

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 |
| Second Quarter of Fiscal 2016 (Cumulative) | 102,000 | (6.0) | 1,300 | (60.2) | 900 | (67.4) | 500 | — | 2.11 |
| Fiscal 2015 | 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 Company plans to consolidate ten shares of its common stock into one share on October 1, 2016, the effective day. As a result, the net income per share for fiscal 2016 presented in consolidated financial forecasts for fiscal 2016 has been calculated under the assumption that the consolidation of shares was carried out at the beginning of the consolidated fiscal year under review. 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)

| | | | |
|------------------------------|--------------------|-------------|--------------------|
| First Quarter of Fiscal 2016 | 240,775,103 shares | Fiscal 2015 | 240,775,103 shares |
|------------------------------|--------------------|-------------|--------------------|

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

| | | | |
|------------------------------|------------------|-------------|------------------|
| First Quarter of Fiscal 2016 | 3,963,260 shares | Fiscal 2015 | 3,961,199 shares |
|------------------------------|------------------|-------------|------------------|

(c) Average number of shares issued during the period

| | | | |
|------------------------------|--------------------|------------------------------|--------------------|
| First Quarter of Fiscal 2016 | 236,812,886 shares | First Quarter of Fiscal 2015 | 236,833,403 shares |
|------------------------------|--------------------|------------------------------|--------------------|

* 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 plans to consolidate 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.

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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 August 3th, 2016 at 13:30(GMT+9).
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1. Qualitative Information Regarding Results of the First Quarter for Fiscal 2016

(1) Explanation Regarding Consolidated Operating Results

Overall, the global economy during this consolidated cumulative first quarter showed gradual recovery. The U.S. economy remained steady and the European economy also continued to stage a gradual recovery, 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, moderate economic slowdown continued 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 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 by strengthening the strategic partnership with MW ITALIA S.R.L., a steel wheel manufacturer with manufacturing sites in 7 countries, mainly in Europe. 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 first quarter for the Topy Industries Group were ¥49,301 million (year-to-year comparison, 7.6% decrease). Operating income was ¥510 million (year-to-year comparison, 58.8% decrease), and ordinary income ended at ¥270 million (year-to-year comparison, 75.3% decrease). However, due to the allocation of extraordinary income as result of business restructuring, first quarter net income attributable to owners of parent ended at ¥799 million (year-to-year comparison, 40.2% increase).

Performance by Segment

(Steel Business)

In the electric steel furnace industry, crude steel production fell below that of the first quarter of the previous year due to sluggish performance in demand for steel materials from construction and manufacturing companies. Furthermore, challenging conditions continued, largely reflecting the emergence of rising prices of steel scraps, which are the main raw materials.

In this environment, net sales of the Topy Industries Group came to ¥16,021 million (year-to-year comparison, 0.3% increase) which was driven by efforts such as reclaiming demand and increasing export of deformed selection, and efforts to obtain sales quantity. However, operating income ended at ¥584 million (year-to-year comparison, 35.9% decrease), largely reflecting the lower sales prices which caused decrease in steel scrap price gap.

(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 strong in the US. In the construction machinery industry, the Chinese and Southeast Asian markets remained stagnant and demand for mining machinery also continued to remain low.

In this environment, net sales declined 11.4% year on year, to ¥29,901 million, reflecting the strong impact of a fall in the sales quantity of undercarriage parts of construction machinery and wheels in Japan. On the other hand, operating income rose 2.5% year on year, to ¥603 million, partly due to the effects of the consolidation of production bases in China.

(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 ¥1,845 million (year-to-year comparison, 5.5% decrease). Furthermore, in addition to the coal price decline being minimal and since the first quarter is usually the regular maintenance period for power plants, the operating deficit was ¥22 million (compared with ¥315 million operating income a year ago).

(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 ¥1,532 million, and operating income was ¥409 million.

(2) Explanation Regarding Financial Status

Total assets at the end of this first quarter consolidated accounting term declined by ¥4,949 million from the end of the previous consolidated fiscal year to ¥226,634 million. This was mainly due to decreases of ¥1,423 million in tangible fixed assets and ¥2,862 million in investment in securities.

Liabilities were ¥130,268 million, a decrease of ¥1,341 million from the end of the previous consolidated fiscal year. This was mainly due to a decrease of ¥1,354 million in interest bearing debt.

Net assets were ¥96,365 million, a decrease of ¥3,608 million from the previous consolidated accounting year. This was mainly due to a decrease of ¥1,981 million in the valuation difference on available-for-sale securities and ¥1,364 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, coupled with the growing uncertainty regarding the outlook of the European economy following the impact of Brexit.

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 First 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 first 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 this 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 minority interests for this consolidated cumulative first 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 this first quarter consolidated accounting term.

3. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheets

(Million yen)

| | Previous Consolidated Accounting Term (March 31, 2016) | First Quarter Consolidated Accounting Term (June 30, 2016) |
|--|--|--|
| Assets | | |
| Current assets | | |
| Cash and deposits | 24,997 | 23,941 |
| Notes and accounts receivable-trade | 39,586 | 38,836 |
| Merchandise and finished goods | 12,806 | 12,793 |
| Work in process | 4,305 | 4,478 |
| Raw materials and supplies | 9,506 | 9,276 |
| Deferred tax assets | 1,546 | 1,693 |
| Other | 4,480 | 4,668 |
| Allowance for doubtful accounts | (43) | (41) |
| Total current assets | 97,186 | 95,646 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Buildings and structures | 85,096 | 84,688 |
| Accumulated depreciation | (54,746) | (54,783) |
| Buildings and structures, net | 30,349 | 29,904 |
| Machinery, equipment and vehicles | 189,985 | 188,907 |
| Accumulated depreciation | (141,842) | (141,698) |
| Machinery, equipment and vehicles, net | 48,142 | 47,209 |
| Land | 18,260 | 18,213 |
| Leased assets | 4,288 | 4,266 |
| Accumulated depreciation | (1,627) | (1,731) |
| Leased assets, net | 2,661 | 2,534 |
| Construction in progress | 1,558 | 1,608 |
| Other | 32,897 | 32,807 |
| Accumulated depreciation | (30,946) | (30,777) |
| Other, net | 1,951 | 2,030 |
| Total property, plant and equipment | 102,924 | 101,500 |
| Intangible assets | | |
| Other | 1,372 | 1,318 |
| Total intangible assets | 1,372 | 1,318 |
| Investments and other assets | | |
| Investment securities | 24,992 | 22,129 |
| Long-term loans receivable | 620 | 621 |
| Deferred tax assets | 2,689 | 3,658 |
| Other | 1,854 | 1,824 |
| Allowance for doubtful accounts | (55) | (65) |
| Total investments and other assets | 30,101 | 28,167 |
| Total non-current assets | 134,397 | 130,987 |
| Total assets | 231,583 | 226,634 |

(Million yen)

| | Previous Consolidated Accounting Term (March 31, 2016) | First Quarter Consolidated Accounting Term (June 30, 2016) |
|---|--|--|
| Liabilities | | |
| Current liabilities | | |
| Notes and accounts payable-trade | 19,445 | 19,789 |
| Electronically recorded obligations-operating | 10,606 | 11,187 |
| Short-term loans payable | 22,603 | 24,326 |
| Current portion of bonds | 300 | 300 |
| Lease obligations | 438 | 487 |
| Income taxes payable | 1,657 | 286 |
| Other | 11,579 | 12,042 |
| Total current liabilities | 66,632 | 68,419 |
| Non-current liabilities | | |
| Bonds payable | 23,800 | 23,800 |
| Long-term loans payable | 23,367 | 20,290 |
| Lease obligations | 2,336 | 2,139 |
| Deferred tax liabilities | 78 | 75 |
| Provision for corporate officers' retirement benefits | 159 | 174 |
| Reserve for repairs | 171 | 203 |
| Net defined benefit liability | 11,011 | 11,113 |
| Asset retirement obligations | 235 | 235 |
| Liabilities from application of equity method | 809 | 815 |
| Other | 3,007 | 3,002 |
| Total non-current liabilities | 64,977 | 61,849 |
| Total liabilities | 131,609 | 130,268 |
| Net assets | | |
| Shareholders' equity | | |
| Capital stock | 20,983 | 20,983 |
| Capital surplus | 18,824 | 18,861 |
| Retained earnings | 54,152 | 53,767 |
| Treasury shares | (931) | (931) |
| Total shareholders' equity | 93,028 | 92,680 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 4,995 | 3,014 |
| Deferred gains or losses on hedges | (13) | (15) |
| Foreign currency translation adjustment | 1,927 | 562 |
| Remeasurements of defined benefit plans | (1,044) | (953) |
| Total accumulated other comprehensive income | 5,865 | 2,607 |
| Non-controlling interests | 1,080 | 1,077 |
| Total net assets | 99,973 | 96,365 |
| Total liabilities and net assets | 231,583 | 226,634 |

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

(Million yen)

| | Previous First Quarter Consolidated Cumulative Accounting Term (April 1, 2015 - June 30, 2015) | First Quarter Consolidated Cumulative Accounting Term (April 1, 2016 - June 30, 2016) |
|---|--|---|
| Net sales | 53,372 | 49,301 |
| Cost of sales | 45,342 | 42,031 |
| Gross profit | 8,029 | 7,270 |
| Selling, general and administrative expenses | 6,790 | 6,760 |
| Operating income | 1,239 | 510 |
| Non-operating income | | |
| Interest income | 19 | 18 |
| Dividends income | 379 | 321 |
| Share of profit of entities accounted for using equity method | 3 | 25 |
| Other | 75 | 77 |
| Total non-operating income | 477 | 443 |
| Non-operating expenses | | |
| Interest expenses | 291 | 240 |
| Foreign exchange losses | 228 | 263 |
| Other | 102 | 177 |
| Total non-operating expenses | 621 | 682 |
| Ordinary income | 1,094 | 270 |
| Extraordinary income | | |
| Gain on sales of non-current assets | 0 | 3 |
| Gain on sales of investment securities | 23 | 19 |
| Gain on investments in capital of subsidiaries and associates | - | 624 |
| Total extraordinary income | 23 | 647 |
| Extraordinary losses | | |
| Loss on sales of non-current assets | - | 0 |
| Loss on retirement of non-current assets | 28 | 60 |
| Other | - | 3 |
| Total extraordinary losses | 28 | 63 |
| Profit before income taxes and minority interests | 1,090 | 855 |
| Income taxes | 582 | (11) |
| Profit | 508 | 866 |
| Profit (loss) attributable to non-controlling interests | (62) | 66 |
| Profit (loss) attributable to owners of parent | 570 | 799 |

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

(Million yen)

| | Previous First Quarter Consolidated Cumulative Accounting Term (April 1, 2015 - June 30, 2015) | First Quarter Consolidated Cumulative Accounting Term (April 1, 2016 - June 30, 2016) |
|--|--|---|
| Profit | 508 | 866 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | 604 | (1,934) |
| Deferred gains or losses on hedges | (4) | (1) |
| Foreign currency translation adjustment | (168) | (1,380) |
| Remeasurements of defined benefit plans, net of tax | 68 | 90 |
| Share of other comprehensive income of associates accounted for using equity method | 43 | (47) |
| Total other comprehensive income | 543 | (3,272) |
| Comprehensive income | 1,051 | (2,406) |
| Comprehensive income attributable to | | |
| Comprehensive income attributable to owners of parent | 1,159 | (2,457) |
| Comprehensive income attributable to non-controlling interests | (107) | 51 |

(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