



3. Consolidated Financial Forecasts for Fiscal 2016 (April 1, 2016 - March 31, 2017)

(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		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Fiscal 2016	215,000	(0.4)	7,500	(25.0)	6,700	(23.9)	4,500	164.6	190.02

Note: Whether changes to the latest forecasts for consolidated figures have been made: No

\* The net income per share for fiscal 2016 presented in consolidated financial forecasts for fiscal 2016 is the amount that takes into account the effects of the consolidation of shares. For details, please see "Explanation of the Appropriate Use of Performance Forecasts and Other Related Items."

\* 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 2016	24,077,510 shares	Fiscal 2015	24,077,510 shares
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(b) Number of treasury stock at the end of the period

Second Quarter of Fiscal 2016	470,078 shares	Fiscal 2015	396,119 shares
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(c) Average number of shares issued during the period

Second Quarter of Fiscal 2016	23,660,018 shares	Second Quarter of Fiscal 2015	23,683,019 shares
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\* The Company consolidated ten shares of its common stock into one share on October 1, 2016, the effective day. As a result, number of shares issued at the end of the period, number of treasury stock at the end of the period, and average number of shares issued during the period have been calculated under the assumption that the aforementioned consolidation of shares was carried out at the beginning of the previous consolidated fiscal year.

\* 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.”

(Dividends and financial forecasts after the consolidation of shares)

Following the approval of the agenda related to the consolidation of shares at the 122nd Ordinary General Meeting of Shareholders held on June 23, 2016, the Company consolidated ten shares of its common stock into one share on October 1, 2016, the effective day. The forecasts for dividends that were converted before the effect of consolidating the shares was taken into account and the consolidated financial forecasts for fiscal 2016 are as follows.

1. Forecast dividends per share for fiscal 2016: ¥1.00 for the end of the second quarter (Note 1) and ¥5.00 for the end of the fiscal year (Note 2).

2. Consolidated financial forecasts for fiscal 2016: Net income per share of ¥19.00 at the end of fiscal 2016.

(Note 1) Dividends at the end of the second quarter are paid based on the number of shares before the consolidation of shares.

(Note 2) The dividends are those that were converted before the effect of the consolidation of shares was taken into account.

(Note 3) Forecast annual dividends per share for fiscal 2016 (before taking into account the effect of the consolidation of shares) are ¥6.00.

(Method for acquiring supplementary briefing material on quarterly financial results)

The Company plans to hold a briefing session for institutional investors and securities analysts. A video of this briefing session and briefing material will be posted on the Company’s website promptly after the briefing session.

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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 4<sup>th</sup>, 2016 at 13:30(GMT+9).

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## 1. Qualitative Information Regarding Results of the Second Quarter for Fiscal 2016

### (1) Explanation Regarding Consolidated Operating Results

Overall, the global economy during this consolidated cumulative second quarter showed gradual recovery. The U.S. economy remained steady and the European economy also continued to stage recovering trend, despite continued trend of economic slowdown in China and in emerging countries. The economy in Japan remained on a gradual recovery trend, mainly reflecting improvement in the employment situation. However, there was a greater sense of an economic slowdown primarily because of sluggish growth in individual consumption and signs of a slowdown in exports.

Under these conditions, the Topy Industries Group started the medium-term consolidated management plan, "Growth & Change 2018," under which the Group aims to achieve sustainable growth and become a company that provides job satisfaction to its employees. As part of this plan, the Group has accelerated global business development, including strengthening the strategic partnership with MW ITALIA S.R.L., a steel wheel manufacturer with manufacturing sites in 7 countries, mainly in Europe, and starting to expand capacity for industrial fasteners at its production base in Vietnam. The Group has also continued to work on establishing a production system that can respond to demand, improve productivity, and lower costs primarily through energy-conservation activities.

As a result, net sales for this consolidated cumulative second quarter for the Topy Industries Group were ¥97,185 million (year-to-year comparison, 10.4% decrease). Operating income was ¥1,930 million (year-to-year comparison, 41.0% decrease), and ordinary income ended at ¥984 million (year-to-year comparison, 64.4% decrease). However, due to the allocation of extraordinary income as result of business restructuring, second quarter net income attributable to owners of parent ended at ¥1,177 million (compared to second quarter net loss attributable to owners of parent of ¥3,305 million the previous year).

### Performance by Segment

#### (Steel Business)

In the electric steel furnace industry, crude steel production fell below that of the second quarter of the previous year due to sluggish performance in demand for steel materials from construction and manufacturing companies. Furthermore, challenging conditions continued, with prices of steel scraps, which are the main raw materials, remaining on upward trend while the market for steel materials stagnated.

In this environment, net sales of the Topy Industries Group came to ¥30,263 million (year-to-year comparison, 8.6% decrease) due to lower sales prices despite efforts to reclaim demand and increase export of deformed selection, and expansion in sales quantity. Operating income ended at ¥1,055 million (year-to-year comparison, 33.7% decrease), due to decrease in gap between sales prices and prices of steel scraps.

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

Domestic automobile production declined year on year, chiefly because of a decrease in exports of trucks, in addition to prolonged sluggish sales of light vehicles. On the other hand, demand for automobiles remained firm in the US. In the construction machinery industry, domestic demand decreased and the Chinese and Southeast Asian markets remained stagnant. Demand for mining machinery also continued to remain low.

In this environment, net sales declined 10.7% year on year, to ¥59,684 million, reflecting a fall in the sales quantity of undercarriage parts of construction machinery in addition to the effects of a stronger yen. On the other hand, operating income rose 4.0% year on year, to ¥1,924 million, due to the effects of the consolidation of production bases in China and cost improvements.

#### (Power Business)

The Group continued the stable supply of electricity through coal fired power generation in line with its business plan. However, because electric power price significantly fell as a result of a sharp drop in crude oil and LNG prices, net sales were ¥4,174 million (year-to-year comparison, 18.1% decrease). On the other hand, the price drop of coal, a power generation fuel, was minimal and therefore, operating income was ¥276 million (year-to-year comparison, 76.1% decrease).

#### (Others)

The Topy Industries Group also engages in the manufacture and sales of synthetic mica used in cosmetics and other products, the manufacture and sales of crawler robots, wholesale electricity utility, indoor and outdoor sign systems, 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 ¥3,062 million, and operating income was ¥773 million.

## (2) Explanation Regarding Financial Status

Total assets at the end of this second quarter consolidated accounting term declined by ¥14,060 million from the end of the previous consolidated fiscal year to ¥217,523 million. This was mainly due to decreases of ¥5,720 million in cash and deposits, ¥2,613 million in notes and accounts receivable-trade, and ¥4,070 million in property, plant and equipment.

Liabilities were ¥121,812 million, a decrease of ¥9,797 million from the end of the previous consolidated fiscal year. This was mainly due to a decrease of ¥7,272 million in interest bearing debt.

Net assets were ¥95,710 million, a decrease of ¥4,263 million from the previous consolidated accounting year. This was mainly due to a decrease of ¥397 million in the valuation difference on available-for-sale securities and ¥3,785 million in foreign currency translation adjustments.

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

Going forward, the Japanese economy is expected to recover moderately, supported primarily by improvements in the employment and income conditions as well as the economic measures enacted by the government. However, the business environment surrounding the Group will remain unpredictable due to uncertain factors, such as the economic slowdown in China and other emerging countries, the appreciation of the yen, and overcapacity in China.

Under these business conditions, the Topy Industries Group started the medium-term consolidated management plan, “Growth & Change 2018.” The implementation period for this plan is three years, and it starts from the current fiscal year. Working in line with this plan, the Group will aim to achieve sustainable growth by steadily carrying out a number of measures. These measures include the acceleration of the global development of the automotive and industrial machinery components businesses that the Group regards as drivers of growth, expanding the lineups of products by taking advantage of the Group’s unique technologies in the steel business, and taking on challenges of developing new businesses related to crawler robots and mica. The Group will work to transform itself into a company that is able to provide job satisfaction to individuals that will play leading roles by ensuring they have every opportunity to fully exhibit their potential.

The full-year consolidated financial forecast remains unchanged from the forecast announced on May 10, 2016. The forecast is based on information available at the time this document was published, and thus the 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 Second Quarter

Not applicable

### (2) Application of Special Accounting Methods during the Preparation of Quarterly Consolidated Financial Statements

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 second quarter consolidated accounting term.

### (3) Changes in Accounting Principles, Changes in Accounting Estimates, and Retrospective Restatements

#### Change in Accounting Principles

(Application of Practical Solution on a Change in Depreciation Method Due to Tax Reform 2016)

Following the revision to the Corporation Tax Act, the Company and the Company’s domestic consolidated subsidiary companies adopted the “Practical Solution on a Change in Depreciation Method Due to Tax Reform 2016” (ASBJ PITF No. 32, June 17, 2016) effective from the first quarter consolidated accounting term. It also changed the depreciation method for facilities attached to buildings and structures acquired on or after April 1, 2016, switching from the declining balance method to the straight line method.

The effect of the change on the Company’s operating income, ordinary income, and profit before income taxes and non-controlling interests for this consolidated cumulative second quarter is minor.

#### Additional information

(Application of Implementation Guidance on Recoverability of Deferred Tax Assets)

The Company adopted the “Implementation Guidance on Recoverability of Deferred Tax Assets” (ASBJ Guidance No. 26, March 28, 2016) effective from the first quarter consolidated accounting term.

### 3. Quarterly Consolidated Financial Statements

#### (1) Quarterly Consolidated Balance Sheets

(Million yen)

	Previous Consolidated Accounting Term (March 31, 2016)	Second Quarter Consolidated Accounting Term (September 30, 2016)
<b>Assets</b>		
Current assets		
Cash and deposits	24,997	19,276
Notes and accounts receivable-trade	39,586	36,973
Merchandise and finished goods	12,806	11,873
Work in process	4,305	4,634
Raw materials and supplies	9,506	8,550
Deferred tax assets	1,546	1,752
Other	4,480	4,567
Allowance for doubtful accounts	(43)	(35)
<b>Total current assets</b>	<b>97,186</b>	<b>87,594</b>
Non-current assets		
Property, plant and equipment		
Buildings and structures	85,096	83,971
Accumulated depreciation	(54,746)	(54,459)
Buildings and structures, net	30,349	29,511
Machinery, equipment and vehicles	189,985	182,421
Accumulated depreciation	(141,842)	(136,624)
Machinery, equipment and vehicles, net	48,142	45,797
Land	18,260	18,199
Leased assets	4,288	4,214
Accumulated depreciation	(1,627)	(1,831)
Leased assets, net	2,661	2,382
Construction in progress	1,558	1,141
Other	32,897	32,369
Accumulated depreciation	(30,946)	(30,549)
Other, net	1,951	1,820
<b>Total property, plant and equipment</b>	<b>102,924</b>	<b>98,853</b>
Intangible assets		
Other	1,372	1,229
<b>Total intangible assets</b>	<b>1,372</b>	<b>1,229</b>
Investments and other assets		
Investment securities	24,992	24,413
Long-term loans receivable	620	621
Deferred tax assets	2,689	2,989
Other	1,854	1,881
Allowance for doubtful accounts	(55)	(60)
<b>Total investments and other assets</b>	<b>30,101</b>	<b>29,845</b>
<b>Total non-current assets</b>	<b>134,397</b>	<b>129,928</b>
<b>Total assets</b>	<b>231,583</b>	<b>217,523</b>

(Million yen)

	Previous Consolidated Accounting Term (March 31, 2016)	Second Quarter Consolidated Accounting Term (September 30, 2016)
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes and accounts payable-trade	19,445	19,363
Electronically recorded obligations-operating	10,606	11,431
Short-term loans payable	22,603	18,922
Current portion of bonds	300	300
Lease obligations	438	473
Income taxes payable	1,657	393
Other	11,579	10,054
<b>Total current liabilities</b>	<b>66,632</b>	<b>60,939</b>
<b>Non-current liabilities</b>		
Bonds payable	23,800	23,800
Long-term loans payable	23,367	19,775
Lease obligations	2,336	1,997
Deferred tax liabilities	78	76
Provision for corporate officers' retirement benefits	159	173
Reserve for repairs	171	229
Net defined benefit liability	11,011	10,852
Asset retirement obligations	235	234
Liabilities from application of equity method	809	820
Other	3,007	2,912
<b>Total non-current liabilities</b>	<b>64,977</b>	<b>60,873</b>
<b>Total liabilities</b>	<b>131,609</b>	<b>121,812</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Capital stock	20,983	20,983
Capital surplus	18,824	18,861
Retained earnings	54,152	54,145
Treasury shares	(931)	(1,082)
<b>Total shareholders' equity</b>	<b>93,028</b>	<b>92,906</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	4,995	4,598
Deferred gains or losses on hedges	(13)	(17)
Foreign currency translation adjustment	1,927	(1,858)
Remeasurements of defined benefit plans	(1,044)	(870)
<b>Total accumulated other comprehensive income</b>	<b>5,865</b>	<b>1,851</b>
<b>Non-controlling interests</b>	<b>1,080</b>	<b>951</b>
<b>Total net assets</b>	<b>99,973</b>	<b>95,710</b>
<b>Total liabilities and net assets</b>	<b>231,583</b>	<b>217,523</b>

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

(Million yen)

	Previous Second Quarter Consolidated Cumulative Accounting Term (April 1, 2015 - September 30, 2015)	Second Quarter Consolidated Cumulative Accounting Term (April 1, 2016 - September 30, 2016)
Net sales	108,516	97,185
Cost of sales	91,383	81,859
Gross profit	17,132	15,325
Selling, general and administrative expenses	13,864	13,395
Operating income	3,268	1,930
Non-operating income		
Interest income	42	35
Dividends income	392	329
Share of profit of entities accounted for using equity method	64	50
Other	274	73
Total non-operating income	774	488
Non-operating expenses		
Interest expenses	590	472
Foreign exchange losses	419	615
Other	268	346
Total non-operating expenses	1,277	1,434
Ordinary income	2,764	984
Extraordinary income		
Gain on sales of non-current assets	7	6
Gain on sales of investment securities	39	20
Gain on investments in capital of subsidiaries and associates	–	624
Subsidy income	330	–
Other	–	13
Total extraordinary income	376	665
Extraordinary losses		
Loss on sales of non-current assets	3	0
Loss on retirement of non-current assets	62	135
Loss on reduction of non-current assets	327	7
Restructuring loss	5,207	–
Other	0	3
Total extraordinary losses	5,600	146
Profit (loss) before income taxes and non-controlling interests	(2,458)	1,502
Income taxes	1,028	224
Profit (loss)	(3,487)	1,278
Profit (loss) attributable to non-controlling interests	(182)	101
Profit (loss) attributable to owners of parent	(3,305)	1,177

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

(Million yen)

	Previous Second Quarter Consolidated Cumulative Accounting Term (April 1, 2015 - September 30, 2015)	Second Quarter Consolidated Cumulative Accounting Term (April 1, 2016 - September 30, 2016)
Profit (loss)	(3,487)	1,278
Other comprehensive income		
Valuation difference on available-for-sale securities	(2,670)	(390)
Deferred gains or losses on hedges	(43)	(4)
Foreign currency translation adjustment	275	(3,888)
Remeasurements of defined benefit plans, net of tax	135	173
Share of other comprehensive income of associates accounted for using equity method	38	(7)
Total other comprehensive income	(2,263)	(4,116)
Comprehensive income	(5,751)	(2,838)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(5,497)	(2,835)
Comprehensive income attributable to non-controlling interests	(253)	(2)

(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