

3. Consolidated Financial Forecasts for Fiscal 2017 (April 1, 2017 - March 31, 2018)

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

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Profit per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Fiscal 2017	233,000	11.9	8,500	18.4	8,600	40.6	5,500	(23.5)	234.20

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

* 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 for Presenting Quarterly Consolidated Financial Statements” on page 10 of the attached documents.

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

(a) Changes in accounting principles accompanying the amendment of accounting standards: None

(b) Changes other than those in (a) above: None

(c) Changes in accounting estimates: None

(d) Retrospective restatements: None

(4) Number of Shares Issued (Common shares)

(a) Number of shares issued at the end of the period (including treasury shares)

Third Quarter of Fiscal 2017 24,077,510 shares Fiscal 2016 24,077,510 shares

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

Third Quarter of Fiscal 2017 594,842 shares Fiscal 2016 595,205 shares

(c) Average number of shares issued during the period (cumulative)

Third Quarter of Fiscal 2017 23,482,707 shares Third Quarter of Fiscal 2016 23,690,592 shares

* The Company consolidated ten shares of its common stock into one share on October 1, 2016, the effective day. As a result, the average number of shares issued during the period has been calculated under the assumption that the aforementioned consolidation of shares was carried out at the beginning of the previous consolidated fiscal year.

* A quarterly results report does not need to undergo a quarterly review.

* 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” on page 5 of the attached documents.

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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 February 2nd, 2018 at 13:30 (GMT+9).
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1. Qualitative Information Regarding Results of the Third Quarter for Fiscal 2017

(1) Explanation Regarding Consolidated Operating Results

During this consolidated cumulative third quarter under review, the global economy staged a moderate recovery overall, reflecting solid economic conditions in the United States and Europe as well as signs of continued recovery in China and emerging countries. The Japanese economy made a gradual recovery as consumer spending picked up and industrial production and capital spending made an upward trend.

Under these circumstances, the Group steadily implemented the Growth & Change 2018 initiative of the mid-term management plan to achieve sustainable growth and offer great workplaces. As part of these efforts, in the steel wheel business, renewal of the Topy America, Inc. Kentucky factory have been decided in the United States, where production bases are established by the world's largest automobile manufacturers. In addition, along with continuing to consider the acquisition of 100% shares of Ring Techs Co., Ltd, it also continued to work on reassessing production systems and improving productivity according to demand, and rationalizing costs through energy saving and other measures.

With regard to the Group's financial results for the consolidated cumulative third quarter under review, net sales and operating profit came to ¥169,170 million (up 12.7% year on year) and ¥6,486 million (up 21.3% year on year), respectively, and ordinary profit increased to ¥6,909 million (up 53.2% year on year). Profit attributable to owners of parent also rose to ¥4,704 million (up 47.1% year on year).

Performance by Segment

(Steel Business)

In the electric furnace industry, demand for steel materials remained firm and therefore crude steel production was greater than the previous year. Meanwhile, prices of iron and steel scrap, the main materials, remained on an upward trend and auxiliary materials also soared.

In this environment, the Group sought to rationalize sales prices, however, due to delayed response to increases in costs, net sales increased to ¥51,083 million (up 10.4% year on year), and operating profit came to ¥1,877 million (down 23.4% year on year).

(Automotive & Industrial Machinery Components Business)

In the automobile industry, production remained solid in Japan, while there were signs of weakening in passenger car demand in the United States. In the construction machinery industry, sales climbed in Japan due to a surge in demand prior to the enforcement of emission control. Demand also rose in China on the back of an increase in infrastructure investment. Demand for mining equipment also expanded due to increased coal prices, among other factors.

Given these conditions, the Group succeeded in selling a greater number of components, including parts for the undercarriages of construction machinery and very large-sized wheels for mining, in particular. As a result, net sales stood at ¥106,224 million (up 14.1% year on year). Operating profit rose to ¥6,410 million (up 42.0% year on year) due to the impacts of foreign exchange rate fluctuation as well as efforts to minimize an increase in labor costs and improve cost management through reassessment of production systems.

(Power Business)

The Group endeavored in the stable supply of electricity in line with its business plan. Net sales came to ¥7,010 million (up 13.1% year on year) due to increase in electricity sales price caused by fluctuation of crude oil and LNG prices etc. Furthermore, although the coal price, fuel for power generation increased, operating profit grew 79.0% year on year to ¥708 million due to cuts in repair costs.

(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 ¥4,851 million, and operating profit was ¥1,053 million.

(2) Explanation Regarding Financial Status

Total assets at the end of the third quarter of the consolidated fiscal year under review stood at ¥242,846 million, an increase of ¥19,796 million from the end of the previous consolidated fiscal year. This was mainly due to an increase of ¥6,104 million in investment securities, a rise of ¥5,765 million in inventories, and an increase of ¥4,960 million in notes and accounts receivable-trade.

Liabilities were ¥132,081 million, or an increase of ¥13,885 million compared with the end of the previous consolidated fiscal year. This mainly reflected an increase of ¥8,349 million in accounts payable and a rise of ¥4,020 million in interest-bearing debt. Net assets came to ¥110,765 million, or an increase of ¥5,911 million from the end of the previous consolidated fiscal year. This was attributable primarily to an increase of ¥3,263 million in valuation difference on available-for-sale securities and an increase of ¥2,584 million in retained earnings.

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

The global economy is expected to continue a steady recovery. The Japanese economy is also expected to recover moderately going forward thanks to improvements in employment/income conditions and the government policy, among other factors. However, the Group will need to keep a close eye on the business environment surrounding the Group due to uncertain factors, such as protectionist movements mainly in the United States and the outlook of economic conditions in China and emerging countries.

The full-year consolidated financial forecast remains unchanged from the forecast announced on November 2, 2017. The forecast is based on information available when this document was published, and thus the actual results may differ materially from the forecast due to a variety of factors.

2. Quarterly Consolidated Financial Statements and Important Notes

(1) Quarterly Consolidated Balance Sheets

(Million yen)

	Previous Consolidated Accounting Term (March 31, 2017)	Third Quarter Consolidated Accounting Term (December 31, 2017)
Assets		
Current assets		
Cash and deposits	16,579	21,353
Notes and accounts receivable-trade	43,781	48,741
Merchandise and finished goods	12,337	15,404
Work in process	4,310	5,792
Raw materials and supplies	9,915	11,132
Deferred tax assets	1,530	1,554
Other	5,728	5,899
Allowance for doubtful accounts	(28)	(29)
Total current assets	94,154	109,848
Non-current assets		
Property, plant and equipment		
Buildings and structures	83,348	83,675
Accumulated depreciation	(54,051)	(55,147)
Buildings and structures, net	29,296	28,527
Machinery, equipment and vehicles	179,388	180,989
Accumulated depreciation	(134,090)	(137,703)
Machinery, equipment and vehicles, net	45,298	43,285
Land	15,499	15,127
Leased assets	3,955	3,401
Accumulated depreciation	(2,044)	(1,994)
Leased assets, net	1,910	1,407
Construction in progress	1,849	2,738
Other	32,809	33,483
Accumulated depreciation	(31,001)	(31,846)
Other, net	1,808	1,637
Total property, plant and equipment	95,663	92,723
Intangible assets		
Other	1,722	2,725
Total intangible assets	1,722	2,725
Investments and other assets		
Investment securities	27,272	33,376
Long-term loans receivable	626	472
Deferred tax assets	1,025	1,017
Other	2,681	2,740
Allowance for doubtful accounts	(94)	(58)
Total investments and other assets	31,510	37,549
Total non-current assets	128,895	132,997
Total assets	223,050	242,846

(Million yen)

	Previous Consolidated Accounting Term (March 31, 2017)	Third Quarter Consolidated Accounting Term (December 31, 2017)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	20,499	22,471
Electronically recorded obligations-operating	12,348	18,725
Short-term loans payable	16,503	20,147
Current portion of bonds	3,300	5,300
Lease obligations	604	565
Income taxes payable	738	1,070
Other	11,224	11,809
Total current liabilities	65,218	80,089
Non-current liabilities		
Bonds payable	20,800	20,800
Long-term loans payable	15,227	13,604
Lease obligations	1,765	988
Deferred tax liabilities	789	2,309
Provision for corporate officers' retirement benefits	195	215
Provision for officers' stock benefits	–	28
Reserve for repairs	305	209
Net defined benefit liability	11,031	11,244
Asset retirement obligations	177	171
Other	2,683	2,419
Total non-current liabilities	52,977	51,991
Total liabilities	118,196	132,081
Net assets		
Shareholders' equity		
Capital stock	20,983	20,983
Capital surplus	18,625	18,652
Retained earnings	59,922	62,506
Treasury shares	(1,728)	(1,732)
Total shareholders' equity	97,801	100,409
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	6,610	9,873
Deferred gains or losses on hedges	(14)	(9)
Foreign currency translation adjustment	332	132
Remeasurements of defined benefit plans	(778)	(558)
Total accumulated other comprehensive income	6,149	9,437
Non-controlling interests	902	917
Total net assets	104,853	110,765
Total liabilities and net assets	223,050	242,846

(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, 2016 - December 31, 2016)	Third Quarter Consolidated Cumulative Accounting Term (April 1, 2017 - December 31, 2017)
Net sales	150,152	169,170
Cost of sales	124,555	141,053
Gross profit	25,596	28,116
Selling, general and administrative expenses	20,246	21,630
Operating profit	5,349	6,486
Non-operating income		
Interest income	56	53
Dividends income	609	682
Foreign exchange gains	–	359
Share of profit of entities accounted for using equity method	75	169
Other	113	195
Total non-operating income	855	1,460
Non-operating expenses		
Interest expenses	662	481
Foreign exchange losses	367	–
Other	665	555
Total non-operating expenses	1,695	1,037
Ordinary profit	4,509	6,909
Extraordinary income		
Gain on sales of non-current assets	38	15
Gain on sales of investment securities	20	51
Gain on investments in capital of subsidiaries and associates	624	–
Other	13	–
Total extraordinary income	697	67
Extraordinary losses		
Loss on sales of non-current assets	6	127
Loss on retirement of non-current assets	271	193
Loss on reduction of non-current assets	7	–
Restructuring loss	300	–
Other	4	8
Total extraordinary losses	591	328
Profit before income taxes	4,615	6,647
Income taxes	1,263	1,867
Profit	3,351	4,779
Profit attributable to non-controlling interests	154	74
Profit attributable to owners of parent	3,197	4,704

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

(Million yen)

	Previous Third Quarter Consolidated Cumulative Accounting Term (April 1, 2016 - December 31, 2016)	Third Quarter Consolidated Cumulative Accounting Term (April 1, 2017 - December 31, 2017)
Profit	3,351	4,779
Other comprehensive income		
Valuation difference on available-for-sale securities	2,574	3,236
Deferred gains or losses on hedges	11	5
Foreign currency translation adjustment	(4,456)	(199)
Remeasurements of defined benefit plans, net of tax	260	220
Share of other comprehensive income of associates accounted for using equity method	67	26
Total other comprehensive income	(1,543)	3,289
Comprehensive income	1,808	8,068
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,754	7,992
Comprehensive income attributable to non- controlling interests	53	76

(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

(Application of Special Accounting Methods for Presenting Quarterly Consolidated Financial Statements)

Tax expenses were calculated by multiplying the rationally estimated effective tax rate after applying tax effect accounting to profit before income taxes for the consolidated fiscal year, which includes the current third quarter under review, by profit before income taxes for the third quarter.