-for-sale securities by ¥2,631 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, there are unclear elements that remain such as the economic trend in China and other emerging countries, movement of U.S. credit policies and the European debt problems etc. which leaves us to believe the business environment surrounding the Topy Industries Group will continue to be unpredictable.

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 financial forecast for the full business year has been revised from the consolidated financial forecast for 2015 FY (April 1st 2015 to March 31st, 2016) announced on May 8th 2015 due to allocation of extraordinary loss associated with the decision for structural reformation by integration of manufacturing sites in China etc., and we expect net sales of ¥230,000 million Yen, operating income of ¥9,700 million Yen, ordinary income of ¥8,800 million Yen, and net income attributable to the shareholders of the parent company of ¥1,500 million Yen. For further details, please refer to “Notice Regarding the Difference between Second Quarter Financial Forecasts and Actual Financial Results AND Notice Regarding Revision of Full-Year Business Financial Forecast”.

## 2. Items Regarding Summary Information (Other)

### (1) Significant Transfer of Subsidiaries during this Consolidated Cumulative Second 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 quarterly net income before taxes 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 taxes 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 Standard for Business Combination)

“Accounting Standard for Business Combination” (Accounting Standard No. 21 Sept. 13, 2013), “Accounting Standard for Consolidated Financial Statements” (Accounting Standard No. 22 Sept. 13, 2013) and “Accounting Standard for Business Divestitures” (Accounting Standard No. 7 Sept. 13, 2013) have been applied from this first quarter consolidated accounting term and the display of quarterly net profit etc. has been changed along with the display change of minority interests to non-controlling interests. In order to reflect the display changes, the quarterly consolidated financial statement and the consolidated financial statement for the previous second quarter consolidated accounting term and the previous consolidated accounting term have been modified.

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

(Millions of yen)

	Previous Consolidated Accounting Term ( March 31, 2015)	Second Quarter Consolidated Accounting Term (September 30, 2015)
<b>Assets</b>		
<b>Current assets</b>		
Cash and deposits	22,048	21,874
Notes and accounts receivable-trade	43,988	41,994
Merchandise and finished goods	13,324	15,569
Work in process	4,418	4,636
Raw materials and supplies	9,910	9,911
Deferred tax assets	2,079	2,130
Other	5,737	5,414
Allowance for doubtful accounts	(34)	(42)
<b>Total current assets</b>	<b>101,471</b>	<b>101,490</b>
<b>Non-current assets</b>		
<b>Property, plant and equipment</b>		
Buildings and structures	85,547	85,340
Accumulated depreciation	(52,932)	(54,138)
<b>Buildings and structures, net</b>	<b>32,615</b>	<b>31,202</b>
Machinery, equipment and vehicles	191,503	191,319
Accumulated depreciation	(139,852)	(140,796)
<b>Machinery, equipment and vehicles, net</b>	<b>51,651</b>	<b>50,523</b>
Land	18,479	18,479
Leased assets	4,314	4,283
Accumulated depreciation	(1,199)	(1,413)
<b>Leased assets, net</b>	<b>3,114</b>	<b>2,870</b>
Construction in progress	4,450	1,512
Other	33,385	33,147
Accumulated depreciation	(31,290)	(30,915)
<b>Other, net</b>	<b>2,095</b>	<b>2,232</b>
<b>Total property, plant and equipment</b>	<b>112,406</b>	<b>106,820</b>
<b>Intangible assets</b>		
Other	1,417	1,384
<b>Total intangible assets</b>	<b>1,417</b>	<b>1,384</b>
<b>Investments and other assets</b>		
Investment securities	33,359	29,555
Long-term loans receivable	607	620
Deferred tax assets	1,302	1,295
Other	1,937	1,870
Allowance for doubtful accounts	(46)	(47)
<b>Total investments and other assets</b>	<b>37,161</b>	<b>33,294</b>
<b>Total non-current assets</b>	<b>150,985</b>	<b>141,499</b>
<b>Total assets</b>	<b>252,456</b>	<b>242,989</b>

	(Millions of yen)	
	Previous Consolidated Accounting Term (March 31, 2015)	Second Quarter Consolidated Accounting Term (September 30, 2015)
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable-trade	26,707	25,280
Electronically recorded obligations-operating	8,263	9,271
Short-term loans payable	21,954	22,203
Current portion of bonds	5,300	5,300
Lease obligations	403	382
Income taxes payable	1,750	1,007
Other	10,861	10,696
Total current liabilities	75,241	74,141
Non-current liabilities		
Bonds payable	23,600	23,600
Long-term loans payable	26,662	26,562
Lease obligations	2,729	2,575
Deferred tax liabilities	1,544	386
Provision for corporate officers' retirement benefits	140	153
Reserve for repairs	518	289
Net defined benefit liability	9,574	9,488
Asset retirement obligations	257	251
Liabilities from application of equity method	838	865
Other	3,409	3,268
Total non-current liabilities	69,274	67,441
Total liabilities	144,515	141,583
Net assets		
Shareholders' equity		
Capital stock	20,983	20,983
Capital surplus	18,824	18,824
Retained earnings	53,399	49,382
Treasury shares	(925)	(928)
Total shareholders' equity	92,281	88,262
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	10,399	7,767
Deferred gains or losses on hedges	(8)	(40)
Foreign currency translation adjustment	3,796	4,132
Remeasurements of defined benefit plans	(281)	(145)
Total accumulated other comprehensive income	13,906	11,713
Non-controlling interests	1,753	1,430
Total net assets	107,941	101,406
Total liabilities and net assets	252,456	242,989

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

	Previous Second Quarter Consolidated Cumulative Accounting Term (April 1, 2014 - September 30, 2014)	Second Quarter Consolidated Cumulative Accounting Term (April 1, 2015 - September 30, 2015)
	(Millions of yen)	
Net sales	113,399	108,516
Cost of sales	97,732	91,383
Gross profit	15,666	17,132
Selling, general and administrative expenses	13,471	13,864
Operating income	2,194	3,268
Non-operating income		
Interest income	28	42
Dividends income	326	392
Share of profit of entities accounted for using equity method	—	64
Other	154	274
Total non-operating income	509	774
Non-operating expenses		
Interest expenses	527	590
Foreign exchange losses	140	419
Share of loss of entities accounted for using equity method	0	—
Other	398	268
Total non-operating expenses	1,067	1,277
Ordinary income	1,636	2,764
Extraordinary income		
Gain on sales of non-current assets	7	7
Gain on sales of investment securities	—	39
Subsidy income	—	330
Total extraordinary income	7	376
Extraordinary losses		
Loss on sales of non-current assets	3	3
Loss on retirement of non-current assets	164	62
Loss on reduction of non-current assets	—	327
Impairment loss	—	5,207
Other	3	0
Total extraordinary losses	171	5,600
Income before income taxes and minority interests	1,472	(2,458)
Income taxes	752	1,028
Net income	719	(3,487)
Profit (loss) attributable to non-controlling interests	(135)	(182)
Profit (loss) attributable to owners of parent	854	(3,305)

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

(Millions of yen)

	Previous Second Quarter Consolidated Cumulative Accounting Term (April 1, 2014 - September 30, 2014)	Second Quarter Consolidated Cumulative Accounting Term (April 1, 2015 - September 30, 2015)
Net income	719	(3,487)
<b>Other comprehensive income</b>		
Valuation difference on available-for-sale securities	1,831	(2,670)
Deferred gains or losses on hedges	9	(43)
Foreign currency translation adjustment	(1,105)	275
Remeasurements of defined benefit plans, net of tax	269	135
Share of other comprehensive income of associates accounted for using equity method	25	38
<b>Total other comprehensive income</b>	<b>1,029</b>	<b>(2,263)</b>
<b>Comprehensive income</b>	<b>1,749</b>	<b>(5,751)</b>
<b>Comprehensive income attributable to</b>		
Comprehensive income attributable to owners of the parent	1,917	(5,497)
Comprehensive income attributable to non-controlling interests	(168)	(253)

(3) Notes Regarding Quarterly Consolidated Financial Results

(Note related to Going Concern)

None

(Note on Significant Changes in the Amount of Shareholders' Equity)

None