

* 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)

Third Quarter of Fiscal 2015	240,775,103 shares	Fiscal 2014	240,775,103 shares
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(b) Number of treasury stock at the end of the period

Third Quarter of Fiscal 2015	3,957,487 shares	Fiscal 2014	3,939,837 shares
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(c) Average number of shares issued during the period

Third Quarter of Fiscal 2015	236,827,432 shares	Third Quarter of Fiscal 2014	236,851,863 shares
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* Status of Performance of Quarterly Review Procedures

This note on the settlement of accounts is an exception to the quarterly review process based on the Financial Instruments and Exchange Law, and such quarterly 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 this disclosure was made. The actual earnings are subject to change from the estimated values due to various factors. For assumed conditions underlying the earnings forecast and cautionary statements in using the earnings forecast, please refer to "Explanation Regarding Future Estimate Information Such as Consolidated Financial Performance Estimates."

Index of Attached Documents

1. Qualitative Information Regarding Results of the Third Quarter for Fiscal 2015	4
(1) Explanation Regarding Consolidated Operating Results	4
(2) Explanation Regarding Financial Status	5
(3) Explanation Regarding Future Estimate Information such as Consolidated Financial Performance Estimates	5
2. Items Regarding Summary Information (Other).....	5
(1) Significant Transfer of Subsidiaries during this Consolidated Cumulative Third Quarter	5
(2) Application of Special Accounting Methods during the Preparation of Quarterly Consolidated Financial Statements	5
(3) Changes in Accounting Principles, Changes in Accounting Estimates, and Retrospective Restatements	5
3. Quarterly Consolidated Financial Statements.....	6
(1) Quarterly Consolidated Balance Sheets	6
(2) Quarterly Consolidated Statements of Income and Quarterly Consolidated Statements of Comprehensive Income	8
Quarterly Consolidated Statements of Income	
Third Quarter Consolidated Cumulative Accounting Term	8
Quarterly Consolidated Statements of Comprehensive Income	
Third Quarter Consolidated Cumulative Accounting Term	9
(3) Notes Regarding Quarterly Consolidated Financial Results	10
(Note Related to Going Concern)	10
(Note on Significant Changes in the Amount of Shareholders' Equity).....	10

1. Qualitative Information Regarding Results of the Third 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 U.S. economy continued and the European economy began to recover; however, China and other developing countries began to see sharper slowdowns in economic growth. The economy in Japan showed signs of gradual recovery supported by improvement in company revenue and employment environment. However, individual consumption and industrial production, among other factors, remained weak, and a temporary lull in the economy was seen.

Under these conditions, the Topy Industries Group has implemented the medium-term consolidated management plan “Growth & Change 2015” with a basic principle of global “Growth” and “Change” to achieve a highly profitable business structure. As one part of this plan, the Group began to construct the factory of Topy Fastener Mexico S.A. DE C.V. (San Luis Potosi, Mexico), a manufacturing subsidiary for industrial fasteners. The Group has also continued to work on maintaining an appropriate sales price of steel, establishing a production system that responds to demand, improving productivity, and lowering costs through energy-conservation activities. Furthermore, the Group worked to restructure its construction machinery parts business and mining wheels business in China.

As a result, net sales for this consolidated cumulative third quarter for the Topy Industries Group were ¥163,565 million (year-to-year comparison, 7.6% decrease), operating income was ¥6,877 million (year-to-year comparison, 42.1% increase), ordinary income ended at ¥5,928 million (year-to-year comparison, 28.8% increase). Also, due to the allocation of a loss from restructuring associated with the integration of manufacturing sites in China, etc., the loss attributable to owners of parent ended at ¥881 million (year-to-year comparison of profit attributable to owners of parent: ¥2,619 million).

Performance by Segment

(Steel Business)

In the electric steel furnace industry, conditions remained challenging as the production of crude steel fell below that of the same period of last year due to a decline in demand from the main market for construction steel, and as the steel materials market remained sluggish.

In this environment, net sales of the Topy Industries Group came to ¥48,944 million (year-to-year comparison, 10.3% decrease) due to a decrease in the 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 export volume, etc., maintaining an appropriate sales price, realizing the positive impact of the new steel making facilities and other intensive cost reduction efforts, operating income ended at ¥3,538 million (year-to-year comparison, 32.2% increase).

(Automotive & Industrial Machinery Components Business)

Domestic automobile production declined from a year ago, chiefly because of sluggish sales associated with the light vehicle tax hike and a decrease in exports of trucks. As for the construction machinery industry, the Chinese and Southeast Asian markets continued to contract and demand for mining machinery remained low.

In this environment, the Topy Industries Group continued to take every step to improve the situation. However, net sales declined 9.3% year on year, to 101,436 million yen, and operating income fell 26.8%, to 3,521 million yen, reflecting the impact of a fall in sales of undercarriage parts of construction machinery and decrease in the sales quantity of wheels etc. due to slowdown in demand for construction machinery in China and other emerging countries.

(Power Business)

The Topy Industries Group has changed the supply destination of electricity to Power Producer and Suppliers, and has continued stable electric supply following its business plan. Net sales were ¥7,818 million (year-to-year comparison, 55.3% increase) and operating income was ¥1,769 million (year-to-year comparison, ¥588 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 and other products, the manufacture and sales of crawler robots, civil engineering and construction, leasing of real estate such as Topy-Rec Plaza (Minami-Suna, Koto-ku, Tokyo), and the operation of the sports club OSSO. Net sales were ¥5,364 million, and operating income was ¥1,076 million.

(2) Explanation Regarding Financial Status

Total assets at the end of this third quarter consolidated accounting term marked ¥247,234 million, a decrease of ¥5,222 million from the end of the previous consolidated accounting year. This was mainly due to an increase of ¥6,103 million in cash and deposits, a decrease in tangible fixed assets of ¥8,445 million and a decrease in investment securities of ¥1,886 million.

Liabilities were ¥143,684 million, a decrease of ¥831 million from the end of the previous consolidated accounting year. The main factor was a decrease of ¥705 million in interest-bearing debt.

Net assets were ¥103,549 million, a decrease of ¥4,391 million from the previous consolidated accounting year. This was mainly due to a decrease in retained earnings of ¥1,828 million and a decrease in valuation difference on available-for-sale securities of ¥1,270 million.

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

The Japanese economy is expected to recover moderately, chiefly reflecting robust corporate earnings and the government's economic policies. Meanwhile, there are some uncertainties in the global economy, including a slowdown in the Chinese economy and other emerging economies and the effect of the normalization of the U.S. monetary policy. The business environment surrounding the Topy Industries Group is expected to remain unpredictable.

Under these management conditions, and in promoting the medium-term consolidated management plan, "Growth & Change 2015," the Topy Industries Group will strive to further improve its corporate 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 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 corporate message "One-piece Cycle."

The full-year consolidated financial forecast remains unchanged from that announced on November 5, 2015. The forecast is based on information available at the time of the publication of this document. Actual results may differ materially from the forecast due to a variety of factors.

2. Items Regarding Summary Information (Other)

(1) Significant Transfer of Subsidiaries during this Consolidated Cumulative Third 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 quarterly net income before taxes with the estimated effective tax rate. The estimated effective tax rate is a reasonable estimate of the tax rate after the application of tax effect accounting on current net earnings before taxes of the consolidated accounting year including this third 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 third quarter consolidated accounting term and the previous consolidated accounting term have been modified.

3. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheets

(Million yen)

	Previous Consolidated Accounting Term (March 31, 2015)	Third Quarter Consolidated Accounting Term (December 31, 2015)
Assets		
Current assets		
Cash and deposits	22,048	28,152
Notes and accounts receivable-trade	43,988	42,761
Merchandise and finished goods	13,324	14,465
Work in process	4,418	4,600
Raw materials and supplies	9,910	9,887
Deferred tax assets	2,079	2,098
Other	5,737	4,817
Allowance for doubtful accounts	(34)	(39)
Total current assets	101,471	106,744
Non-current assets		
Property, plant and equipment		
Buildings and structures	85,547	85,119
Accumulated depreciation	(52,932)	(54,443)
Buildings and structures, net	32,615	30,676
Machinery, equipment and vehicles	191,503	190,254
Accumulated depreciation	(139,852)	(141,256)
Machinery, equipment and vehicles, net	51,651	48,998
Land	18,479	18,382
Leased assets	4,314	4,238
Accumulated depreciation	(1,199)	(1,517)
Leased assets, net	3,114	2,721
Construction in progress	4,450	1,083
Other	33,385	33,152
Accumulated depreciation	(31,290)	(31,053)
Other, net	2,095	2,098
Total property, plant and equipment	112,406	103,960
Intangible assets		
Other	1,417	1,362
Total intangible assets	1,417	1,362
Investments and other assets		
Investment securities	33,359	31,473
Long-term loans receivable	607	621
Deferred tax assets	1,302	1,273
Other	1,937	1,846
Allowance for doubtful accounts	(46)	(48)
Total investments and other assets	37,161	35,165
Total non-current assets	150,985	140,489
Total assets	252,456	247,234

(Million yen)

	Previous Consolidated Accounting Term (March 31, 2015)	Third Quarter Consolidated Accounting Term (December 31, 2015)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	26,707	23,586
Electronically recorded obligations-operating	8,263	13,385
Short-term loans payable	21,954	28,239
Current portion of bonds	5,300	300
Lease obligations	403	380
Income taxes payable	1,750	817
Other	10,861	10,891
Total current liabilities	75,241	77,600
Non-current liabilities		
Bonds payable	23,600	23,600
Long-term loans payable	26,662	24,670
Lease obligations	2,729	2,472
Deferred tax liabilities	1,544	1,031
Provision for corporate officers' retirement benefits	140	168
Reserve for repairs	518	137
Net defined benefit liability	9,574	9,746
Asset retirement obligations	257	251
Liabilities from application of equity method	838	802
Other	3,409	3,203
Total non-current liabilities	69,274	66,083
Total liabilities	144,515	143,684
Net assets		
Shareholders' equity		
Capital stock	20,983	20,983
Capital surplus	18,824	18,824
Retained earnings	53,399	51,570
Treasury shares	(925)	(930)
Total shareholders' equity	92,281	90,447
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	10,399	9,128
Deferred gains or losses on hedges	(8)	(38)
Foreign currency translation adjustment	3,796	2,979
Remeasurements of defined benefit plans	(281)	(77)
Total accumulated other comprehensive income	13,906	11,992
Non-controlling interests	1,753	1,109
Total net assets	107,941	103,549
Total liabilities and net assets	252,456	247,234

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

(Million yen)

	Previous Third Quarter Consolidated Cumulative Accounting Term (April 1, 2014 - December 31, 2014)	Third Quarter Consolidated Cumulative Accounting Term (April 1, 2015 - December 31, 2015)
Net sales	176,988	163,565
Cost of sales	151,112	135,680
Gross profit	25,876	27,885
Selling, general and administrative expenses	21,034	21,007
Operating income	4,841	6,877
Non-operating income		
Interest income	49	68
Dividends income	569	699
Share of profit of entities accounted for using equity method	23	227
Insurance income	483	87
Other	224	222
Total non-operating income	1,350	1,306
Non-operating expenses		
Interest expenses	814	870
Foreign exchange losses	243	973
Other	532	411
Total non-operating expenses	1,590	2,255
Ordinary income	4,601	5,928
Extraordinary income		
Gain on sales of non-current assets	8	7
Gain on sales of investment securities	–	43
Subsidy income	–	330
Total extraordinary income	8	381
Extraordinary losses		
Loss on sales of non-current assets	30	3
Loss on retirement of non-current assets	195	139
Loss on reduction of non-current assets	–	327
Impairment loss	–	5,073
Other	15	0
Total extraordinary losses	241	5,543
Income before income taxes and minority interests	4,368	766
Income taxes	1,934	1,998
Net income	2,433	(1,232)
Profit (loss) attributable to non-controlling interests	(185)	(351)
Profit (loss) attributable to owners of parent	2,619	(881)

(Quarterly Consolidated Statements of Income)

(Third Quarter Consolidated Cumulative Accounting Term)

(Million yen)

	Previous Third Quarter Consolidated Cumulative Accounting Term (April 1, 2014 - December 31, 2014)	Third Quarter Consolidated Cumulative Accounting Term (April 1, 2015 - December 31, 2015)
Net income	2,433	(1,232)
Other comprehensive income		
Valuation difference on available-for-sale securities	3,163	(1,313)
Deferred gains or losses on hedges	16	(39)
Foreign currency translation adjustment	1,072	(1,030)
Remeasurements of defined benefit plans, net of tax	404	204
Share of other comprehensive income of associates accounted for using equity method	38	42
Total other comprehensive income	4,696	(2,136)
Comprehensive income	7,130	(3,369)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	7,247	(2,795)
Comprehensive income attributable to non-controlling interests	(117)	(573)

(3) Notes Regarding Quarterly Consolidated Financial Results

(Note Related to Going-Concern Assumption)

None

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

None