Consolidated Basis Results of the Third Quarter for Fiscal 2016
(April 1, 2016 – December 31, 2016)

February 3, 2017

Registered Company name: TOPY INDUSTRIES, LIMITED
Stock listing: Tokyo, Nagoya stock exchanges
Code number: 7231
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Scheduled date for submission of securities report: February 10, 2017
Scheduled date for dividend payment: –
Preparation of supplementary explanatory materials: No
Holding of quarterly financial results meeting: No

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

1. Consolidated Financial and Operating Results of the Third Quarter for Fiscal 2016 (April 1, 2016 - December 31, 2016)

(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	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Third Quarter of Fiscal 2016	150,152	(8.2)	5,349	(22.2)	4,509	(23.9)	3,197	–
Third Quarter of Fiscal 2015	163,565	(7.6)	6,877	42.1	5,928	28.8	(881)	–

(Note) Comprehensive income: Third Quarter of Fiscal 2016 ¥1,808 million –%
Third Quarter of Fiscal 2015 (¥3,369) million –%

	Net income per share	Net income per share after full dilution
	Yen	Yen
Third Quarter of Fiscal 2016	134.99	–
Third Quarter of Fiscal 2015	(37.22)	–

(2) Consolidated Financial Results

	Total assets	Net assets	Ratio of shareholders' equity to total assets	Net assets per share
	Million yen	Million yen	%	Yen
Third Quarter of Fiscal 2016	227,913	100,041	43.5	4,180.93
Fiscal 2015	231,583	99,973	42.7	4,175.99

(For reference) Shareholders' equity: Third Quarter of Fiscal 2016 ¥99,113 million Fiscal 2015 ¥98,893 million

* The Company consolidated ten shares of its common stock into one share on October 1, 2016, the effective day. As a result, net income per share and net assets per share have been calculated under the assumption that the aforementioned consolidation of shares was carried out at the beginning of the previous consolidated fiscal year.

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 2015	–	1.00	–	5.00	6.00
Fiscal 2016	–	1.00	–		
Fiscal 2016 (Forecasts)				50.00	–

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

* The Company consolidated ten shares of its common stock into one share on October 1, 2016, the effective day. As a result, the forecast year-end dividends per share for Fiscal 2016 presented are the amount that takes into account the effects of the aforementioned consolidation of shares, and forecast full-year dividends per share for fiscal 2016 shows "-." When the consolidation of shares is not taken into account, the forecast year-end dividends per share for fiscal 2016 are ¥5 and forecast full-year dividends per share for fiscal 2016 are ¥6. For details, please see "Explanation of the Appropriate Use of Performance Forecasts and Other Related Items."

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)

Third Quarter of Fiscal 2016	24,077,510 shares	Fiscal 2015	24,077,510 shares

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

Third Quarter of Fiscal 2016	371,422 shares	Fiscal 2015	396,119 shares

(c) Average number of shares issued during the period

Third Quarter of Fiscal 2016	23,690,592 shares	Third Quarter of Fiscal 2015	23,682,743 shares

* 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. Dividends per share for fiscal 2016: ¥1.00 for the end of the second quarter and ¥5.00 (forecast) for the end of the fiscal year (Note 1).

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

(Note 1) The dividends are those that were converted before the effect of the consolidation of shares was taken into account.

(Note 2) Forecast annual dividends per share for fiscal 2016 (before taking into account the effect of the consolidation of shares) are ¥6.00.

Index of Attached Documents

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

(1) Explanation Regarding Consolidated Operating Results

The global economy during the period of this consolidated cumulative third quarter saw steady performance in the United States and a sustained recovery in Europe. On the other hand, economic growth in China and emerging economies continued to slow down, although it began to show signs of recovery. Overall, the global economy staged a gradual recovery. The economy in Japan remained on a gradual recovery track, mainly reflecting improvement in the employment environment and the recovery of industrial production, despite sluggish individual consumption.

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 one part of this plan, the Group accelerated its global business development. This included strengthening the strategic partnership with MW ITALIA S.R.L. in the steel wheel business and efforts to strengthen the production capacity of industrial fasteners at overseas bases. The Group also continued to work on establishing a production system that can respond flexibly to demand, improve productivity, and lower costs primarily through energy conservation activities.

As a result, net sales for this consolidated cumulative third quarter for the Topy Industries Group were ¥150,152 million (year-to-year comparison, 8.2% decrease). Operating income was ¥5,349 million (year-to-year comparison, 22.2% decrease), and ordinary income ended at ¥459 million (year-to-year comparison, 23.9% decrease). However, third quarter net income attributable to owners of parent ended at ¥3,197 million (compared to third quarter net loss attributable to owners of parent of ¥881 million the previous year).

Performance by Segment

(Steel Business)

In the electric steel furnace industry, crude steel production fell year on year due to sluggish performance in demand for steel materials. Furthermore, challenging conditions continued in the third quarter, mainly due to the surge of prices of steel scraps, the main raw materials.

In this environment, net sales of the Topy Industries Group came to ¥46,283 million (year-to-year comparison, 5.4% 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 ¥2,449 million (year-to-year comparison, 30.8% decrease), due to decrease in gap between sales prices and prices of steel scraps.

(Automotive & Industrial Machinery Components Business)

Domestic automobile production remained almost unchanged 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, but demand in the Chinese market showed signs of recovery. Demand for mining machinery continued to remain low.

In this environment, net sales declined 8.2% year on year, to ¥93,094 million. This mainly reflected the effects of a stronger yen as well as a fall in sales volume of wheels for trucks, although sales volume of undercarriage parts of construction machinery increased centered on China. On the other hand, operating income rose 28.2% year on year, to ¥4,514 million. This was attributable to 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 ¥6,199 million (year-to-year comparison, 20.7% decrease). On the other hand, because the drop in the price of coal, a power generation fuel, was minimal, operating income amounted to ¥395 million, down 77.6% year on year.

(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, 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 ¥4,574 million, and operating income was ¥1,153 million.

(2) Explanation Regarding Financial Status

Total assets at the end of this third quarter consolidated accounting term declined by ¥3,670 million from the end of the previous consolidated fiscal year to ¥227,913 million. This was mainly due to a decrease of ¥4,401 million in cash and deposits, an increase of ¥2,267 million in notes and accounts receivable-trade, a decrease of ¥5,618 million in property, plant and equipment and an increase of ¥3,746 million in investment securities.

Liabilities were ¥127,872 million, a decrease of ¥3,737 million from the end of the previous consolidated fiscal year. This mainly reflected an increase of ¥5,550 million in accounts payable, a decrease of ¥5,793 million in interest-bearing debt, a decline of ¥1,212 million in income taxes payable and a fall of ¥1,114 million in other current liabilities.

Net assets were ¥100,041 million, an increase of ¥67 million from the end of the previous consolidated accounting year. This was mainly due to an increase of ¥1,776 million in retained earnings, an increase of ¥2,642 million in the valuation difference on available-for-sale securities and a decline of ¥4,356 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 emergence of protectionist movements centered in Europe and the United States, the economic slowdown in China and other emerging countries, 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 there 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 Third 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 third 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 third 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)	Third Quarter Consolidated Accounting Term (December 31, 2016)
Assets		
Current assets		
Cash and deposits	24,997	20,596
Notes and accounts receivable-trade	39,586	41,854
Merchandise and finished goods	12,806	12,490
Work in process	4,305	5,049
Raw materials and supplies	9,506	8,863
Deferred tax assets	1,546	1,737
Other	4,480	5,010
Allowance for doubtful accounts	(43)	(34)
Total current assets	97,186	95,567
Non-current assets		
Property, plant and equipment		
Buildings and structures	85,096	83,530
Accumulated depreciation	(54,746)	(54,525)
Buildings and structures, net	30,349	29,004
Machinery, equipment and vehicles	189,985	178,815
Accumulated depreciation	(141,842)	(134,660)
Machinery, equipment and vehicles, net	48,142	44,154
Land	18,260	18,180
Leased assets	4,288	4,214
Accumulated depreciation	(1,627)	(1,934)
Leased assets, net	2,661	2,280
Construction in progress	1,558	1,907
Other	32,897	32,147
Accumulated depreciation	(30,946)	(30,368)
Other, net	1,951	1,778
Total property, plant and equipment	102,924	97,305
Intangible assets		
Other	1,372	1,397
Total intangible assets	1,372	1,397
Investments and other assets		
Investment securities	24,992	28,738
Long-term loans receivable	620	624
Deferred tax assets	2,689	1,697
Other	1,854	2,645
Allowance for doubtful accounts	(55)	(62)
Total investments and other assets	30,101	33,643
Total non-current assets	134,397	132,345
Total assets	231,583	227,913

(Million yen)

	Previous Consolidated Accounting Term (March 31, 2016)	Third Quarter Consolidated Accounting Term (December 31, 2016)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	19,445	20,448
Electronically recorded obligations-operating	10,606	15,154
Short-term loans payable	22,603	23,032
Current portion of bonds	300	3,300
Lease obligations	438	470
Income taxes payable	1,657	444
Other	11,579	10,464
Total current liabilities	66,632	73,315
Non-current liabilities		
Bonds payable	23,800	20,800
Long-term loans payable	23,367	17,145
Lease obligations	2,336	1,897
Deferred tax liabilities	78	89
Provision for corporate officers' retirement benefits	159	188
Reserve for repairs	171	267
Net defined benefit liability	11,011	11,089
Asset retirement obligations	235	234
Liabilities from application of equity method	809	–
Other	3,007	2,843
Total non-current liabilities	64,977	54,556
Total liabilities	131,609	127,872
Net assets		
Shareholders' equity		
Capital stock	20,983	20,983
Capital surplus	18,824	18,795
Retained earnings	54,152	55,928
Treasury shares	(931)	(1,016)
Total shareholders' equity	93,028	94,691
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	4,995	7,637
Deferred gains or losses on hedges	(13)	(2)
Foreign currency translation adjustment	1,927	(2,429)
Remeasurements of defined benefit plans	(1,044)	(784)
Total accumulated other comprehensive income	5,865	4,421
Non-controlling interests	1,080	927
Total net assets	99,973	100,041
Total liabilities and net assets	231,583	227,913

(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, 2015 - December 31, 2015)	Third Quarter Consolidated Cumulative Accounting Term (April 1, 2016 - December 31, 2016)
Net sales	163,565	150,152
Cost of sales	135,680	124,555
Gross profit	27,885	25,596
Selling, general and administrative expenses	21,007	20,246
Operating income	6,877	5,349
Non-operating income		
Interest income	68	56
Dividends income	699	609
Share of profit of entities accounted for using equity method	227	75
Other	310	113
Total non-operating income	1,306	855
Non-operating expenses		
Interest expenses	870	662
Foreign exchange losses	973	367
Other	411	665
Total non-operating expenses	2,255	1,695
Ordinary income	5,928	4,509
Extraordinary income		
Gain on sales of non-current assets	7	38
Gain on sales of investment securities	43	20
Gain on investments in capital of subsidiaries and associates	–	624
Subsidy income	330	–
Other	–	13
Total extraordinary income	381	697
Extraordinary losses		
Loss on sales of non-current assets	3	6
Loss on retirement of non-current assets	139	271
Loss on reduction of non-current assets	327	7
Restructuring loss	5,073	300
Other	0	4
Total extraordinary losses	5,543	591
Profit before income taxes and non-controlling interests	766	4,615
Income taxes	1,998	1,263
Profit (loss)	(1,232)	3,351
Profit (loss) attributable to non-controlling interests	(351)	154
Profit (loss) attributable to owners of parent	(881)	3,197

(Quarterly Consolidated Statements of Income)

(Third Quarter Consolidated Cumulative Accounting Term)

(Million yen)

	Previous Third Quarter Consolidated Cumulative Accounting Term (April 1, 2015 - December 31, 2015)	Third Quarter Consolidated Cumulative Accounting Term (April 1, 2016 - December 31, 2016)
Profit (loss)	(1,232)	3,351
Other comprehensive income		
Valuation difference on available-for-sale securities	(1,313)	2,574
Deferred gains or losses on hedges	(39)	11
Foreign currency translation adjustment	(1,030)	(4,456)
Remeasurements of defined benefit plans, net of tax	204	260
Share of other comprehensive income of associates accounted for using equity method	42	67
Total other comprehensive income	(2,136)	(1,543)
Comprehensive income	(3,369)	1,808
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(2,795)	1,754
Comprehensive income attributable to non-controlling interests	(573)	53

(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