

May 24, 2016

Topy Industries, Limited

**Topy Industries Group's Medium-Term Consolidated Management Plan:
Growth & Change 2018 (G&C 2018)**

~ **Aiming to Secure Sustainable Growth and a Rewarding Workplace** ~

The Topy Industries Group has formulated and launched the medium term consolidated management plan "Growth & Change 2018" (G&C 2018) covering the period from fiscal year 2016 to fiscal year 2018.

1. Review of the Previous Medium Term Consolidated Management Plan: Growth & Change 2015 (G&C 2015)

Under the previous medium term consolidated management plan that was launched in fiscal year 2012, the Topy Industries Group promoted various measures with a basic principle of global "Growth" and "Change" to achieve a highly profitable business structure. The Group moved forward steadily with the creation of foundations for the next stage of growth, such as improvement and enhancement of overseas production bases for the establishment of a global supply system in the Automotive & Industrial Machinery Components Business and the operation of the new steel plant in the Steel Business in order to achieve dominant cost competitiveness.

On the other hand, in the face of the rapid decline in demand for undercarriage components for construction machinery and wheels for mining machinery, which reflected slowing growth in China and other emerging economies in addition to slumping materials prices, the Group promptly executed business reorganization. However, it was not able to achieve revenue targets.

< Enhancement of Overseas Business >

- Vietnam: Production base for industrial fasteners (commenced operation in November 2012)
- Indonesia: Production base for steel wheels for trucks (commenced operation in April 2014)
- Mexico: Production base for steel wheels for passenger vehicles (commenced operation in April 2015)

< Enhancement of Domestic Business Foundations >

- Toyohashi Factory: New steel production factory (commenced operation in March 2015)

< Business Reorganization >

- China: Business for the production of undercarriage components for construction machinery (consolidation of production bases in November 2015)

2. New Medium-Term Consolidated Management Plan: Growth & Change 2018 (G&C 2018)

(1) Basic policy

In the business environment surrounding the Topy Industries Group, demand for automobiles and steel is expected to grow, particularly in the emerging countries of the world, while strong growth in domestic demand is unlikely due to the aging and declining population, among other things. Furthermore, in terms of demand for construction machinery and mining machinery, the recovery is still delayed as uncertainties remain, however, expansion in the longer term driven by the increasing global population and a rise in urbanization rates is expected.

Under the new medium term consolidated management plan, the Group will strive for continuous growth by continuing to promote global “Growth” and “Change” to achieve a highly profitable business structure, positioning the Automotive & Industrial Machinery Components Business as a growth driver and accelerating global business development. It will also take on new challenges by creating new ways of using proprietary technology to generate new businesses.

(2) Sustained growth of business

1) Enhancement of global presence and business expansion

(Automotive Components Business)

In an environment where automobile demand is increasing, particularly in the emerging countries of the world, and where competition is becoming ever more intense on a global scale, automobile manufacturers are reducing costs by adopting common platforms. In response to this, the Topy Industries Group will expand and reinforce its global supply system to enable the supply of wheels based on common design to anywhere in the world, thereby increasing the Group’s global presence.

In the industrial fastener segment, the Group will ensure that it captures the increasing demand by seeking to strengthen its global production capabilities by such means as launching a production base in Mexico, enhancing the production lines in Vietnam and promoting mutually complimentary cooperation among the production bases.

(Industrial Machinery Components Business)

The Group will seek to develop new customers by rebuilding the global supply system for undercarriage components for construction machinery by means of reinforcing the functions of domestic mother factories in addition to the improvement and expansion of production and logistics bases outside Japan.

[Principal Measures]

- Strengthen strategic alliances with overseas partners in the wheel business
- US: Strengthen capacities for steel wheel production for passenger cars at the production base
- Mexico: Strengthen capacities for steel wheel production for passenger cars at the production base
- Mexico: Launch production base for industrial fasteners (scheduled for January 2017)
- Vietnam: Strengthen capacities for industrial fasteners at the production base

2) Expansion of product portfolio by applying the Group's proprietary technologies
(Steel Business)

The Topy Industries Group will develop new demand by maximizing the effects of the new steel manufacturing facilities and leveraging the product portfolio that use the production and processing technologies for deformed section steel, one of the Group's strengths.

3) Challenging the creation of new businesses through technological innovation

The Topy Industries Group has received high recognition for its initiatives in developing uses in disaster response, seabed measurements, etc. of its crawler robots that utilize its production technologies built over the years in the manufacture of undercarriage components for construction machinery. Furthermore, the Group will seek to achieve practical use of the innovative moving mechanisms that allow automatic and autonomous travel and expand their sales to service and agricultural fields where demand is expected to increase.

In addition, synthetic mica, to which the Group's melting technologies in electric furnaces are applied, is mainly used for cosmetics as gloss material, and in the future the Group will seek to expand its use in cosmetics as well as for industrial purposes, such as food packaging films.

(3) Trust and empathy of society

1) Promotion of risk management

In light of the increasing importance of thorough compliance and risk management in terms of safety, environment and disaster prevention, etc., the Topy Industries Group will seek to enhance the risk management system of the entire Group.

3) Enhancement of corporate governance

From the viewpoint of the soundness, transparency, effectiveness, etc. of management, the Topy Industries Group will check and improve its governance system in an effort to increase the effectiveness of the system. In addition, the Group will introduce a performance-based stock compensation plan for the management team for the purpose of motivating them to

share a profit-based awareness with shareholders and to achieve the mid- to long- term objectives.

3) Enhancement of shareholder returns

With regard to the payment of dividends to shareholders, the Topy Industries Group will raise the target for the consolidated dividend payout ratio from the existing level of approximately 25% to a range between 30% and 35%. The Group will also review the possibility of the acquisition of own shares, ensuring a balance between investments and the reinforcement of the Group's capital base.

(4) Reinforcement of corporate foundation

The Topy Industries Group will renovate its mission-critical system and reinforce its business foundation. The Group will establish the Job Satisfaction Improvement Committee in order to steadily promote a corporate climate that enables the mid-career and young employees who represent the Group's future to take maximum advantage of their abilities. Furthermore, the Group will seek to establish a flexible corporate structure that can respond to changes and to execute reforms of corporate awareness and behavior.

(5) Quantitative goals and numerical target plans

1) Quantitative goals

	Actual performance in FY2015	Targets for FY2018	Change
Operating income to net sales	4.6%	5.6%	+1.0%
Return on equity	1.7%	7.7%	+6.0%
Return on assets	4.5%	6.1%	+1.6%
Debt-equity ratio	0.71	0.60	(0.11)

2) Numerical target plans (in billions of yen)

	Actual performance in FY2015	Targets for FY2018	Change
Net sales	215.9	250.0	+34.1
(Overseas sales ratio)	(24%)	(31%)	(+7%)
Operating income	10.0	14.0	+4.0
Net income attributable to owners of parent	1.7	8.5	+6.8

The Topy Industries Group plans a capital investment of approximately 30 billion yen over the three years and other strategic investments of approximately 6 billion yen.