

TOPY Report 2017

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TOPY INDUSTRIES, LIMITED

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Editorial Policy

◆ Basic Policy

Topy Report 2017 has been prepared to provide all stakeholders with information on the involvement and activities of the Topy Industries Group with respect to CSR in a comprehensive manner. This report is largely divided into two parts: the first part introduces the philosophy of the Topy Industries Group, topics of activities in the fiscal year (FY) 2016 and addresses the environmental and social responsibilities of the Topy Industries Group; the second part consists mainly of

financial information. Information which was previously introduced in the annual report has been integrated into this Topy Report 2017.

This report contains the information on standard release items by ISO 26000:2010 and GRI “Sustainability Reporting Guideline” as well as the Environmental Report Guideline (2012) by Ministry of Environment as reference.

◆ Reporting Scope

This report covers all companies listed as a subsidiary of the Topy Industries Group (consolidated basis), however, some activities and data represents only Topy Industries, Limited. Activities where the scope has not been specified refer, in principle, to the Topy Industries Group. Where it is necessary to specify the applicable scope, activities by Topy Industries alone are identified within the headline or sentences as Topy Industries and activities by an individual Group company are identified by the name of the Group Company involved.

◆ Reporting Period

Covers mainly FY2016 (April 1, 2016 to March 31, 2017), but includes some activities that occurred on and after April 1, 2017.

◆ Date of Issue

September 2017

◆ Inquiries Regarding this Report

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At the Topy Industries Group, we use the phrase “One-piece Cycle” to describe our approach to building a richer, prosperous society. Our Group’s most distinctive quality is our integrated production system, which covers everything from raw materials to finished products. The know-how cultivated by each of our many business divisions is shared throughout the Group, enabling us to develop technologies with greater ingenuity and to make products with greater added-value. From design to production, from raw materials to finished products, we at Topy Industries conglomerate are committed to working alongside other Topy Industries Group companies and the society that uses our products to create new ways of doing business.

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Top Message



**Toward the next 100 years,
we focus our efforts on
achieving sustained growth of
the business and establishing a
“decent company” where every
employee feels satisfaction and
pride at respective workplaces.**

Topy Industries, Ltd.
President and CEO

Contribute to realize a sustainable society through manufacturing activities

Topy Industries, since its foundation almost 100 years ago, has been brushing up its unique technologies to manufacture products for versatile industrial needs. Thanks to the untiring efforts in building up small pieces of improvement, we have brought a large number of big hit products in the market place for a sustained period. Topy has established an integrated manufacturing system from steel making to hot rolling of various types of sections and bars including special profile sections, and to processing and assembly of undercarriage components for construction machinery, wheels for highway trucks and buses as well as huge mining vehicles, all made up with the in-house produced special sections. This system combined with technological prowess of each process, has made it possible for us to attain high credit from customers for the products, establishing a solid position in the market.

This is the source of our strength. Under the basic corporate philosophy to fulfill the responsibility as a public entity and

establish trust inside and outside the company through continuation and development of business activities of the Topy Industries Group by utilizing such strength, we endeavor to respond to the trust from our stakeholders while contributing to realize a sustainable society through manufacturing activities.

Addressing Medium-Term Management Plan “Growth and Change 2018”

Under the Medium-Term Management Plan “Growth and Change 2018” (hereafter called as G&C 2018), we address ourselves to the objectives of creating a decent company where individuals who are expected to play leading roles in the future can fulfill their potentials to the fullest extent, work in respective places with satisfaction and pride through obtaining trust and sympathy from society, while achieving sustained business growth.

Gear up global business expansion and explore new demand for our products

To embody sustained business growth, we are determined to secure the benefits from establishing solid offshore production bases aiming at strengthening global presence of automotive and construction machinery components business and the benefits from a new steel making facilities at Toyohashi that is committed to offer outstanding cost competitiveness as stated in the G&C 2018, while steadily implementing new measures based on long term perspectives.

In automotive and construction machinery components business, we expand capital tie-up with MW Italia S.R. L., who has production and sales facilities in six countries worldwide centered in Europe to build a stronger cooperative relationship with them. In addition, we have recently reached an agreement with Wheels India Limited to establish a joint venture company in India. These moves are designed to respond to the requirements from the world major automotive manufacturers expanding production on common platforms, help solidify our global network enabling us to supply steel wheels with common design to any part of the world. Back in Japan, we have started discussions on our acquisition of 100% shares of Ring Techs Co., Ltd. in order to cope with a tough business environment due to anticipated decrease in demand for automobiles in the home market.

In the steel business, we cultivate markets by introducing new products such as the segment members for tunnel and mast rails for forklift trucks to increase our sales. To further strengthen our business structure, we have decided to launch production and sale of the compact coil (Trade name: TA Coil), production commencing in the fall of 2018, as a new product of deformed reinforcing bars. TA Coil, when used with automatic processing machines, offers not only the advantage of improving operation efficiency in processing the bars at working sites with significant improvement in yield rate, but also the benefits in solving shortage of skilled labor and cost reduction demand from customers in addition to the benefit from superior storage efficiency.

Aim to build a decent company where employees feel satisfaction and work with pride while enhancing trust and sympathy from society

We have been implementing continued check and improvement of corporate governance while thoroughly observing compliance and conducting risk management. In order to improve corporate value by sharing awareness for earnings with our shareholders, we have introduced a performance-based stock option while enriching returns to shareholders including exercising acquisition of own stocks. These schemes help us to enhance trust and sympathy from society and lead to realizing a decent company where employees feel satisfaction and work with pride.



Work on reforming corporate culture that can flexibly respond to changes

The company was established in 1921 and we are going to celebrate a 96th anniversary this year. During the long rugged path of business operation we have continued to take on many challenges and achieved a big growth. However, we realize we are in the world where everything changes dramatically in a short period and we are asked to respond to the changes in such business environment with greater agility than before in order to ensure sustainability of the business for the next 100 years. We firmly believe that driving force to realize it depends on the awareness and actions of each and every employee for the change, and a decent company is the base for that.

In order to do this, we should have a stern view on which tradition to be maintained and which to be changed with regard to our corporate culture that we have long enjoyed, and build up a new corporate culture with courage to meet the changing requirements of the time. The management pays serious consideration to the proposals from the Working Decency Improvement Committee of the company and we are embarking on specific actions starting from the issues that completed reviews. Furthermore, we are progressively addressing substantial changes in basic business systems to facilitate shifting to a creative job that employee can enjoy working fulfillment through pursuit of business efficiency. Under G&C 2018, we strive to promote such actions to change corporate culture.

We will greatly appreciate, through reading this report, your understanding of the activities of the company and extending your continued support and advice for the company.

As of June 23, 2017, Nobuhiko Takamatsu assumed president and CEO of Topy Industries, Limited, succeeding Yasuo Fujii who became director and chairman of the company.

Medium-Term Management Plan (FY2016 – 2018) Growth & Change 2018

Realizing sustainable growth and pursuing change to a decent corporation

Current business environment surrounding the Topy Industries Group shows a mixed picture as domestic economy does not warrant positive increase in demand due to accelerating population decrease and aging society, while expansion is expected globally in the demand for automotive and steel.

The lingering recovery in the demand for construction and mining equipment is casting uncertainty in the future, but it will regain strength for expansion in the long term in view of growing world populations and progressing urbanization.

Under the new Medium-Term Management Plan, we strive to attain sustainable growth by continuously promoting both “Growth” in the global market and “Change” toward high corporate earning structure with the automotive and construction machinery components business positioned as a driving force, and accelerating business development globally. At the same time, we will take on the challenge for new business by creating new ways to utilize our original technologies.

Basic Policy

Achieve sustainable growth and accelerate a change to build a decent corporation

Focus Theme

- 1 Sustainable growth of business**
 - 1 Enhance global presence and expand business
 - 2 Enlarge product group by leveraging advantages in original technologies
 - 3 Take on the challenges for new business by introducing technological innovation
- 2 Trust and sympathy from society**
 - 1 Promote risk management system
 - 2 Reinforce corporate governance
 - 3 Fulfill premium redemption to shareholders
- 3 Fortification of corporate foundation**
 - 1 Strengthen business foundation by reforming basic business improvement systems
 - 2 Promote the activities of the Working Decency Improvement Committee
 - 3 Reform corporate culture, awareness and behavior

Implementation Status of Major Activities

1 Sustainable growth of business

- Expand and reinforce a supply chain system allowing us to deliver our steel wheels with common designs to any part of the world to further enhance our presence as a global player of wheel manufacture by responding to the needs of major automobile makers who are expanding car productions with common platform in various countries.

Strengthen a strategic alliance with MW Italia S.R.L.

Topy Industries has increased equity investment to 14% in MW Italia S.R.L. (hereinafter called as MWI), a steel wheel manufacturer centered in Europe, having production facilities in 6 countries. The company will strengthen a long-term

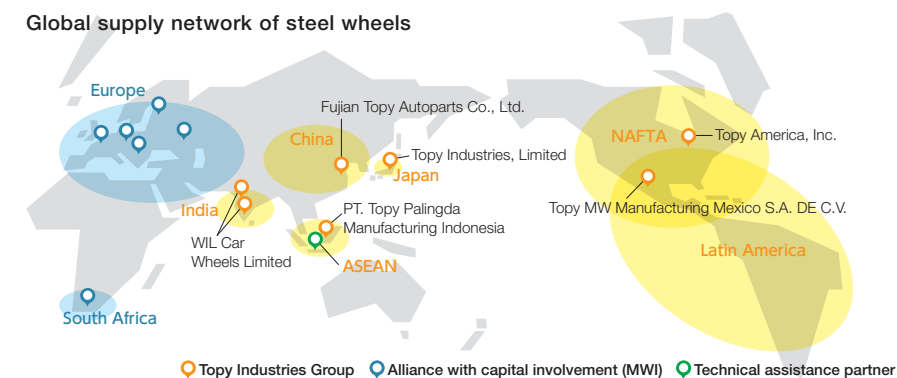
business relationship with MWI, beneficial to both parties, and further deepen business alliance, including the supply of the wheels with common design from each production base in the world which is already in place.

Agreement reached with Wheels India to establish a joint venture company for steel wheels

The company has agreed with Wheels India Limited (hereinafter called as WIL), a leading steel wheel manufacturer in India to establish a joint venture company to produce and sell steel wheels for passenger cars with an equity ratio of WIL 74% and Topy Industries 26%. The joint

venture company, WIL Car Wheels Limited, scheduled to be established in September 2017 by separating steel wheel operation at WIL Car Wheels Limited Haryana state Bawal plant and WIL Car Wheels Limited Tamil Nadu state Padi plant.

Global supply network of steel wheels



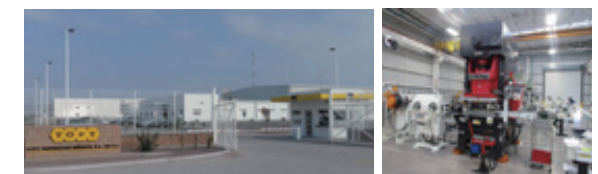
Y. Fujii, then president of the company and S. Ram, chairman of WIL, at a signing ceremony

- To capture increasing demand for industrial spring fasteners due to expanding car manufacturing in the global market, Topy Industries Group is increasing offshore production capability for industrial spring fasteners.

Operation starts at Topy Fasteners Mexico, S.A. DE C.V.

Plant construction of Topy Fasteners Mexico, S.A. DE C.V. in San Luis Potosi, Mexico completed as scheduled and production run began in January 2017.

Taking advantage of its strategic location, the company aims at capturing steadily a demand for the industrial fasteners from automobile manufacturers in North and Central America where the market is growing.



Other fasteners manufacturing bases: Topy Fasteners, Ltd. (Nagano, Japan)
Topy Precision Mfg., Inc. (IL, U.S.A.)
Topy Fasteners (Thailand), Ltd. (Chonburi, Thailand)
Topy Fasteners Vietnam Co., Ltd. (Hung Yen, Vietnam)

► We explore a new demand in the market by introducing a product featured with original technology.

Announcing sales of compact coils for deformed reinforcing bars

The company has decided to go into production and sale of Compact Coil (Trade Name: TA Coil), coiling deformed reinforcing bars in a coil with the high density, estimated commencing timing in the fall of 2018. Construction of a dedicated production line at the bar mill of the Toyohashi Factory in Toyohashi, Aichi, has already started.

The compact coil when used with NC machines great-

ly improves work efficiency in fabricating reinforcing bars at working site and yield rate besides superior storage efficiency, allowing us to help solve customers' problem with shortage of skilled workers and meet their request for cost reduction. We are going to explore demand for the compact coil by appealing such benefit to the customers.

2 Trust and sympathy from society

► The company has introduced a performance-based stock option program to the management to encourage their motivation to achieve the target set out in the Medium-Term Management Plan while sharing common awareness for earnings with the shareholders.

► As for the dividend to the shareholders, we have raised the dividend payout ratio from a target level of about 25% to recommended level of 30 to 35%. The company exercised acquisition right of own shares (acquisition period: From December 2016 to March 2017, acquisition amount: total 1.5 billion yen).

3 Fortification of corporate foundation

► The company embarked on reformation of basic business systems by introducing ERP system (SAP), common across the company. Transition to the new systems will take place progressively starting from FY2018 to improve business efficiency.

Basic business system introduction schedule

FY2016		FY2017				FY2018				FY2019	
Oct.	Jan.	Apr.	Jul.	Oct.	Jan.	Apr.	Jul.	Oct.	Jan.	Apr.	Jul.
Requirement Definition	Basic Design	Finance and Accounting System Introduce basic business system to the Steel Division and Wheel Division									
		Building phase	Test phase	Operation preparation	Operation support						
						Introduce basic business system to the Undercarriage Components Division and Science Division					
						Development adjustment	Test phase	Operation preparation	Operation support		

► The company has established a Working Decency Improvement Committee, consisting of junior staff members, and they are proceeding steadily to make a decent corporation where personnel who are expected to play a leading role in the company in the future can exert their potentials to the fullest.

Numerical Targets

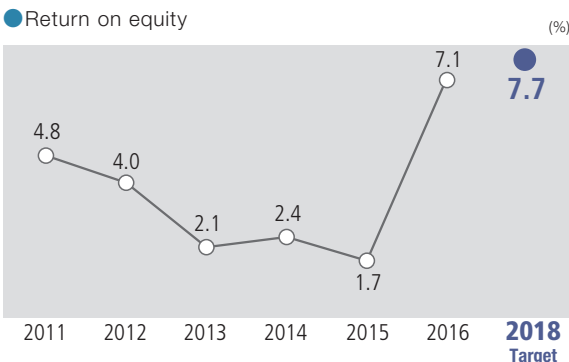
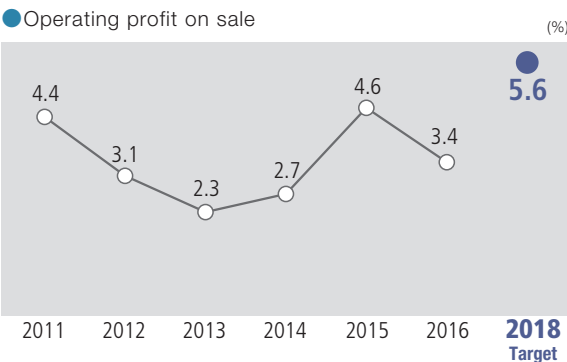
	FY2015 (Actual)	FY2018 (Target)	Increase/Decrease
Operating profit on sale	4.6%	5.6%	+1.0%
Return on equity	1.7%	7.7%	+6.0%
Return on asset	4.5%	6.1%	+1.6%
Debt equity ratio	0.71	0.60	(0.11)

Target Figures

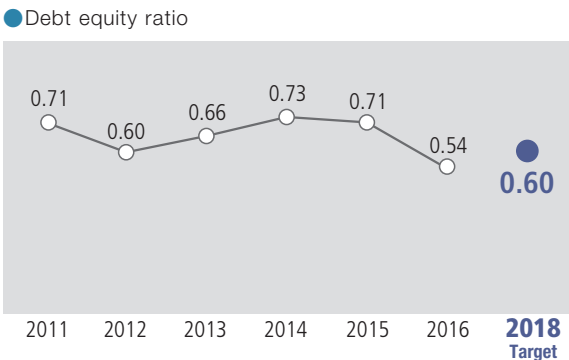
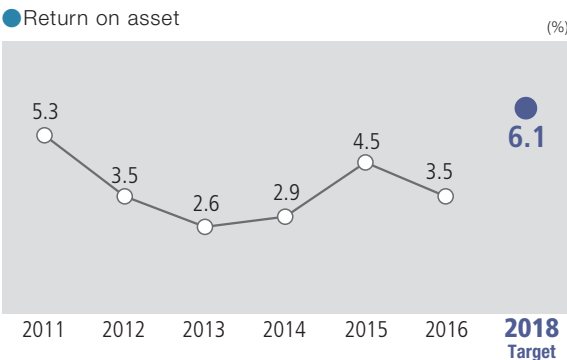
	FY2015 (Actual)	FY2018 (Target)	Increase/Decrease
Sales	215.9 Billion Yen	250.0 Billion Yen	+34.1 Billion Yen
Offshore sales	24%	31%	+7%
Operating profit	10.0 Billion Yen	14.0 Billion Yen	+4.0 Billion Yen
Profit attributable to owners of parent	1.7 Billion Yen	8.5 Billion Yen	+6.8 Billion Yen

Equipment investment is planned at about 30.0 billion yen in three years with additional investment for strategic purposes at about 6.0 billion yen.

Numerical Target Transition



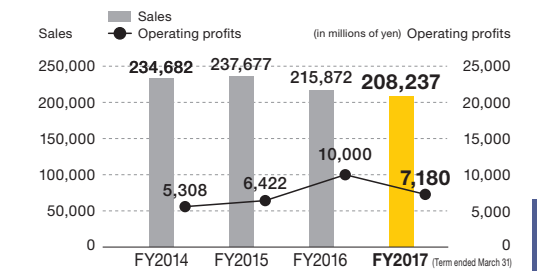
The transition of numerical target of ROE stood at 3.7% for FY2014, 6.4% for FY2015, and 4.1% for FY2016, after deducting an impact of extraordinary profit/loss.



The Topy Industries Group at a Glance

We aim to build a richer and more comfortable society where we can feel greater satisfaction in our lives. The business activities of the Topy Industries Group extend over a vast area covering steel, automotives, construction machinery, robots, distribution, transportation, sports and leisure. The various products, technologies and services provided by the Topy Industries Group contribute to society through their respective roles. Our business activities are divided into four segments, namely "Steel", "Automotive and Industrial Machinery Components", "Power Generation", and "Others".

Sales, Operating Profits and Projections

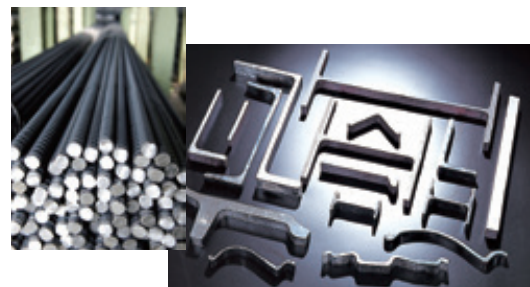


Steel Business



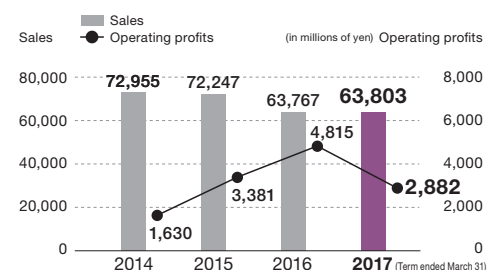
The Topy Industries' raw material business since its foundation

Topy's steel business possesses unique manufacturing technologies for special sections, is able to respond to diverse specification requirements, and has a flexible production system for high-mix, low-volume production. These technologies enable the in-house supply of raw materials to the automotive and industrial machinery components business divisions. This integrated production system of raw materials to finished products under one corporate umbrella gives Topy an extra competitive edge over other electric furnace mills. The Topy Industries Group also possesses business units engaging in steel product fabrication, collection and recycling of scrap metal, as well as transportation, trade, and distribution. These satellite Group resources are well positioned around the steel manufacturing business and act to increase the business's competitiveness.



General steel sections/Deformed bars/Extra-thick, extra-wide flat bars/Mast rail sections for forklifts/Universal mill plates with grooves

Sales and Operating Profits



Automotive and Industrial Machinery Components Business

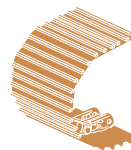


Wheel Division

A world top-class general wheel manufacturer

Topy responds to the various needs of the automotive and construction machinery industries by producing a comprehensive lineup of wheels for passenger cars, commercial trucks and buses, and ultra-large mining and construction equipment. While developing high quality products, we are committed to contributing to the future motorization of society by building a global supply system taking into consideration environmental and safety concerns as well as top priority issues of the automotive industry such as weight reduction and driving stability.

Steel and aluminum wheels for passenger cars/Steel wheels for commercial trucks and buses/Steel wheels and rims for construction and industrial machinery/Ultra-large diameter wheels (SGOR) for mining dump trucks/Industrial spring steel fasteners



Undercarriage Components Division

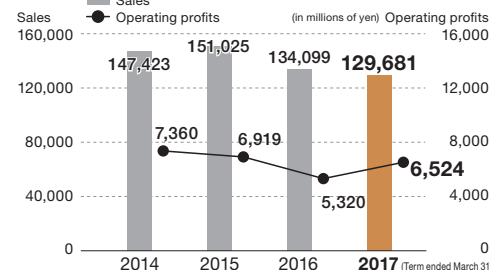
A general undercarriage components manufacturer

Taking full advantage of our unique heat treatment and processing technologies that have been accumulated over the years, Topy produces and sells various undercarriage components including shoes, track shoes and blade components (cutting edges) for construction machinery such as hydraulic excavators and bulldozers. Our competitiveness in QCD realized by an integrated production system from raw materials to finished products, as well as our design development and proposal capabilities are highly evaluated by our customers.

Shoes/Track shoes/Cutting edges/Links/Rollers



Sales and Operating Profits



Power Generation Business



Focusing on stable supply of electricity while paying utmost consideration to maintaining harmonious relations with surrounding environment

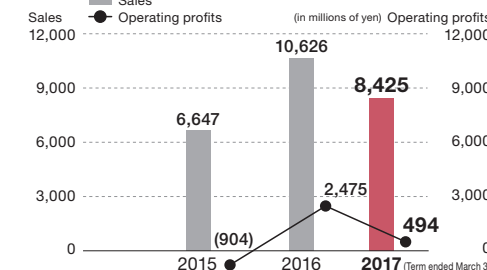
As for the power generation business, we changed supply destination since April 2015, and started supplying electricity to power producers and suppliers.

In view of increasing quantity-wise importance of this business since FY2015, power generation business has become an independent business segment. The company will continue to pay due efforts to maintain stable operating conditions and ensure undisrupted supply of the power while operating the equipment with maximum consideration to the harmony with the surrounding environment.



Power Generation Business

Sales and Operating Profits



Other Business



New earning power

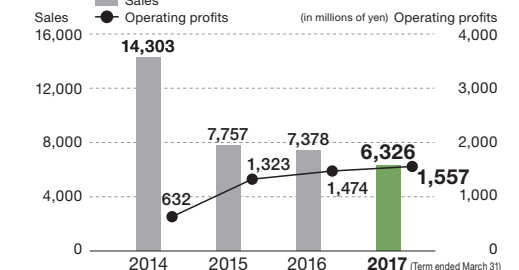
This segment includes the Science Division and other new businesses. The Science Division was established with the intent to create sources of profit for the company in science-related fields other than metal processing, and is currently developing businesses at Mica Department which sells ingredient materials for cosmetics; and the Crawler Robot Department which develops and sells remotely controlled survey robots such as those that have been utilized for the inspection of Fukushima Daiichi Nuclear Power Station. Other business includes social contribution through sports and leisure related facilities as well as indoor and outdoor advertisement.

The power generation business that had been included in the Other Business Segment became an independent segment in view of increased quantitative importance. As such, sales and operating income expressed in the graph below for the years after 2015 reflect this change.



Robots for surveying, and under floor and roof inspection/Synthetic mica/Real estate business/Sports and leisure business/Indoor and outdoor billboards

Sales and Operating Profits



In view of the increased quantitative importance of the power generating business since 2016, which had been included in other business category, this business has become an independent segment. The figures for 2015 reflects this shift in the segment.

Steel Business



A Continuous Casting Machine at New Steel Making Facilities, Toyohashi Factory

Message from the Division General Manager

Focus on building a new business model for the electric furnace mill operation



Katsuyoshi Daido
Operating Officer
General Manager, the Steel Division

The Steel Division states two main objectives to address in the Medium-Term Management Plan G&C 2018: establish “outstanding cost competitiveness” and refine “unique steel making and processing technologies for special profile sections”, and solidify its position in the electric furnace steel industry through realization of those objectives.

Operation of the new steelmaking mill, which started production in March 2015, plays a major role in achieving “outstanding cost competitiveness”. The improvement targets we originally set have been mostly cleared in terms of power cost and each basic consumption unit, including subsequent improvement effect in operation and discontinuation of billet purchasing from outside sources, thus realizing drastic cost down.

The division has long been brushing up its strength to ensure stable business continuation and expansion even under difficult environment that the electric furnace steel mill industry is confronted with. Typical examples are the special profile section technology based on optimum grooved design and hot rolling technology followed by precision processing technology after hot rolling. Our original products incorporated those technologies have chiefly demonstrated their strength in the products such as structural materials for building ships, and materials for making wheel rims and tractor shoes. Recently, in addition to those products, our technologies have been embodied in the products such as segment members for the tunnel construction at great-depth and mast rails for the fork-lift.

And most recently, the division has announced the introduction of product of new concept in the deformed bar category that will be delivered to the market starting in the fall of 2018. The deformed bars rolled straight at the mill are not cut into a specified length, instead, they are coiled in a coil in the high density: we gave it a naming of “TA Coil” (Topy Advanced Compact Coil). This product offers several benefits to the users and customers in that the reinforcing deformed bars in a coiled form allows multiple and compact stacking when transported, the use of NC processing machine improves greatly machining productivity and can determine the product length at any lengths thus contributing to drastic improvement in the yield rate. It is not an exaggeration to say that our TA Coil provides a practical solution to the users who are worried about “storage place”, “low productivity and labor shortage” and “processing losses”.

Automotive and Industrial Machinery Components Business

Wheel Division



Topy MW Manufacturing Mexico S.A. DE C.V.

Message from the Division General Manager

Enhance our global presence and expand business under the corporate policy of “Sustainable Growth and Change to a Decent Corporation”



Shinichi Kijima

Managing Operating Officer
General Manager, the Wheel Division

The Wheel Division manufactures versatile types of wheels to meet customer needs from automobile, construction and mining vehicle manufacturers and its product range covers wheels for passenger cars, trucks and buses, construction and mining vehicles. Under the Medium-Term Management Plan “G&C 2018” which focuses on “sustainable growth and reform to a decent corporation”, we beef up our presence in global perspectives and expand wheel business.

As for the automobile industry, we expect the domestic market is going to shrink due to advancement of aging society coupled with decrease in population, on the other hand the global market will expand centered on the emerging countries as stated in our Medium-Term Management Plan G&C 2018. Under the circumstances, in the home market, we have embarked on a negotiation with Ring Techs Co., Ltd., a wheel manufacturer and 100% subsidiary of Nippon Steel & Sumitomo Metal Corporation, to acquire them as a wholly owned subsidiary of Topy Industries, Ltd. As for the offshore markets, we continue to establish, expand and reinforce our global supply network from which we are able to supply the wheels with common design to any part of the world, thus enhancing our presence by adequately responding to cost reduction pressures arising from the platform communization of car makers.

The company established a joint venture company in Mexico with MW Italia S.R.L. a major steel wheel manufacturer based in Europe having production facilities in 6 countries and production commenced in 2015. In order to realize further business growth, the company increased a stake in MW Italia in 2016 as part of reinforcing global alliance. In 2017, we plan to establish a joint venture company in India with Wheels India Limited, aiming at capturing increasing demand for the wheel in the fast-growing market. To further expand our wheel business, we are prepared to timely implement production capacity increase at our offshore facilities in U.S.A., Mexico, and China.

To support offshore expansion of the business, the role of mother plant in Japan, Toyokawa and Ayase, the base from which “strengthening of manufacturing competitiveness” originates, has become more important as their united support and cooperation in brushing up “technology”, improving “cost competitiveness” and nurturing “human resources” are essential to propel our strategy in global perspectives. Our aim is to maintain and enhance our presence as a “World’s Top Class Comprehensive Wheel Manufacturer” and to make our business foundation solid with an unwavering resolve.

Automotive and Industrial Machinery Components Business

Undercarriage Components Division



Topy Undercarriage (China) Co., Ltd.

Message from the Division General Manager

Establish an optimal global production structure by reinforcing and expanding our domestic and offshore while underpinning construction machinery manufacturers and society with our products



Hiroyuki Kinoshita

Managing Operating Officer
General Manager,
the Undercarriage Components Division

The Undercarriage Components Division engages in manufacture and sales of various undercarriage components for construction machinery including hydraulic excavators. Above all, “Track shoes”^{*} for hydraulic excavators embodies the strong selling point of the company in “the integrated production from steel making to finished products”. This integrated production structure enables us to achieve high levels of QCD and our products receive high evaluation from machinery manufacturers through offering refined services including VA proposals which reflect advanced design development capabilities gained through our long manufacturing history.

Currently, the division operates at total six locations including three bases in Japan and one each in North America, China and Indonesia. This allows us to respond to customers’ globalization in terms of supplying the products with high levels of QCD to them, risk management against the fluctuations of exchange rates and inventory risk mitigation by JIT deliveries, thus resulting in obtaining a leading market share for a long sluggish demand for the construction machinery hit the bottom in 2015 and the market has turned onto a recovery track as the investment in infrastructure started to increase in China and emerging countries centered in Indonesia, and commodity prices showing an upturn. In the medium- and long-term perspective, global demand for the construction machinery is expected to grow in view of increase in the world population and anticipated expansion of urbanization.

Under the circumstance, we aim to grow into a leading company in the industry we belong to as stated in the Medium-Term Management Plan G&C 2018, develop high value-added products and services based on customers and market needs, improve cost competitiveness, promote sales by leveraging our advantage in having multiple production and business bases in the world, and strengthen our business foundation.

^{*}Track shoes: Component of “tracks”^{***} manufactured by processing hot rolled steel materials. Track shoes and other components are assembled to form “tracks”.

^{**}Tracks: A general name for assembled undercarriage components of construction machinery and is generally called as steel track belt.

Other Business

Message from the Division General Manager

Work to develop products with unique features through technology innovation and take on the challenge to expand new business



Satoshi Fukura

Operating Officer
General Manager, the Science Division

The Science Division is comprised of two departments of different nature; the Mica Department engages in the production and sale of synthetic mica and the Crawler Robot Department producing and selling travelling robots fitted with metal and/or rubber crawlers utilizing manufacturing technologies developed for the undercarriage components produced in-house. The birth of the Science Division goes back to 2008 when the company determined to create an independent department with a view to create and nurture a new earning source of the business for the next generation by selecting a theme out of the research and development items that the company has been involved.

Our synthetic mica has features such as high purity, superior transparency and stable quality, and is widely used by the cosmetic products manufacturers in domestic and overseas markets as a basic material for their make-up cosmetic products. In the industrial use, our mica is also used as the heat retaining cover papers to protect copying papers, application as gas barrier to the food packaging films, a promising material with potential market. Natural mica has been widely used as one of the main materials for the cosmetic products in overseas markets but we expect that they are likely to use more synthetic mica as requirements for safety and high functionality increase. We plan to expand the market globally for the synthetic mica by strengthening presentation for our products as we anticipate high growth of the market in China and the South East Asia region. It is our strategy that we make differentiation from competitors by offering safe and high functional materials supported by our intrinsic technology not only for cosmetic use but also for industrial application.

As for the robot business in Japan, demand for the practical robots has been increasing noticeably in recent years in all domestic industries in view of the concerns for labor shortage due to decreasing birth rate and aging population. Topy's crawler robots developed by joint works with private and public sectors in the areas such as the investigation related to decommissioning of the nuclear power plant, marine resource survey as well as space exploration which have acquired high reputation. We expand our robot business operations by developing practical robots with all directional and autonomous travelling capability supported by further advancement of our established intrinsic technology. The robot is capable to do the work in the area that has been refusing person, do the dangerous and/or heavy jobs for person in the industries centered on logistics, agriculture and construction.

It is our basic concept for business that we put a new product on the market strictly based on research and development. We aim to achieve a sustainable growth of the business by working harder to advance our technology for differentiation from others and at the same time by expanding sales.

New Products and Technologies

Introducing some of Topy's next-generation products and technologies

The Topy Industries Group has been actively promoting various research and development themes that suit needs of customers and society, embodying the ideas into visible products. The items introduced below show some of new technologies and products that are expected to help boost the growth of the Topy Industries Group in the future.

1 Development of wide flat bars with grooves*1 (UM645 x 30)

The company has developed wide flat bars with grooves, the largest available size in the domestic market for the tunnel segment members.

The flat bars with 645mm width have never been produced in Japan yet and it has been thought beyond our hot rolling capability at Toyohashi too. However, we have made it possible to produce the flat bars with 645mm wide thanks to the technological innovations mentioned below.

1. Development of a new forming method: A hot rolling method allowing us to make flat bars with significantly greater width than the bloom width
2. Improvement in analysis technology using TOPY CORMILL SYSTEM, TOPY COMS²

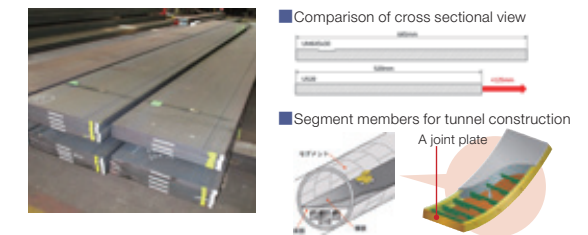
We are now in smooth production run of wide flat

bars (UM645 x 30), with tryout operations going on for different width and thickness.

*1 Topy produces flat bars without grooves too.

*2 TOPY CORMILL SYSTEM and TOPY COMS

Topy's expertise hot rolling analysis system employing the three dimensional rigid plastic finite element method: contributing to shortening design development time for a new product and improving hot rolled product quality by analyzing deformation behavior of the hot-rolled products including special profile sections by using the two systems.



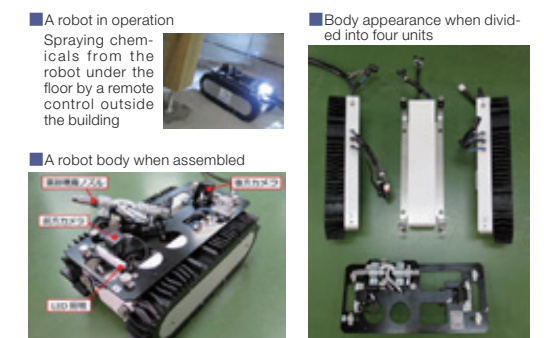
2 Development of dividable type robots

Recently the use of the robot has been increasingly studied for the operation at a narrow place. Topy has developed a dividable type robot that facilitates performing effective job by the robot in a narrow space under a joint work with Koshii Preserving Co., Ltd. who produces and sells wood preservative.

We utilized the body of Anie® II S-90 robot as a base and divided the body, allowing the divided body to go through a narrow opening with the minimum 80mm high while maintaining its original traveling performance (step climbing function of 85mm, traveling speed 1 km/h). After entering the job area through the narrow opening, the four divided units can be easily assembled into one body by fastening with the screws, connecting a power source and communication cable, thus we succeeded in expanding the use of the robot for the inspection and

operation at a narrow area.

The robot application to the chemical spraying operation into a narrow area is now undergoing a verification process.

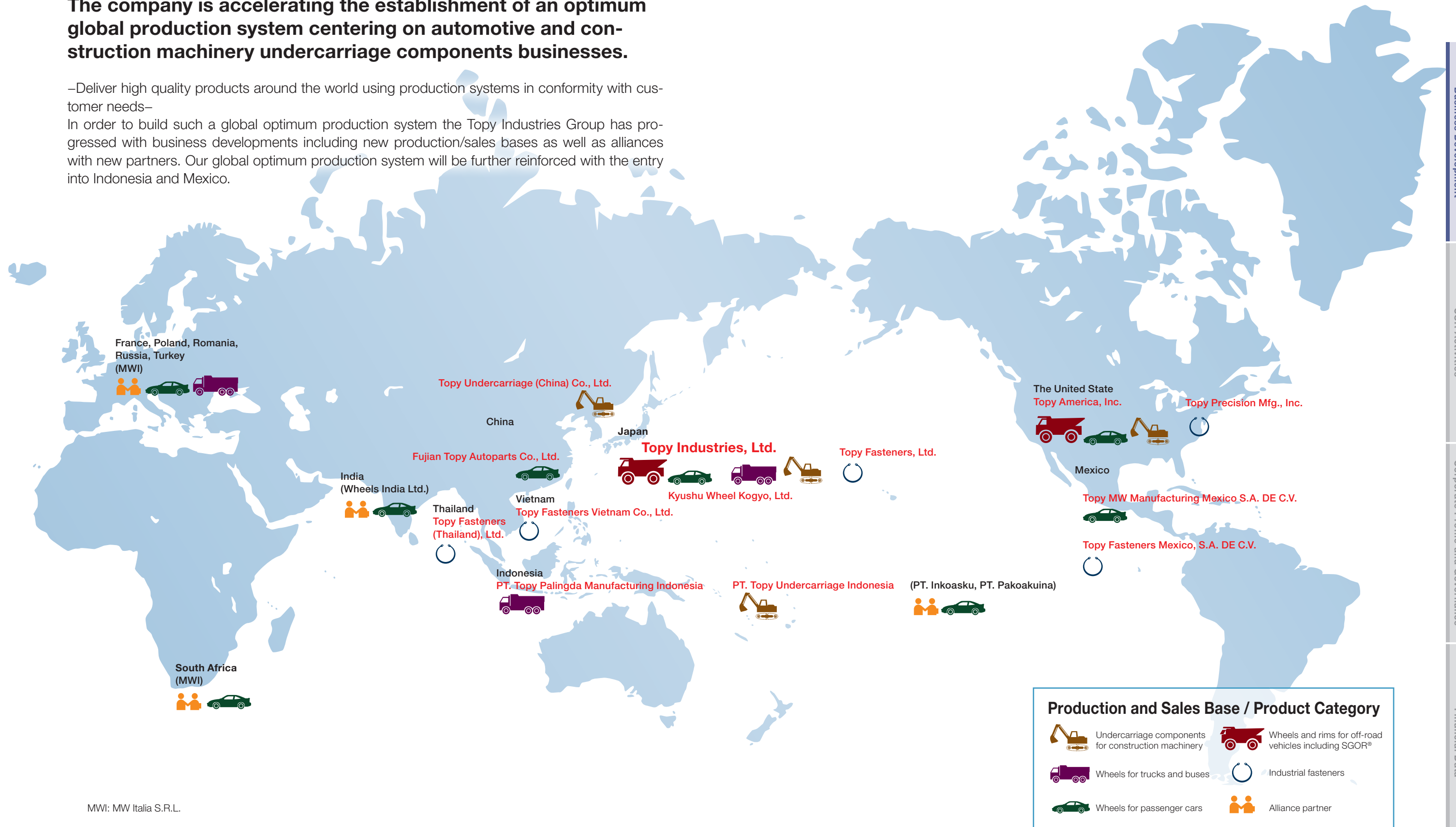


Global Development of the Topy Industries Group

The company is accelerating the establishment of an optimum global production system centering on automotive and construction machinery undercarriage components businesses.

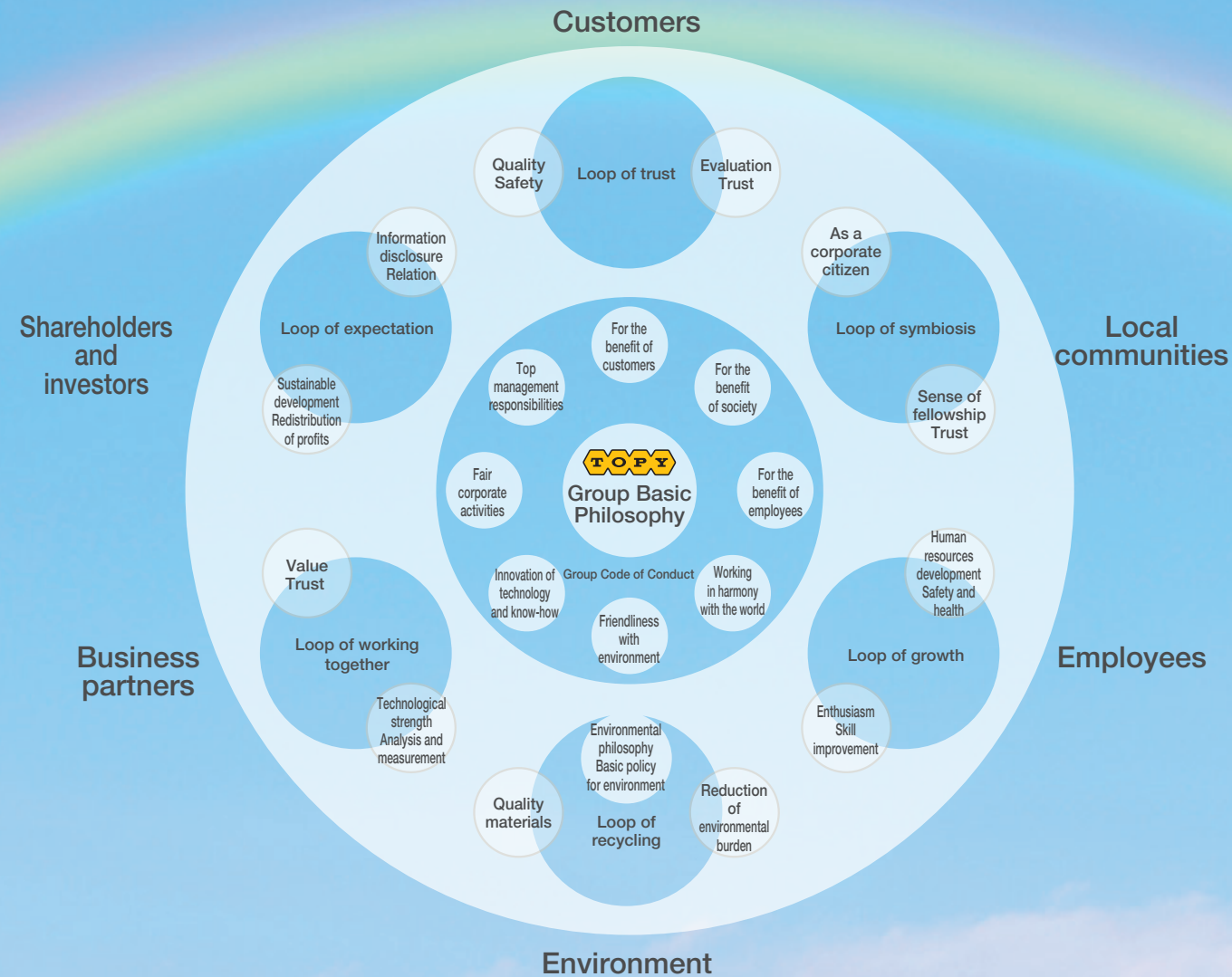
–Deliver high quality products around the world using production systems in conformity with customer needs–

In order to build such a global optimum production system the Topy Industries Group has progressed with business developments including new production/sales bases as well as alliances with new partners. Our global optimum production system will be further reinforced with the entry into Indonesia and Mexico.



CSR of the Topy Industries Group

The Topy Industries Group understands the relationship with its stakeholders as shown below and desires to propel CSR activities by deepening two-way understanding through the six loops.



A loop of "Expectation" with shareholders and investors

Respond to the expectations that shareholders and investors have with regards to Topy Industries through sustainable growth of business and disclosure of corporate information with high transparency and establish a win-win relationship that ensures mutual benefit.

A loop of "Working together" with business partners

Make use of technologies and values possessed by both parties through dealings in a fair and equitable manner, and establish a relationship of working together across entire value chains by actively providing information such as analysis and measuring technologies.

A loop of "Trust" with customers

Deliver customers safe and high quality products, establish an environment where customers' evaluations of our products are repeatedly fed back to the production site, and build a solid trust.

A loop of "Recycling" for the environment

Take positive initiatives in promoting recycling of precious natural resources pertaining to the self-declaration that Topy Industries is a recycling corporation, and work to reduce environmental burden in social lifestyles.

A loop of "Symbiosis" with local communities

Fulfill responsibility as a member of the local community, actively promote communication, and create fellowship recognition to ensure co-development.

A loop of "Growth" with employees

Provide maximum consideration for the growth and safety of employees working in the Topy Industries Group and make the most of their skills and passion. Build a relationship to ensure that both employees and the corporation can grow.

Responsible behaviors by each corporate employee based on the Group Corporate Basic Philosophy and Group Corporate Code of Conduct; this is the basic position of the Topy Industries Group towards CSR.

Since the enactment of the International Standard ISO 26000 on November 1st, 2010, the recognition that every organization should fulfill its social responsibility for the sustainable development of society is spreading world-wide. CSR activities are one of the most important issues for our organization. The Topy Industries Group believes that in order to respond to the expectations and needs from stakeholders including customers and employees of the corporation, CSR should be handled as one corporate strategy. Corporations are indispensable existence for the development of economy, but at the same time, its activities have huge impacts on society and the environment. We must therefore fully recognize that continued CSR activities are essential. We desire that the Topy Industries Group continues to be a trusted organization working worldwide with global perspectives and responding to the expectation of various stakeholders including customers, consumers, shareholders, investors, local communities and employees. In other words, CSR means the "activities needed to become a trusted company". Going forward, we will look beyond short-term profits and contribute to the creation of a sustainable society through development of business activities by combining overall aspects of economy, environment and society from various angles.

In April 2009, we formulated the Group Basic Philosophy and Group Code of Conduct as the basis of CSR activities and have promoted CSR awareness to be shared by hosting



Tadashi Kojima
Executive Vice President

sessions. To further strengthen our Group compliance, we have prepared a Compliance Guide Book and opened an office for consultation about corporate ethics for all Group companies.

Recently, many scandals involving large corporations have been reported. Taking this opportunity as a reminder to ourselves, the Topy Industries Group will reinforce the importance of the Group Basic Philosophy and the Code of Conduct to fulfill our responsibility to stakeholders.

We will strive to realize the Group Basic Philosophy by addressing issues along with the Group Code of Conduct, and continue to be a corporate group that is needed by society.

The Topy Industries Group Corporate Basic Philosophy

Win the trust and respect of society through the continuance and development of the Topy Industries Group and the execution of one's duty as a public institution.

The Topy Industries Group Corporate Code of Conduct – To win the trust and respect of society –

Under the Corporate Philosophy, the management and employees of the Topy Industries Group shall strictly abide by all applicable laws and ordinances, the spirit reflected, and the Corporate Code of Conduct, while accepting full corporate social responsibility and fostering an open-minded and creative corporate culture.

Article 1 (For the benefit of customer)

Produce and supply, high-quality and safety-oriented merchandise and service to gain customers and consumer confidence.

Article 2 (For the benefit of society)

1. Communicate widely with society as well as shareholders and actively disclose corporate information fairly and appropriately. Cooperate with local communities and actively work on social contribution activities as being a good corporate citizen.
2. Oppose resolutely any anti-social forces and parties posing a menace to social orders and security.

Article 3 (For the benefit of employee)

Respect the individual character and personality of employees, and provide safe-working environments allowing them to work with enthusiasm, and attain fulfilling lives.

Article 4 (With the world)

Pay due respect to different cultures and customs of all countries and regions, and perform business activities to contribute to the development and well being of local communities.

Article 5 (With the environment)

Realize that a sensible approach to environmental conservation is essential to the existence and activities of the company, and behave voluntarily and actively.

Article 6 (Technology and know-how innovation)

Seek widely for knowledge and information both domestically and internationally, and continue the innovation of technology and know-how by refining distinctive technologies and professional competence.

Article 7 (Fairness in corporate activities)

Operate business in a fair and transparent manner under free competition and appropriately keep an arm's length distance from politics and administrative agencies.

Article 8 (Responsibilities of top management)

1. Top management shall make example by leadership and inform the strict adherence to the Code of Conduct and ensure the compliance of the corporate ethics effectively administrating its management systems.
2. If and when any of the Code of Conduct is violated, management shall demonstrate an indomitable determination to personally solve the issue by launching an investigation and shall take actions to prevent the recurrence of such incidents. At the same time, top management shall make full disclosure within and outside the company promptly and precisely, and, upon determining the source of competence and responsibility, impose strict disciplinary action against those held responsible.



Sustainable Growth of the Topy Industries Group and Change to a Decent Corporation

Why do we need “a stronger sense of job satisfaction and pride in ourselves” in aspiring to sustainable growth?

Thorough efforts, improvements and changes are needed in much greater extent than ever before to meet customer requirements in terms of quality, costs, delivery or the like to get over tough competitions in all phases of our business activities in the coming years. And, in order to conquer difficult economic times coming ahead of us and respond to fast changing business environment with agility and flexibility, we need “human resources with full of human strength” who can think deep themselves, find out issues and problems to be addressed as many as possible and work out solutions with friends or colleagues.

In the organization, where each employee think proactively, find out issues and problems and work together with his or her colleagues and those behaviors are shared as “natural values”, they can always feel strong awareness and sound sense of danger, act flexibly to the changes in business environment in order to continue reforms and keep producing satisfactory performance. People working in such organization can feel they are growing through the job that keeps producing wisdom through repeated dialogue with their colleagues and eventually feel enjoyment in the job and become happy through the job.

The company has announced a policy for “sustainable growth and change to a decent corporation” in the Medium-Term Management Plan “Growth and Change 2018” and this is based on a concept that the organization having a built-in “culture” that sees improvements and changes everywhere everyday is promised to attain sustainable growth and turns to be a decent corporation.

Here, we introduce some of the specific initiatives to realize this policy.

Norio Saito, Senior Managing Director (Chairman of the Decency Improvement Committee)

Reason to establish the Decency Improvement Committee and the Decency Promotion Group

In the Medium-Term Management Plan “Growth & Change 2018” the company announced to establish The Decency Improvement Committee as part of measures to strengthen corporate business foundation and committed to steadily promote to build a decent corporation where the middle and junior staff can exert their ability to the fullest extent. The Decency Improvement Committee was born with a role to build the foundation of the Topy Industries Group in the future. In addition, the Decency Promotion Group was established with a view to assist activities jointly with the committee, reform corporate culture through long term and continuous activities, build up the knowledge and knowhow obtained from the activities, and enhance the ability to implement the initiatives reported from the committee.

We promote decency with effectiveness and address ourselves to work and life balance while the two organizations complementing each other, producing a synergy effect.

“Catch phrase” PEAKs to promote changes in awareness and action

The company conducted a survey on employee satisfaction in September 2016 to grasp priority issues to the Topy Industries Group to promote decency, from which we were able to see four priority issues that we have to tackle; “organization culture”, “business strategy”, “working conditions” and “employee evaluation system”.

To find solutions to these issues, we reviewed what issue we should tackle first and came up with a conclusion that we should start from the most urgent issue to work on, namely a change to employee awareness and behavior, needing a catch phrase easy to understand as action guideline for that purpose. That is PEAKs.

What's PEAKs ?

P=stands for Positive, Professional : Behave with forward-looking thinking and professional awareness.

E=stands for Encouragement : Encourage others to enable them to conquer difficulties.

A=stands for Accountability : Be accountable by thinking any jobs have anything to do with ourselves.

K=stands for Kindness : Be kind to others

S=stands for Self-reformation : Change awareness and behavior of each employee

10 measures that the Decency improvement committee is going to implement

1. Mentor system

E K S

This is a measure designed to facilitate understanding human troubles and improving communication among the workplace. A system that assists solution and growth through mentoring system where the mentor provides advice and support based on his or her experience to the young mentee having trouble or worrying about his or her job.



2. No overtime working day

S

This is a measure designed to vitalize the company through awareness change of employee by setting one non-overtime day a week to so that they can promote efficiency and finish his or her work within normal working hours. By having more time for individual life, work and life balance is expected to improve.

3. Shorten meeting time

S

First extract the items to be improved with regard to the way of proceeding meetings and the matters for the meetings, verify them followed by implementation of reducing meeting time across the company.

4. Concentration time

S

This means the time free from telephone communications, time free from making business requests, time free from attending the meeting. By doing so, employee is able to secure the time that can be concentrated to their jobs and improve job efficiency.

5. Reviewing the health and welfare system

K

This is designed to improve employee motivation by connecting to fulfillment of health and welfare matters.

6. Reviewing formulation of common values

P E A K s

This intends to review formulation of common values encouraging employee to have empathy, find a meaning to work and have loyalty.

7. Exchange of greeting

K

This helps to understand the basic thing that basic human relationship starts from greetings and that communication action works to recognizes the existence of your party being there. We intend to deploy this movement across the entire organization as a tool to make communications smooth.

8. G&C card

P E K

This is a card handed to your job partners to express your feeling of thanks to the performance for “Good job” and “Good challenge”, designed to improve motivation and vitalize communications. An award will be given from the president of the company for the employee who has received most cards from the colleagues.



9. Discussion with the management

P A

We intend to narrow the distance between the hearts of each other by providing an occasion for discussion with the corporate management. The specific theme of the discussion will be determined by the committee to nurture loyalty to the company, to understand and promote the business strategy including Medium-Term Management Plan.

10. Workplace visit by children

P A K

The company organizes and provides a workplace visit program to let the families of the employees know a little bit about the atmosphere where their fathers and mothers are working at each workplace. We believe this will help deepen communications with employee's family and raise motivation of the employees.



Energy Saving Activities Award

The Enekatsu 2020 or Energy Saving Activities 2020 started in FY2013 with participation of all the Topy Industries Group employees to reduce energy consumption and respond to environment conservation.

◆ Topy Energy Saving Award to Toyokawa Factory

This activity intends to achieve assured target of the energy saving law (1 % reduction compared to the previous year), competed among Topy's manufacturing site units. A total of 8 business sites including 4 factories of Topy Industries and 4 group companies participated.



◆ Topy Power Saving Award to the Track Shoes Manufacturing Department of Toyohashi Factory

This is an open competition inviting head quarters, branch offices, non-production department including administrative department of the manufacturing site. A total of 53 units participated this year.



◆ Topy Energy Saving Improvement Award to the Equipment Control Group, Engineering Control Department of Toyohashi Factory

A special award given to the proposal that achieved greatest effect, chosen from the improvement proposals. The improvement theme that received the award this year is "power reduction by reviewing automatic operation of the heating compressor at the heavy and medium rolling mill.



CSR Highlights/Environment Topics

“Water Resources” Conservation Activities at the Topy Industries Group



The earth is called a planet of water with about 2/3 of the surface covered with the waters of the oceans, lakes, rivers and the like, with an estimated water volume of 1.4 billion cubic kilometers. Fresh water percentage to the whole water is mere 2.5% and surprisingly, surface waters readily available for use is said to be as little as 0.01%.

We are told that less and less amount of fresh water is available due to the changes in global environment and spreading contaminations, and that the time is not be so far in the future when it is no more an obvious thing that water starts running upon turning the faucet. Now, we have to know that water is a so precious a resource not only for human life but also for the industrial activities.

At the Topy Industries Group, we are involved in conservation of the water resources through total usage of the waters including use of circulated water, rain-water, river water as well as drain water.

As for the water pollution control, in March 2001, fluorine and boric acid was added into the quality standards for soil environment, and in June 2001, effluent standards were determined to the amount at the factories, operating sites. Each factory receives scheduled and non-scheduled checks including the water sampling inspection by the pertinent authorities, the results of which proves all our facilities meet the regulated amount of fluorine and boric acid.

In addition, at Toyohashi Factory, we have continually implemented measuring of the concentration of nitrogen and phosphate in the drain water, thus blocking those chemicals from flowing out of the factory site. Each factory is equipped with automatic measuring equipment and makes effective use of them while formulating the operation procedures when abnormalities are observed, building a water quality monitoring system to prevent abnormal drain.

Environmental Activity Reports

Environmental Management [Topy Industries, Ltd.]

Environmental Philosophy

We believe it is our duty to preserve a rich and beautiful world for future generations to enjoy. In partnership and solidarity with local communities we will work to promote continuous improvement in everything we make, from materials to finished products, to lay the foundation for sustainable development in our society.

Basic Environmental Policies

As part of its duty as a corporate citizen, Topy ranks continuous improvement under the ISO 14001 environmental management system among its top management priorities. Therefore, Topy has established and implemented the following policies:

1. Complying with the Law

Topy will comply with all environmental regulations, protocols, and agreements in its manufacturing activities.

2. Reducing Environmental Footprint

In order to bolster environmental management, Topy will undertake cost-conscious efforts to reduce its environmental footprint by saving energy, lowering greenhouse gas emissions, using fewer resources, and recycling.

3. Developing Environmentally Conscious Products

Topy will develop products that are environmentally conscious at every stage in their life cycle, from design and production to use and disposal.

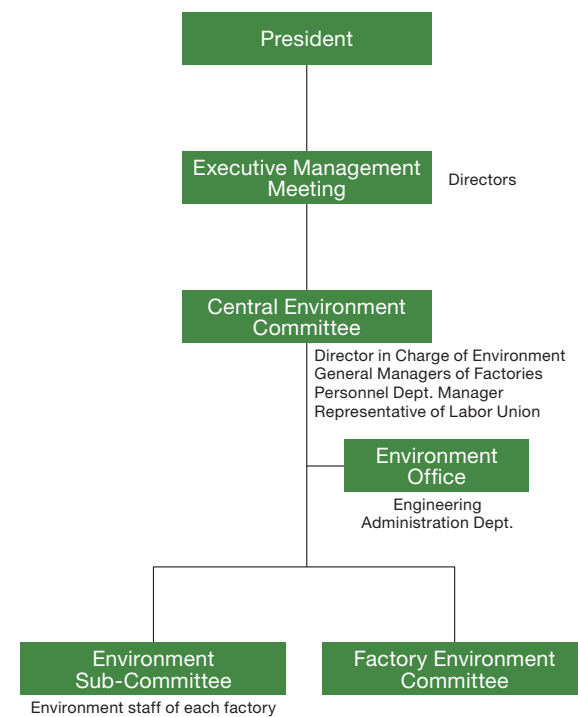
4. Raising Environmental Awareness and Finding Harmony with Local Communities

Topy will promote understanding of its environmental policy and raise awareness of environmental conservation through environmental training and enrichment for its employees. Furthermore, Topy will strive to create harmony between the company and local communities.

5. Conserving the Environment in Overseas Business Activities

Topy will remain mindful of its impact on local environments and implement measures in accordance with the needs of local communities.

Environment conservation initiatives promotion structure [Topy Industries, Ltd.]



ISO 14001 certification status

Since the Wheel Division (Toyokawa Factory) launched a certification acquisition program to promote environment conservation activities in February 1998, all Topy manufacturing sites have undertaken an ISO 14001 certification acquisition program, which was completed in June 1999.

Maintenance of our environmental management system has been confirmed by regular audits after this initial certification. We are carrying out environment-friendly production activities by promoting scheduled and systematic environmental initiatives in line with our Basic Environmental Policies.

ISO 14001 Certification Status [Topy Industries, Ltd.]

Factory	ISO 14001 certification obtained	Transition to 2004 version	Transition to 2015 version
Toyohashi	Apr. 1999	Completed in Feb. 2006	To be completed in Feb. 2018
Toyokawa	Nov. 1998	Completed in Oct. 2005	Completed in Aug. 2016
Ayase	Nov. 1998	Completed in Nov. 2005	Completed in Sep. 2016
Kanagawa	Jun. 1999	Completed in Jun. 2005	Completed in Jun. 2017

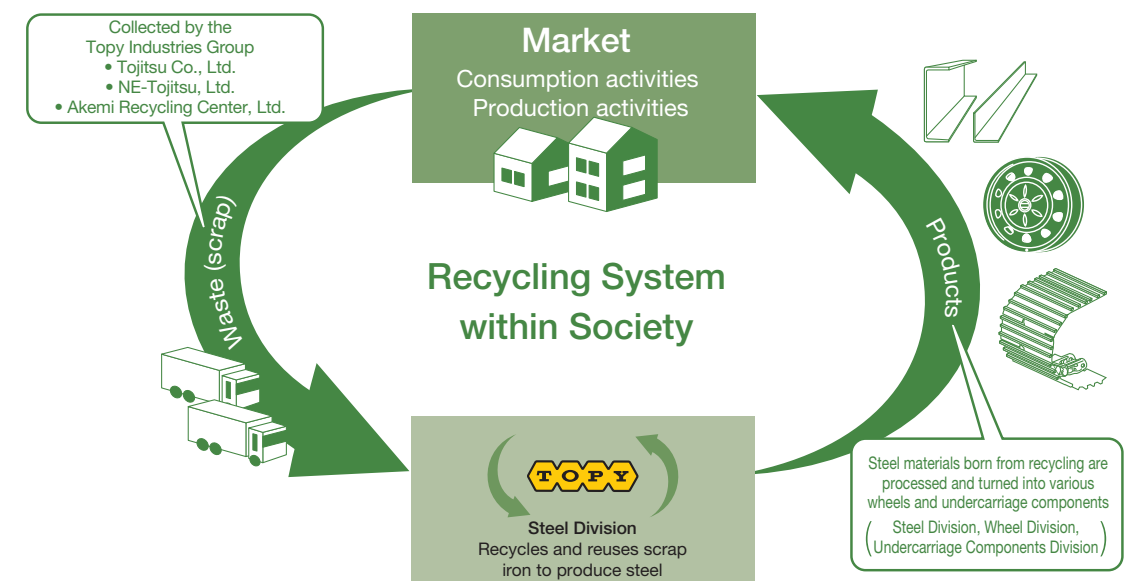
Recycling [Topy Industries, Ltd.]

Topy Industries is a recycling corporation

Topy Industries, Ltd. manufactures steel products using scrap iron generated over the course of consumption and production activities within society.

In this business model, we see ourselves as a com-

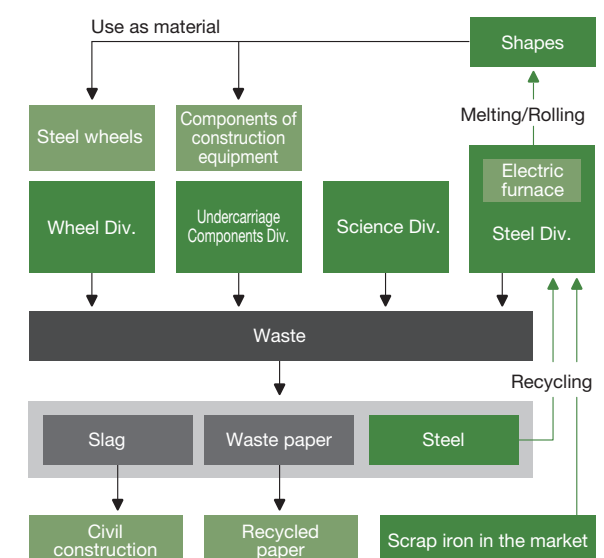
pany assigned to carry out a vital role in the production activities within the recycling system of society. Furthermore, we have implemented an original recycling system within our production flow for the reuse of resources.



Reuse of material

At Topy's Toyohashi Factory, we produce various steel sections from molten steel made in an electric furnace. We have two sources of scrap iron, the major material for our steelmaking process; scrap gathered in-house and scrap procured from outside. A substantial quantity of steel sections produced by the Steel Division is shipped to the Wheel Division and the Undercarriage Components Division to be used as raw materials in the production of various wheels and undercarriage components.

In-house recycling system



Environmental Activity Reports

Initiatives on Waste Reduction [Topy Industries, Ltd.]

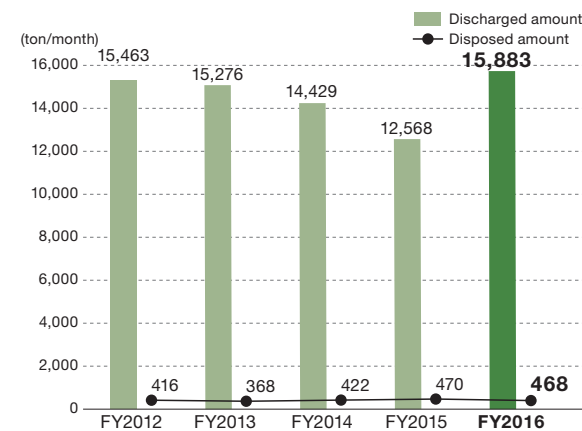
Waste reduction and recycling

A part of the metal scrap (steel) generated during production activities is reused directly in-house as a raw material in electric furnaces. As for other waste, we are engaged in reducing ultimate disposal amount of waste through re-resourcing (e.g. collection of scrap iron, collection of zinc out of melting dust). Oxidized slag generated from steelmaking is recycled at a rate as high as 90% or more and is reused for civil construction material and concrete material.

The amount of discharged industrial waste increased about 26% year-on-year in FY2016 as the slag volume grew due to increased crude steel production. Meanwhile, ultimate amount of disposed industrial waste remained almost flat at 468 tons since the previous year.

We continue to promote recycling and reduce the amount of ultimate disposed industrial waste through the expansion and improvement of 3R activities.

Transition of Discharged and Ultimate Amount of Industrial Waste Disposal [Topy Industries, Ltd.]



Recycling of machining oil by purification treatment

At Topy Industries, various types of machining oil are used at its manufacturing processes and reuse of the machining oil has become one of the major concerns in terms of environmental impact. At Ayase Factory, the used machining oil undergoes purification treatment and is reused. We plan to introduce this system to all other factories.

Obtained revised JIS Certification for Oxidized Slag

Toyohashi Factory has established a system in which oxidized slag generated within the electric furnace during the refining process and reduced slag discharged from the ladle after continuous casting subsequent to the refinery process are completely separated, treated, processed and recycled by installation of a slag cooling facility and crushing facility. In April 2013, the factory obtained JIS A 5011-4: A slag aggregate for concrete category No.4: electric furnace slag aggregate. In addition, the factory acquired in December 2013, another certificate for Revised JIS A 5011-4 and started to produce and sell electric furnace oxidized slag aggregate for concrete.

Oxidized slag aggregate is heavier in specific gravity than natural materials such as sand and gravel that have been used as concrete aggregate materials and so we expect slag to be used for heavy concrete aggregate such as wave dissipation blocks. The sales expansion of oxidized slag aggregate for concrete has a favorable effect as it reduces the extraction of natural aggregate materials and thus its impact to natural environments and also curbs energy consumption. We will exert our continued efforts to reduce environmental load through review of our business activities.

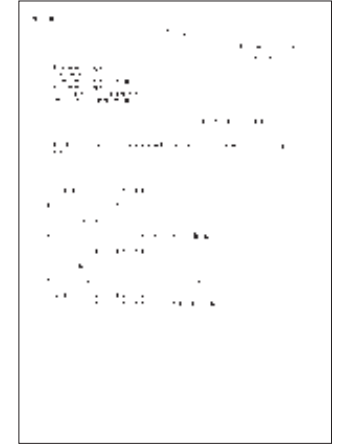
Electric Furnace Slag for Recycled Road-bed Material ECO Stone™ obtains "AIKURU" certificate

The electric furnace slag for recycled roadbed materials (Product Name: ECO Stone™) is a recycled roadbed material made by crushing, sheaving and mixing oxidized slag and reduced slag. The ECO Stone™ obtained a license on August 31, 2014 under the Aichi Prefecture Recycle Materials Evaluation System (Pet name: AIKURU), which started in 2002. The license certifies that the materials meet quality, performance and environmental safety requirements, and that it can be used for public works. Certificate Number 2)-201.

ECO Stone™ meets the environmental criteria by a great margin in terms of elusion and inclusion of hazardous materials.

Hazardous Materials Elusion and Inclusion Test (Analysis example)

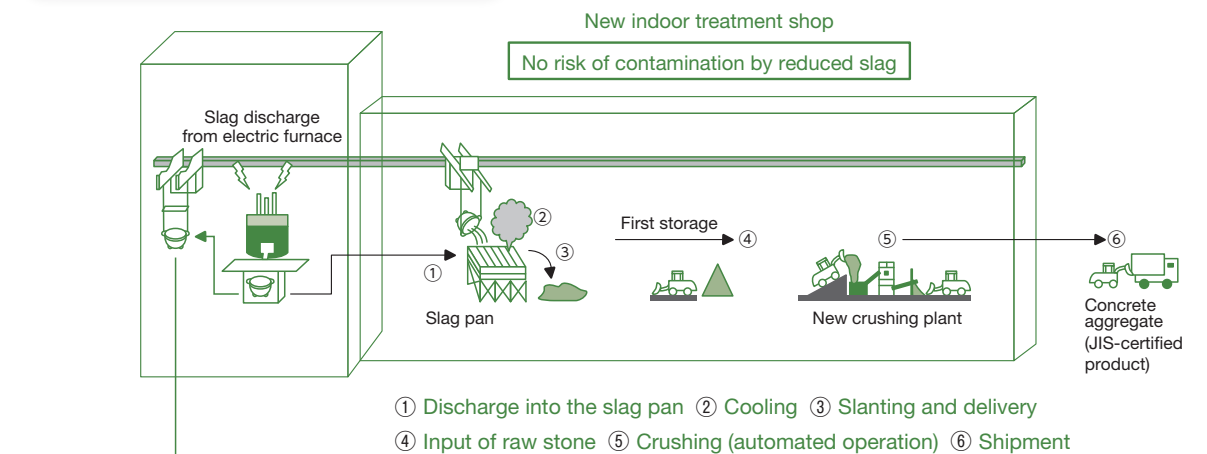
Item	Elusion Test (mg/L)		Inclusion Test (mg/kg)	
	Analysis value	Spec. value	Analysis value	Spec. value
Cadmium	< 0.001	≤ 0.01	< 5.0	≤ 150
Lead	< 0.005	≤ 0.01	6.0	≤ 250
Hexavalent Chromium	< 0.01	≤ 0.05	< 2.0	≤ 15
Arsenic	< 0.005	≤ 0.01	< 0.5	≤ 150
Total mercury	< 0.0005	≤ 0.0005	< 0.05	≤ 150
Selenium	< 0.002	≤ 0.01	< 0.5	≤ 150
Fluorine	0.05	≤ 0.8	160.0	≤ 4,000
Boron	0.19	≤ 1.0	150.0	≤ 4,000



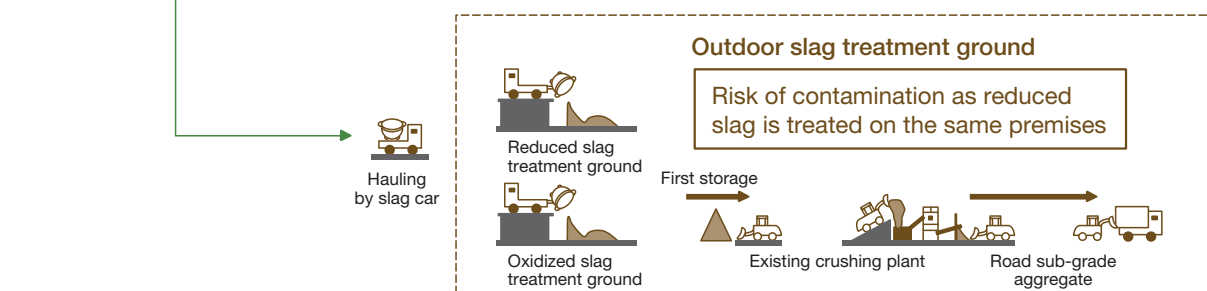
AIKURU Certificate

New Slag Treatment Flow

New slag treatment for JIS certification



Conventional treatment



Environmental Activity Reports

Initiatives on the Prevention of Global Warming [Topy Industries, Ltd.]

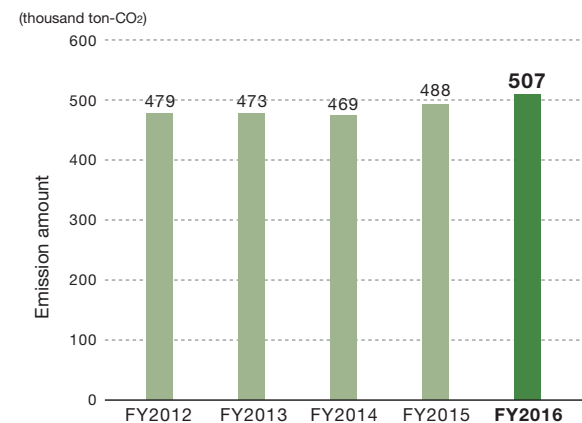
Reduction of emissions of carbon dioxide

Each factory of Topy Industries, Ltd. is involved in various improvement activities toward reduction of carbon dioxide depending on the products and production equipment to achieve the target as outlined in the "Voluntary Action Plan on the Environment in Low Carbon Society" set by the Japan Business Federation. In FY2016, carbon dioxide from energy sources at Topy's facilities recorded 507 thousand tons, maintaining the volume under the target level of FY1990. However, it has started to show a slight increase after 2015 due to the increase of crude steel production after commencement of the new steel making facilities at Toyohashi Factory.

In view of the anticipated increase of energy usage due to production increase in the future, we reinforce further control and improvement in order to curb the increase of energy consumption.

The emissions of carbon dioxide at the company is regularly reported to the government authorities in charge according to the Revised Energy Saving Regulation enacted in 2009, including the offices in addition to the designated factories for energy control. As for Ayase Factory and Kanagawa Factory in Kanagawa Prefecture, we submitted a Business Activity Global Warming Countermeasure Plan to the prefecture government according to the Kanagawa Prefecture Global Warming Countermeasure Promotion Ordinance, reporting them since 2010 the record of the emissions of carbon dioxide together with improvement status against the reduction plan. Also, for Toyohashi Factory and Toyokawa Factory in Aichi Prefecture, we take similar actions as done in Kanagawa Prefecture according to the regulations of Aichi Prefecture.

Emissions of Carbon Dioxide from Energy Sources



Pilot solar power generation facility at Toyohashi Factory

The company is propelling "Energy Saving Action 2020" as one of the objectives of "Preservation of Global Environment by Energy Saving." As part of "Promotion of Energy Saving Investment," the mainstay of such action plan, we installed a pilot solar power system facility at Toyohashi Factory and assessment has started from March 2014. The facility has a total solar panel space of 270 m² with an estimated generation power of some 46,000 kWh per year. For testing purpose three different panels (single-crystal panel, multi-crystal panel and CIS panel) were installed at the same time to compare generation power and characteristics. For another experimental purpose beside the solar facility, we laid oxidized slag aggregates produced in-house on the ground of the pilot facility to check the effectiveness of oxidized slag aggregates as a suppressor against weeds including its effects to the pilot equipment and power generation itself. We are undertaking these attempts as part of our contributions to the global environmental conservation activities.



Pilot solar power generation facility at Toyohashi Factory

Biodiversity Conservation

[Topy Industries, Ltd.]

Initiatives on Biodiversity

The business and manufacturing operations of Topy Industries, Ltd. do not involve activities such as deforestation and other activities that may disrupt the ecosystem. We share the recognition that conservation of biodiversity and prevention of global warming are essential for a sustainable society. As one part of biodiversity conservation and preservation of forest resources in developing countries, we encourage the use of paper made from domestic materials and recycled paper. To preserve water resources we are working on the reduction of water consumption by circulating and reusing cooling water at our factories.

Chemical Substance Management [Topy Industries, Ltd.]

Emission management of materials under the PRTR Law

In accordance with the PRTR Law (the Pollutant Release and Transfer Register Act (the Act on Confirmation etc. of Release Amounts of Specific Chemical Substances in the Environment and Promotion of Improvements to the Management thereof), business entities that handle chemical substances are obliged to manage and report to administrative offices the amount of environmental emission and transfer of chemical substances that are hazardous to humans and ecosystems at each of their business sites. Based on this system, we submit annual reports to the respective administration bodies, and at the same time, use this process to implement continuous management of chemical substances.

The emissions of chemical substance, like the case of carbon dioxide and industrial waste, is heavily affected by the variations in production volume. At the company, both emissions and transfer amount of the materials regulated by PRTR have drastically decreased due to the business integration and other measures taken in FY2012. After FY2012, the amount in question has continued to decrease up to FY2015, but it stayed at almost the same level in FY2016.

We continue to realize planned reduction in the future.

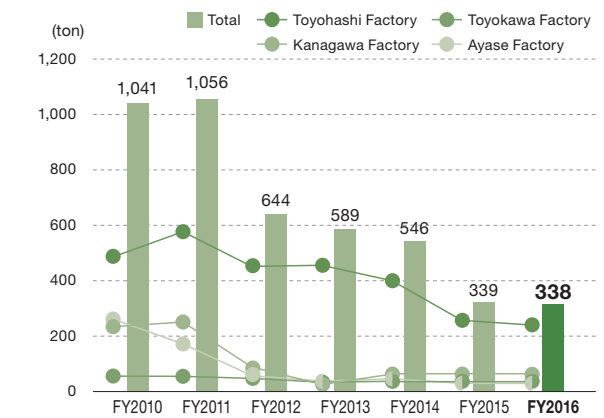
Initiatives on air pollution prevention

With the revision of the Air Pollution Control Law in May 2004, it became necessary to respond to regulations on emission of VOC, and a reduction of 30% compared to FY2000 on a year-on-year basis was presented as the domestic reduction target by the end of FY2010.

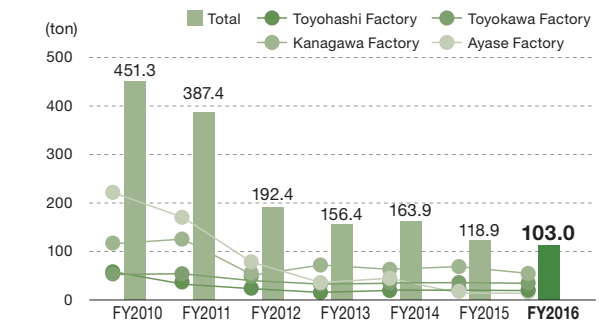
As a proactive approach for the prevention of air pollution, Topy Industries is conducting voluntary measurement of VOC concentration from the facilities generating VOC at our four major factories as well as reviewing action items related to production technologies for the reduction of emission.

In FY2012, VOC emission dropped to half compared to the previous year due to reduction at Toyohashi Factory (due to decreased use of paint in the bridge business after announcement of business withdrawal) and Ayase Factory (emission gas treatment facilities commissioned). In FY2016, VOC emissions dropped further by 13% on year-on-year basis due to shifting of painting materials, curbing in the amount of paint thinner. We keep working on to planned reduction in the future.

Transition of PRTR Applicable Total Emission Amount and Transfer Amount [Topy Industries, Ltd.]



VOC Total Emission Amount and Transfer Amount [Topy Industries, Ltd.]



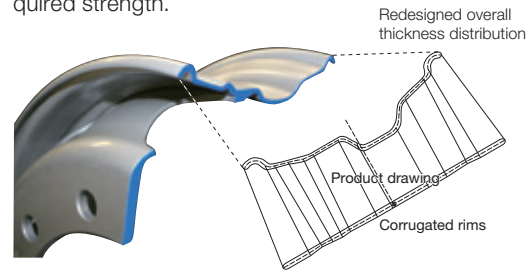
Environmental Activity Reports

Development of Environmentally Friendly Products [Topy Industries, Ltd.]

New lightweight wheels

Contribution to fuel efficiency by roughly 15% wheel weight reduction

Topy has developed ISO-compliant wheels that are about 15% lighter compared to the corresponding conventional wheels by combining a corrugated rim that uses Topy's inherent weight reduction technology with an ECOD-processed disc. The corrugated rims are produced from rim sections with uneven thickness in a corrugated shape on their tire-mounting side, allowing the sections to achieve an optimal thickness distribution when roll-formed. The rim material is produced by the Steel Division and shipped to the Wheel Division to undergo process forming into rims, capitalizing on the advantages of our integrated production system that enables us to combine our unique hot-rolling steelmaking technologies with superior analysis and design wheelmaking technologies. The ECOD discs are formed through cold spinning (rocking die forming) of a tube made of steel plate, enabling thinner and lighter discs without compromising the required strength.



Non-chrome pre-treatment of aluminum wheel painting

An industry first for chromium-free processing

Surface treatment of aluminum alloy wheels has long been developed with a focus on long-term corrosion resistance and anti-discoloring, and treatment with chromium was thought to be vital for anti-corrosion properties. However, in view of European environmental regulations, Japanese automobile manufacturers have turned their attention to surface treatments that avoid the use of heavy metals such as chromium. Topy has spent substantial time on the study and technological development of alternative materials to replace chromium, and has succeeded in a chromium-free process for the first time in the industry.



Hot-rolled high-strength rim material

Wheels assuring vehicle weight reduction and collision safety

Automotive manufacturers are increasing their use of high-strength steel that enables chassis weight reduction while maintaining equal strength to conventional steel as this allows the achievement of both reductions in fuel consumption due to lighter body weight and improvement in collision safety. Topy has been working on the use of high-strength hot-rolled special sections for truck and bus wheel applications. A challenging issue for raw material was how uniform strength could be attained. We have succeeded in commercial production thanks to our inherent hot-rolling technologies for controlling material thickness and temperature.



Ultra-large diameter wheel SGOR® for mining dump trucks

The world's largest wheel contributing to efficient mining operations and hauling

SGOR® (Super Giant Off-the-road Rim) wheels are ultra-large diameter wheels that Topy has developed for dump trucks used at large-scale mining sites across the world. Currently, the largest wheels available have dimensions of 63 inches (about 1.6 m) in inner diameter, 44 inches (about 1.1 m) in width and weigh as much as 2.83 tons each, being about five times the diameter of ordinary passenger car wheels. SGOR® wheels can meet the demanding requirements of mining applications in terms of functionality and hauling capacity, contributing to the reduction of environmental burden.



Basic Environment Policy of Topy Industries [Topy Industries, Ltd.]

Toyohashi Factory

Basic Environment Policy

Toyohashi Factory engages in recycling activity of metal and non-metal production using metal scrap and related natural resources. On the other hand, we are aware that our business uses large amounts of energy and is accompanied with environmental burden. We will continue to work on the conservation of both the local and global environment.

Action guidelines

1. Continuous improvement of environmental management system to raise overall environmental performance.
2. Work to establish a harmonious relation with the local community by participating in a variety of environmental activities such as local environmental conservation activities and communication promotion with local communities, contributing to the maintenance and continuation of the natural environment surrounding Mikawa Bay where Toyohashi Factory is located.
3. Contribute to realizing a low carbon society through efficient use of energy, utilization of optimum technology, streamlining of production processes, efficient transportation and the like.
4. Work toward reducing waste through activities such as reining in waste generation, utilization of resources, and expanding recycling.
5. Work toward decreasing environmental impact through improvement in processes and facilities, designing and development of eco-friendly products.
6. Comply with applicable laws and regulations related to activities, products and services at Toyohashi Factory and the voluntary regulations of the Japan Iron and Steel Federation etc. or other requirements such as agreements with local communities.
7. Set up environmental objectives and targets at all departments in the management system of Toyohashi Factory and promote environmental improvement activities. Regularly review and make necessary revisions to environmental objectives and targets.
8. Enhance employee understanding and awareness at Toyohashi Factory on the environment through environmental education, in-house publicity activities and exchange with local communities. Make this environment policy public within and outside the company.

Toyokawa Factory

Basic Environment Policy

1. Compliance with applicable legal and related requirements
Strictly comply with applicable legal and related requirements associated with the environment and promote building a symbiotic relationship with the local community.
2. Reduction of environmental impact
Promote energy saving, resource saving, reduction of waste and chemical substances throughout corporate activities including design, sales, purchasing and transportation and implement continuous improvement to maintain and enhance eco-friendly manufacturing. In addition, promote activities to reduce the emission of greenhouse gases and measures against global warming.
3. Supplying eco-friendly products
Be considerate of the environment from the product design stage and reduce use of hazardous substances to supply eco-friendly products.

4. Increase environmental awareness

Provide education on basic approaches and roles regarding the environment to all employees of Toyokawa Factory and increase environmental awareness.

Ayase Factory

Basic Environment Policy

1. Comply with applicable legal and related requirements in order to build a symbiotic relationship with the local community.
2. Reduce greenhouse gases (CO₂) to prevent global warming.
3. From a viewpoint of life cycle, realize environmental friendly manufacturing through all business activities, including use of optimal materials, procurement, design, production, sales, transportation, use, disposal and etc, save energy consumption and natural resources, reduce industrial wastes and chemical substances (environmental impacting substances), promote proactive measures to prevent contamination, and maintain and improve healthy environment.
4. Work toward accomplishing environmental improvement activities by setting up environmental objectives and targets, and at the same time, implement regular reviews for continuous improvement of environmental management.
5. Provide education to understand approaches and roles regarding the environment to all employees and sub-contractors working at the factory so that each and every employee can recognize their duties to the environment and thus, accomplish the targets without failure.
6. Exercise thorough routine management and remove significant waste and inconsistencies to improve quality and productivity, and realize environmental improvement directly connected to production activities.

Kanagawa Factory

Basic Environment Policy

1. Comply with applicable laws and regulations as well as industry specific requirements and at the same time, make continuous efforts to improve environmental management by maintaining voluntary standards and job procedures according to the basic environmental policy of Topy Industries.
2. Prevent environmental pollution by chemical substances such as organic solvent. Apply effective management focusing on thinners, soluble paint and solvent.
3. Work toward reducing electric power and oil consumption by focusing on the reduction of energy for drive lines, air conditioning and lighting.
4. Promote reduction of discharges for effective utilization of resources and resource recovery, by focusing on reduction of papers, discarded packaging materials and resource recovery.
5. Promote communication by participating in local environmental conservation activities to build a symbiotic relationship with the local community.
6. As for overseas business activities and exports, make efforts to implement measures responding to requests from the local community of the host country and take into account local environmental impact.
7. In the case that any environmental issues arise from business activities, take appropriate measures to minimize such environmental impact. In addition, exercise regular emergency drill in anticipation of environmental issues.

Social Responsibility Activity Reports

Relationship with Customers [Topy Industries, Ltd.]

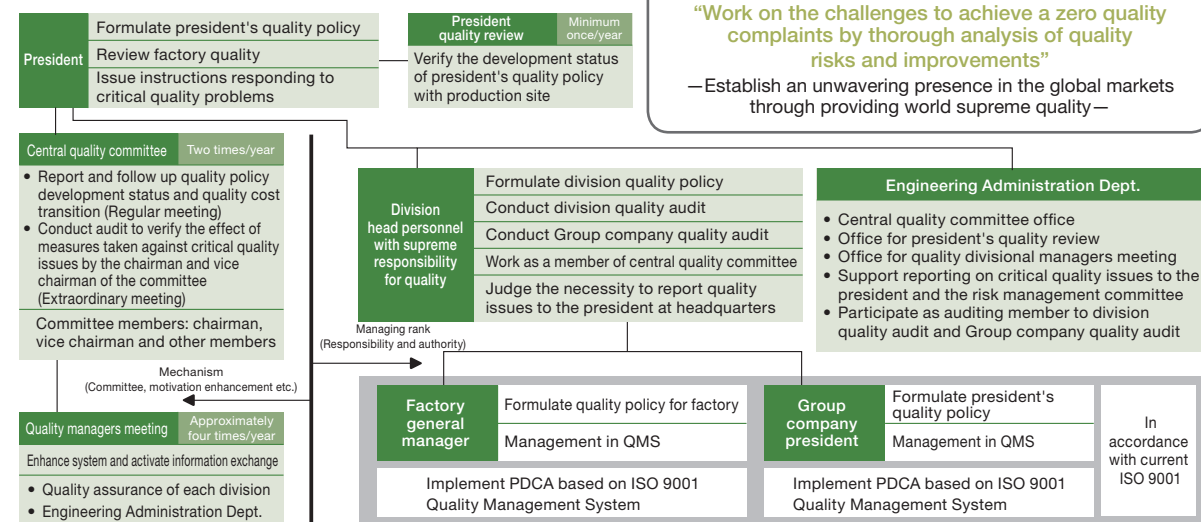
– Customer Satisfaction and Quality Management –

Quality Assurance Philosophy

Topy Industries, Ltd. is devoted to placing customers as our first priority and strives to contribute to society by delivering safe and high quality products and services that always satisfy customers, while continuously improving the effectiveness of our QMS (Quality Management System).

- Always anticipate the expectations and needs of customers ahead of time, react to their requirements promptly and precisely, and continue to introduce and deliver quality products and services that satisfy customers
- Focus on building quality in design and development stages, stabilize product quality and improve reliability
- Realize the importance of education and training and enhance the quality awareness of all employees of our organization
- Notice that quality defects are caused by multiple factors, promptly investigate the true cause of the problem to make substantial improvement

Quality Management Structure



FY2016-2017 Quality Policy

“Work on the challenges to achieve a zero quality complaints by thorough analysis of quality risks and improvements”
— Establish an unwavering presence in the global markets through providing world supreme quality —

Award from Customer

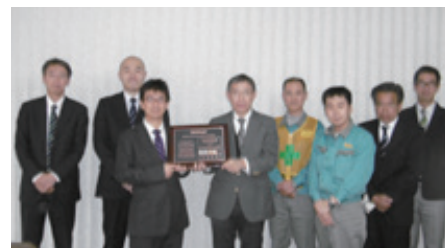
Wheel Division Wins Highest Platinum SQEP Award from Caterpillar for 5 consecutive years

Caterpillar's SQEP award is a system to evaluate qualified suppliers from overall aspects including quality, cost, delivery and other requirements based on Caterpillar's strict criteria and award is given in the form of certificate to the superior suppliers in four classified grades from platinum, gold, silver and bronze.

The Wheel Division as a supplier of off-road wheels and rims to Caterpillar's construction and mining vehicles has been awarded with the highest Platinum Certificate for five consecutive years.

In addition, the Undercarriage Components Division has won the Gold Certificate from Caterpillar for the second consecutive year for their products.

Other recent awards and appreciations to us as a superior supplier of the wheels includes the customer such as PT. Hino Motors Manufacturing Indonesia, Tianjin FAW Toyota Motor Co., Ltd., Honda North America, Inc. and Ford Motor company.



Involvement with Shareholders and Stakeholders

Adequate information disclosure

Article 2 (For the benefit of society) of the Topy Industries Group Code of Conduct stipulates that the Topy Industries Group will “Communicate widely with society as well as shareholders and actively disclose corporate information fairly and appropriately. Cooperate with local communities and actively work on social contribution activities as being a good corporate citizen.” From the standpoint of securing management transparency we are endeavoring to disclose corporate information in a fair and equitable manner in accordance with the related laws and regulations such as the Financial Instruments and Exchange Act.



Explanation session for financial results

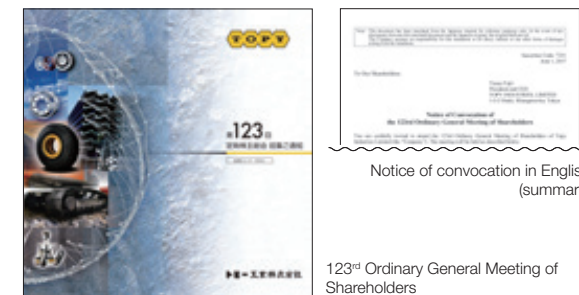
Participants of FY2015 Explanation Session

Date Held	Contents	Participants
Nov 16, 2016	2nd quarter financial results	36
May 24, 2017	Full year financial results	25

Initiatives to vitalize general meetings of shareholders [Topy Industries, Ltd.]

We are taking the following initiatives to vitalize general meetings of shareholders as a place of communication between the company, shareholders, and investors to ensure that voting rights can be exercised with ease.

- 1) Enrichment and early dispatch of notice to convene general meeting of shareholders
- 2) Use of the Internet for notices to convene general meetings of shareholders
- 3) Exercise of voting rights via the Internet
- 4) Preparation of notice to convene general meetings of shareholders in English (summary)



Explanation session for financial results [Topy Industries, Ltd.]

We believe that the opportunity for our top executives to directly explain our management plan and financial results helps us earn the trust of our investors. Such sessions are held after financial results are disclosed at the end of the second quarter and at the end of the fiscal year for analysts and institutional investors. The president himself presents our financial results as well as our medium to long-term consolidated management plans. This management plan session can be watched via streaming from our website for shareholders/investors, “IR library.”

Shareholder special benefit plan [Topy Industries, Ltd.]

For our shareholders registered as of the end of March and September of each year a traffic accident insurance policy and/or a flower gift are provided depending on the number of shares owned. Shareholders eligible for a flower gift have an option to choose a donation to a social welfare organization instead of a flower gift, which will directly be donated by the company on behalf of shareholders.

Stable dividends [Topy Industries, Ltd.]

Our basic policy regarding profit distribution is to return profits to shareholders in proportion to the consolidated business results while building up retained earnings for future business development and strengthening our corporate structure. Retained earnings will be allocated to investment into new technologies/products for long-term business development, and thus we are committed to strengthening our corporate structure and global competitiveness. We would like to set the profit return index at a payout ratio of 30 to 35% as a guideline. However, the decisions are to be made with careful consideration for stable continued dividends. Dividends are, in principle, paid out twice per year as interim and year end dividends. Regarding the body responsible for deciding dividends, it is stipulated in Topy's article of the corporation to the effect “dividends of surplus can be decided by the resolution of the Board of Directors in accordance with Section 1 of Article 459 of Companies Act.”

Social Responsibility Activity Reports

Relationship with Local Communities

– Contributions to Society –

Toyohashi Factory firefighting activities commended by Aichi Prefecture

[Topy Industries, Ltd.]

Toyohashi Factory received a governor award on November 24, 2016 from the governor of Aichi Prefecture as a superior site with cooperative fire brigade. The award is given to a model business site for its cooperation to the firefighting activities of the local government.

Toyohashi Factory has been cooperating with the fire fighting activity and was awarded a prize by Toyohashi city in 2010 as a site cooperative for fire brigade. Some 10 employees of Toyohashi Factory are voluntarily participating in the local fire brigade. The activity of the fire brigade is indispensable to improve fire fighting capability of the local community. We continue to cooperate with the local community through the involvement of its employees.



Employee with a certificate of merit

Commencing a community cycle service

[Topy-Rec, Ltd.]

A Community Cycle Service at South Sea Area of Koto Ward commenced on February 20, 2017 at Topy-Rec Plaza, operated by Topy-Rec, Ltd. The community cycle service means a service system that you can return a rented bicycle assisted with a portable electric motor at any cycle support area (a bicycle parking area),



Topy-Rec employees use the service too

an interoperation is available in Tokyo city area of Koto, Chiyoda, Chuo, Shinjyuku, Bunkyo and Ohta Ward (in the sequence of the service started), with 230 cycle ports installed in the area and a total of 2,600 bicycles provided.

Topy-Rec. provides cooperation with this service system to improve convenience of the local residents, customers using their facilities, people working at the facilities, thus contributing to create an environment friendly town.

Factory tour and corporate visit

[Topy Industries, Ltd.]

Toyohashi Factory received two factory tour groups of Toyohashi Industrial High School and Iida OIDE Osahime High School in June, 2016.

They went on the tour after viewing the DVD of the factory, showing excitement and surprise at the scene that hot steel materials were passing before them. The factory offers job opportunities to the both schools with a hope that this will result in an employment next year after.



Watching the rolling operation

A total of seven students of Asaka Junior High School in Koriyama City visited Topy headquarters on April 14, 2017. A corporate visit is designed to provide the students with an opportunity that they are unable to experience at the school or in their areas. The company introduced them the activities of the Topy Industries Group while answering their questions that they had prepared beforehand.



Looking at the presentation

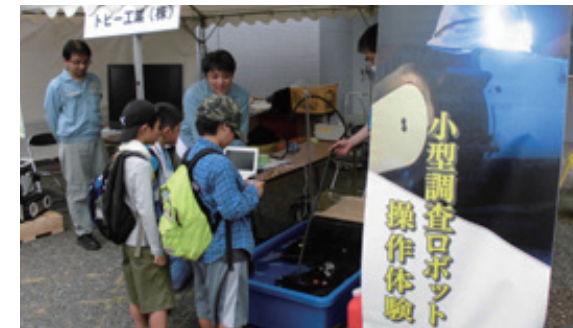
The Sea Fiesta East Mikawa Opens

[Topy Industries, Ltd.]

The Sea Fiesta East Mikawa was held in the area centered on the Mikawa Bay from July 16 to 31, 2017, the Science Division of the company participated with a small survey robot demonstrating operation.

The company exhibited a booth showing the operation of the robot working in the water in line with theme of the sea festival. Many children enjoyed operating the robot shouting aloud with a joy to the water splash. Topy also exhibited a survey robot to the show that was actually used for the survey at the damaged nuclear power plant in Fukushima, contributing to rise the interest of people in our crawler robots.

The company continues to let people know more about our products by utilizing the opportunities like this.



Introducing a small survey robot



Children operating the robot

Internship from Indonesia

[Topy Industries, Ltd.]

Two Indonesia university students on an internship stayed at Ayase Factory from June 28 through August 25, 2016, studied on the theme "measurement and improvement of cycle time at a wheel production line". Though Ayase staff members are knowledgeable about such matters from their involvement in daily operations but found it not easy to explain in plain and easy words in English, especially in technical terms. This experience gave our staff a different opportunity to look things from other angles, leading them to find a hint for a new solution method. On August 24, an in-house meeting was organized to present a final report, producing a tangible result for improvement. We are happy if they apply for a position in the Topy Industries Group in the future.



With the intern students

Holding an environment conservation activity

[Topy Industries, Ltd.]

On August 10, 2016, the first environment conservation activity for FY2016 was held at Toyohashi Factory. The activity is a part of the environment management program encouraging participation to the environment conservation of the local community. A total of 58 employees participated the activity to clean the area by collecting garbage.



Conservation activity

Social Responsibility Activity Reports

Relationship with Employees [Topy Industries, Ltd.]

– Creating a Safe and Comfortable Workplace Environment –

Philosophy and basic policy to develop human resources

The Topy Industries Group declares in article 3 of the Group Code of Conduct (For the benefit of employees) that it will “Respect the individual character and personality of employees, and provide safe-working environments allowing them to work with enthusiasm, and attain fulfilling lives.”

With the motto “having interests in a broad range of field beyond the job assigned and maintaining a positive attitude for learning enriches human resources,” we are focused on developing human resources to draw out the potential and motivation of each individual. Also, we offer various education systems available from the start of employment through to retirement in order to nurture human resources with rich expertise and the management faculties needed for a manufacturing company.

Education System Structure [Topy Industries, Ltd.]

Development step	Items to be nurtured		
	Knowledge (technical skill)	Conceptual skill	Human skill
Newly employed	<ul style="list-style-type: none"> • Business manners • Individual knowledge • Health and safety 		<ul style="list-style-type: none"> • Entry level communication ability
Senior employee	<ul style="list-style-type: none"> • Advanced individual knowledge 		<ul style="list-style-type: none"> • Intermediate level communication ability
Follower (candidate to become a leader)	<ul style="list-style-type: none"> • Expert knowledge 	<ul style="list-style-type: none"> • Problem-solving ability • Basic logical thinking 	<ul style="list-style-type: none"> • Guidance to juniors
Leader	<ul style="list-style-type: none"> • Advanced expert knowledge • Financial knowledge 	<ul style="list-style-type: none"> • Applied logical thinking 	<ul style="list-style-type: none"> • Fostering juniors
Manager	<ul style="list-style-type: none"> • Master expert knowledge • Basic management • Advanced management 	<ul style="list-style-type: none"> • Target-driven management 	<ul style="list-style-type: none"> • Fostering junior partners • Senior level communication ability
		<ul style="list-style-type: none"> • Business strategy 	<ul style="list-style-type: none"> • Organization management

Initiatives on work-life balance

[Topy Industries, Ltd.]

We provide various health and welfare programs for employees to help them maintain a balance between having a career and family. We are working to broaden programs for parental and care leave. We promote the enhancement of awareness among employees about these programs by posting special reports in our in-house newsletters introducing male employees who are involved in childcare.

Ayase Factory receives an impressive award from the Japan Iron and Steel Federation at its JK meeting

[Topy Industries, Ltd.]

On September 15, 2016, a circle representing Ayase Factory received an honor for impressive presentation in the 78th JK presentation convention by the Japan Iron and Steel Federation. The convention at Yokohama invited some 380 people, introducing 52 presentations by the participating companies belonged to the federation. Topy missed the most honorable award but obtained a special impressive award together with other three companies after voting by the participants. This helped to appeal the industry of high levels of JK activity at Topy.



Topy representative with a certificate of commendation

FY2016 Topy Jyuku or New Employee Training

[Topy Industries, Ltd.]

Topy Jyuku, an induction course for new employees for FY2016 started in the middle of April for about 4 months with 17 participants who were divided into four factories to receive On-the-Job Training and Practical Job Training.

On-the-Job Training is designed to allow the participants to understand the basics of manufacturing through the experience at the workplace while practical job training provides them with the opportunity to do a specific work under the guidance of senior workers.

On July 31, 2016, a meeting to report the training was organized at the head office and all trainees made a presentation on the results of the training.



Topy Jyuku in action (Kanagawa Factory)

Opening of IE Jyuku

[Topy Industries, Ltd.]

The company launched an IE (Industrial Engineering) Jyuku incorporating a practice at the workplace, a shift from the learning focused on classroom learning. The IE Jyuku, in the fourth year from the start, provides practical training by taking up, as a theme, improvement assistance requests from the divisions and group companies.

From 2016 the IE Jyuku underwent a spiral-up, deploying its activity to the group companies in order to develop human resources.

The First All Topy Small Group Activity Presentation Convention

On December 2, 2016, the First All Topy Small Group Activity Presentation Convention was held at Topy's head office. In order to get out of a rut from the past JK activity, and advance and promote management efficiency, we changed a selection method effective from this year to make a new start by including indirect department.

Shouting in unison, prior to the opening, the JK slogan “Small group activity allowing you to break out of your shell and produce tangible effects by taking on the challenges”, Y. Fujii, then president and CEO of the company, delivered greeting a message which included following.

“We started the Medium-Term Management Plan “Growth & Change 2018” but we have a strong feeling that the situation has started changing dynamically in the past eight months. It is very important for the Topy Industries Group how to maintain sustained growth under such circumstances and we believe this is what our stakeholders

expect us to do. I believe, continual improvement and JK activity is a driving force to realize that objectives. Sustained growth is hard to achieve if we fail to tackle across the organization ubiquitous improvement themes not only at the manufacturing sites but also at the head office and the administrative departments. Having the JK activity as a driving force, we would like to realize sustained growth as a group for which I appreciate your understanding the significance of JK activity and rendering your cooperation to that end.”

Five circles from Topy Industries and three circles representing the group company including overseas location, all preselected, made presentations introducing improvement examples. After closing the meeting, an exchange meeting was organized where the presenters, their assistants appreciated each effort in a relaxed atmosphere, while enjoying a lively conversation with the Topy Industries management including the president.



Participating members

Holding a Technology Research Meeting

A Technology Research Meeting covering five fields at each division was held during the period between July 1, 2016 and July 12, 2016, with a total of 30 themes from Topy Industries, group companies including offshore locations present. A total of three themes, one each from steel, undercarriage components and administration technology selected out of 30 themes were presented at the company wide meeting on August 2, 2016 for review and assessment of the contents that invited vibrant question and answer exchange and discussion.

After careful consideration for the three themes, the excellent award went to the theme “Profit improvement with the segment members by development of the secondary fabricating technology” from the steel research group and two other themes obtained the superior award.



Technology Research Meeting

Social Responsibility Activity Reports

Relationship with Employees

– Creating a Safe and Comfortable Workplace Environment –

Improvement in Workplace Health and Safety

[Topy Industries, Ltd.]

We consider that our primary responsibility is to secure working safety and health of employees. To ensure this, we implement a variety of actions to achieve zero accidents, and at the same time conducting a statistical survey for labor accidents in order to raise awareness of each and every employee for safety and health.

■ Labor Accident Statistical Survey Table (Term: January 2016 through December 2016, Topy Industries, Ltd)

Factory	Total working hours	No. of Accidents	Frequency	Severity
Kanagawa	413,455	0	0.00	0.00
Ayase	921,857	5	5.42	0.01
Toyohashi	1,404,269	5	3.56	0.00
Toyokawa	841,942	0	0.00	0.00
Total	3,581,523	10	2.79	0.00

Kanagawa Factory Receives Award for Zero Labor Accidents from the Japan Iron and Steel Federation

[Topy Industries, Ltd.]

In the announcement in February 2017 made at 58th Steel Safety Official Commendation hosted by the Japan Iron and Steel Federation, Kanagawa Factory received an award for zero labor accidents in 2016 for 3rd consecutive year. The factory continues to develop safety activities based on a firm understanding of the meaning of the activity while maintaining high awareness of each and every employee for “Top Priority to Safety”.



With a certificate of commendation

Night-shift Disaster Drill

[Topy Industries, Ltd.]

A night-shift disaster drill was conducted at Toyokawa Factory on November 7, 2016 on the assumption that a massive earthquake struck Tokai region. The drill started from 18:00 after sunset to check whether employees were able to take evacuation behavior quickly at night. Assuming a blackout due to the disaster, all lights in the factory were put off except the emergency light by the generator, making the drill extremely real and tense.

Workers at each workplace were able to move fast to the designated evacuation area while being aware of the surrounding environment of the evacuation route and traveling method. They found the drill very meaningful as they were able to reconfirm that the evacuation route was really safe in the dark.

It is difficult for us to completely avoid damages from earthquake, but we think it would be possible to keep the damage at a minimum when natural disaster happened as long as we are prepared by conducting the drill. With “Reducing the damages” in mind, we will continue to practice the drill to enrich the contents.



Night-shift disaster drill at Toyokawa

Also, a night-shift disaster drill was practiced at Kanagawa Factory from 21:20 to 22:15 on March 18, 2017. Like the drill at Toyokawa, all lights in the factory were switched off, checked the evacuation route and location identification of the fire extinguishers or the like, also including checking of emergency stock, a start-up drill of the generator for emergency lights as well as lighting check of the security lights.



Night-shift disaster drill at Kanagawa

Drill for Going Home on foot

[Topy Industries, Ltd.]

A drill for going home on foot was conducted at the head office on February 8, 2017, a program asking participating staff at the head office to walk from the head office to their homes, a three hour walking to know how far they could walk as a disaster preparedness measure.

Participants were able to experience simulated movements in time of emergency not only by checking their going home route, but also by knowing dangerous areas as well as rest points.



On a way to walking home

A Disaster Evacuation Drill at Toyokawa Factory

[Topy Industries, Ltd.]

A disaster evacuation drill was exercised at Toyokawa Factory on January 17, 2017 on the assumption that a massive earthquake with an intensity of 6 hit the Tokai area and a fire broke out at the painting area.

The drill this time included a progress reporting from observing the fire breakout to putting out the fire in addition to the regular drill to evacuate quickly to the ground, secondary evacuation area, after early warning of the earthquake, making the drill extremely real and tense.

The evacuation drill was followed by a fire distinguishing drill using a portable fire distinguisher by the representative of each workplace under the guidance of the leader as an early fire distinguishing drill.

It is practically difficult for us to avoid the damages of the earthquake, but reducing the damages or disaster mitigation is quite possible by continuing the drill. The factory will continue to hold the drill to make it more effective.



Fire extinguishing drill

All Japan Corporate Table Tennis Championships Tournament

[Topy Industries, Ltd.]

The table tennis team representing Ayase Factory participated in the All Japan Corporate Table Tennis Championships held between June 23 and 26, 2016. The teams that won the preliminary local tournament advanced to the final nationwide tournament to vie for No.1 team of the Japanese corporation. The tournament has a long history celebrating its 66th anniversary this year.

The Ayase team won through the preliminary of Kanagawa Prefecture and advanced to the national tournament, this time the 3rd appearance. After winning the first game, the Ayase team had a match with A Company, a regular and strong team well known nationwide, exempted the local preliminary games. The Ayase team fought a good game with them after gaining momentum in the first game win and pushed the opponent team almost into a corner but resulted in a disappointing defeat.

The Ayase team showed their best performance and left a strong impression of the Topy team to the spectators in the arena. Ayase table tennis team plans not only to participate to the local tournament, but also to expand its activity in organizing the games with the local middle schools and high schools so that the company will be known more by the community people.



The Ayase table tennis team members

Corporate Profile

Corporate Profile

Company name: Topy Industries, Limited

Founded: October 1921

Head office: Art Village Osaki Central Tower,
1-2-2, Osaki, Shinagawa-ku, Tokyo

President and CEO: Nobuhiko Takamatsu

Capital: ¥20,983 million

No. of employees: 1,830 (non-consolidated)
4,568 (consolidated)

No. of issued shares: 24,077,510 shares

No. of consolidated subsidiary companies: 21 companies

No. of equity-based affiliated companies: 1 company

Net sales: ¥208,200 million (consolidated)

Note: Net sales represents Fiscal Year ended March 31, 2017 and all other numbers are as of March 31, 2017



Exterior view of the Head Office



R&D center, Topy Industries, Limited

Brief History

1921	Miya Steelworks (predecessor of Toto Steel Mfg., Co., Ltd.) was founded	1985	Topy Corporation (current Topy America, Inc.) was founded
1922	Miya Steelworks succeeded in hot-rolling of steel sashes	1987	Dunlop-Topy Wheel Ltd. (a joint venture company) was founded (U.K.) Succeeded in the practical application of high quality synthetic mica for cosmetic use
1926	Tokyo Shearing Co., Ltd. (predecessor of Toto Steel Mfg., Co., Ltd.) was founded	1988	Concluded a technical assistance agreement with PT. Pakoakuina (Indonesia)
1930	Teikoku Hatsujo Seisakusho (predecessor of Japan Motor Wheel Co., Ltd.) commenced production of prototype steel wheels for automobiles	1989	A plant for undercarriage components for construction equipment commenced operation at Toyohashi Factory
1934	Tokyo Sharin Seisakusho Co., Ltd. (predecessor of Japan Motor Wheel Co., Ltd.) was founded	1990	Akemi Plant of Toyokawa Factory commenced operation
1941	Tokyo Sharin Seisakusho and Abe Tekkosho Co., Ltd. merged to form Japan Motor Wheel Co., Ltd.	1991	Kimi to Boku Hall was completed at Toyohashi Factory
1943	Miya Steelworks and Tokyo Shearing Co., Ltd. merged to form Toto Steel Mfg., Co., Ltd.	1992	Kurate Plant of Toyokawa Factory commenced operation
1955	Toto Zoki Co., Ltd. was founded	1995	Fujian Yuan Shing Topy Ltd. (current Fujian Topy Autoparts Co., Ltd.) was founded (China) A mill for deformed concrete bars commenced operation at Toyo-hashi Factory
1956	Toto Tekko Co., Ltd. was founded	1998	Obtained ISO 9001 accreditation at all production sites
1958	Toyohashi Steel Mill Plant of Toto Steel Mfg., Co., Ltd. (current Toyohashi Factory of Topy Industries, Ltd.) was established	1999	Topy International, U.C.A. Inc. (current Topy America, Inc.) was founded ISO 14001 accreditation was obtained for all production sites
1961	Chigasaki Seisakusho of Toto Zoki Co., Ltd. (current Kanagawa Factory of Topy Industries, Ltd.) was established Toyokawa Plant of Japan Motor Wheel Co., Ltd. (current Toyokawa Factory of Topy Industries, Ltd.) was established Each headquarters of Japan Motor Wheel Co., Ltd., Toto Steel Mfg., Co., Ltd., Toto Zoki and Toto Tekko Co., Ltd. moved to a new location in Yonban-cho, Chiyoda-ku, Tokyo	2000	Akemi Electric Power Ltd. commenced operation
1964	Ayase Plant of Japan Motor Wheel Co., Ltd. (current Ayase Factory of Topy Industries, Ltd.) was established Japan Motor Wheel Co., Ltd, Toto Steel Mfg. Co., Ltd., Toto Zoki Co., Ltd. and Toto Tekko Co. Ltd. merged to form Topy Industries, Limited	2001	Concluded a comprehensive agreement for steel wheel production with Fergat group (Italy)
1969	Topy International, Inc. (current Topy America, Inc.) was founded	2002	Qingdao Topy Shantui Machinery Co., Ltd. (current Qingdao Topy Machinery Co., Ltd.) was founded
1972	Technology Research Center (current R&D center) was opened at Toyohashi Factory	2004	Hamura Plant of Ayase Factory commenced operation
1977	Sales of synthetic mica started	2007	Topy America, Inc. was founded (merger of Topy International, Inc., Topy Corporation, and Topy International U.C.A. Inc.) Head Office moved to Osaki, Shinagawa-ku, Tokyo
1980	Concluded a technical assistance agreement with PT. Inkoasku (Indonesia)	2008	Science Division was established Concluded an agreement with Nippon Steel Corporation to strengthen general business cooperation
1982	Concluded a technical assistance agreement with PT. Palingda Nasional (Indonesia) Developed heavy- and medium-duty truck wheels for tubeless tires at Ayase Factory Super-Giant Off-the-road Rim (SGOR®) vehicle wheels were developed	2011	Topy Undercarriage (China) Co., Ltd. was founded
		2012	Tianjin Topy Machinery Co., Ltd. was founded
		2013	PT. Topy Palingda Manufacturing Indonesia was founded PT. Topy Undercarriage Indonesia was founded Topy MW Manufacturing Mexico S.A. DE C.V. was founded
		2014	PT. Topy Undercarriage Indonesia commenced operation The new steel making plant commenced commercial operation at Toyohashi Factory
		2015	Topy Fasteners Mexico S.A. DE C.V. was founded

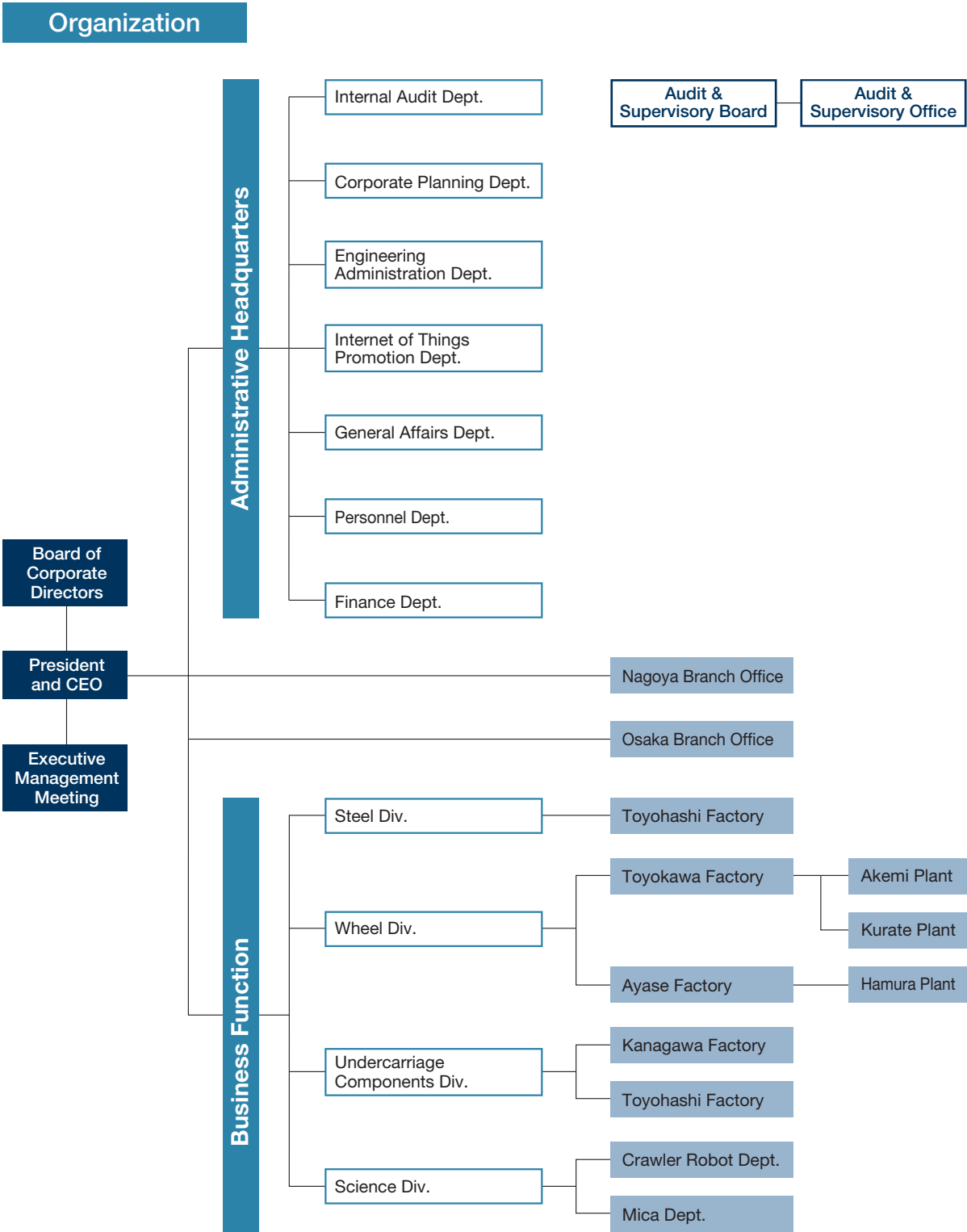
Office and Factory Locations



- **Head Office**
Art Village Osaki Central Tower, 1-2-2 Osaki, Shinagawa-ku, Tokyo 141-8634
TEL: +81-3-3493-0777 FAX: +81-3-3493-0200
- **Toyohashi Factory**
1 Akemi-cho, Toyohashi-shi, Aichi 441-8510
TEL: +81-532-25-1111 FAX: +81-532-25-0354

- **Toyokawa Factory**
3-30 Honohara, Toyokawa-shi, Aichi 442-8506
TEL: +81-533-86-5121 FAX: +81-533-89-1309
- **Ayase Factory**
2-3-1 Ogami, Ayase-shi, Kanagawa 252-1104
TEL: +81-467-78-1111 FAX: +81-467-76-7302
- **Nagoya Branch Office**
2-15-22 Nishiki, Naka-ku, Nagoya-shi, Aichi 460-0003
TEL: +81-52-201-6051 FAX: +81-52-231-2692
- **Akemi Plant**
5-29 Akemi-cho, Toyohashi-shi, Aichi 441-8074
TEL: +81-532-23-3191 FAX: +81-532-23-3194
- **Hamura Plant**
3-5-10 Nagaoka, Mizuho-cho, Nishitama-gun, Tokyo 190-1232
TEL: +81-42-579-5871 FAX: +81-42-579-5874
- **Osaka Branch Office**
4-4-9 Koraihashi, Chuo-ku, Osaka-shi, Osaka 541-0043
TEL: +81-6-6220-1250 FAX: +81-6-6220-1273
- **Kurate Plant**
765-1 Aza-Iwagouchi, Oaza-Muroki, Kurate-machi, Kurate-gun, Fukuoka 807-1307
TEL: +81-949-42-8051 FAX: +81-949-42-8048
- **Kanagawa Factory**
830 Yabata, Chigasaki-shi, Kanagawa 253-8650
TEL: +81-467-82-1171 FAX: +81-467-58-3566
- **R&D center**
1 Akemi-cho, Toyohashi-shi, Aichi 441-8510
TEL: +81-532-25-5354 FAX: +81-532-25-2384

Corporate Profile



Directors and Audit & Supervisory Board Members (Topy Industries, Ltd.)



Director and Chairman
Yasuo Fujii
1977 Joined Nippon Steel Corporation
2005 Executive Counselor, General Superintendent, Sakai Works, Structural Division
2006 Director, General Superintendent, Sakai Works, Structural Division
2007 Director, General Superintendent, Yawata Works
2009 Managing Director, General Superintendent, Kimitsu Works
2011 Executive Officer, Assumed role as Advisor of Topy Industries, Ltd.
2011 President and CEO
2017 Director and Chairman (to present)



President and CEO
Nobuhiko Takamatsu
1979 Joined Nippon Steel Corporation
2011 Executive Officer General Manager, Head of Division, Ironmaking Technology Division, Nippon Steel Corporation
2012 Advisor, Nippon Steel Corporation; Executive Officer in charge of technology/quality, Usiminas
2014 Advisor, Nippon Steel & Sumitomo Metal Corporation; Vice President in charge of business planning, Usiminas
2016 Managing Executive Officer and Vice Head of Global Business Development Sector, Nippon Steel & Sumitomo Metal Corporation
2016 Director at Usiminas
2017 Senior Executive Officer, Assumed the role as Assistant to the President of Topy Industries, Ltd.
2017 President and CEO (to present)



Executive Vice President
Yasuto Ishii
1976 Joined Topy Industries, Ltd.
2008 Operating Officer, Corporate Planning (Manager, Special Matters)
2010 Operating Officer, General Manager of Efficiency Improvement Dept.
2012 Operating Officer, General Manager of Business Reform Promotion Dept.
2013 Executive Operating Officer overseeing Safety, Quality, Environment, Technical Center, New Business Development, Business Administration Reform; General Manager of Technology Coordination and Business Administration Reform; Auditor at Fujian Topy Autoparts Co., Ltd. (to present); Auditor at Tianjin Topy Machinery Co., Ltd. (to present)
2013 Managing Director overseeing Safety, Quality, Environment, Technical Center, New Business Development, Business Administration Reform; General Manager of Technical Coordination and Business Administration Reform Dept.
2015 Auditor at PT. Topy Palingda Manufacturing Indonesia (to present)
2015 Senior Managing Director
2016 Executive Vice President (to present)
2016 Executive Vice President, Technology Administration, Business Administration Reform, Safety
2016 Executive Vice President, General affairs, Personnel (to present)



Executive Vice President
Tadashi Kojima
1976 Joined Topy Industries, Ltd.
2011 Operating Officer, General Manager of Internal Audit
2014 Executive Operating Officer, General Manager of Internal Audit Managing Director
2015 Director at Topy America, Inc.; Director at Topy MW Manufacturing Mexico S.A. DE C.V.
Executive Operating Officer overseeing General Affairs
2016 Senior Managing Director (to present)
2016 Senior Managing Director, General Affairs
2017 Executive Vice President, General Affairs, Personnel (to present)



Senior Managing Director
Norio Saito
1976 Joined Topy Industries, Ltd.
2007 Operating Officer, Deputy General Manager of the Wheel Division
2011 Director, General Manager of the Wheel Division
2013 Director, Managing Operating Officer, Automotive and Machinery Components Business, General Manager of the Wheel Division
2015 Managing Operating Officer, General Manager of Corporate Planning
2017 Director of Topy Undercarriage (China) Co., Ltd. (to present)
Senior Managing Operating Officer, Corporate Planning, General Affairs
Senior Managing Director, Corporate Planning, Financial Matters (to present)



Director
Tsuyoshi Inoue
1976 Joined Development Bank of Japan
2006 Supervisor of Development Bank of Japan
2008 Resident Auditor of Development Bank of Japan
2010 Managing Director of Japan Nuclear Fuel Limited
2013 Director and Executive Officer of Japan Nuclear Fuel Limited
2014 Representative Director and President of Value Management Institute, Inc.
2015 Auditor of Fuji Oil Co., Ltd.
2016 Director of Topy Industries, Ltd. (to present)



Director
Sumio Moriwaki
1981 Registered as lawyer (to present)
Joined Ishii Law Office (to present)
1995 Partner (to present)
2003 Instructor, The Training and Research Institute for Court Officials, Supreme Court of Japan
2007 Visiting Professor, The University of Tokyo Graduate Schools for Law and Politics
2015 Chairman, Research Committee on the Judicial System, Japan Federation of Bar Associations
2017 Director of Topy Industries, Ltd. (to present)
Outside Auditor of JSR Corporation (to present)



Statutory Auditor
Masaru Yamamoto
1977 Joined Topy Industries, Ltd.
2011 Operating Officer, General Manager of Science Business
2013 Councilor to General Affairs Dept.
Statutory Auditor (to present)



Statutory Auditor
Yukihiro Ogawa
1982 Joined Topy Industries, Ltd.
2007 Manager of Educational Issues at Personnel Dept.
2010 Senior Manager of General Affairs Dept. (PR, IR)
2014 Deputy General Manager of General Affairs Dept.
2015 Statutory Auditor (to present)



Statutory Auditor
Masakazu Kawabata
1977 Joined Fuji Bank Limited
2005 Executive Officer, Branch Manager of Shinjuku Branch of Mizuho Bank Ltd.
2006 Executive Managing Officer of Mizuho Bank Ltd.
2009 Representative Director, Vice President of Mizuho Research Institute Ltd.
2012 Representative Director and President of Mizuho Capital Co., Ltd.
2016 Statutory Auditor of Topy Industries, Ltd. (to present)



Statutory Auditor
Kazuo Shouyu
1978 Joined Meiji Yasuda Life Insurance Company
2005 General Manager of Multi-life Product Development Promotion Dept. of Meiji Yasuda Life Insurance Company
2008 General Manager of Medical Department of Meiji Yasuda Life Insurance Company
2012 Statutory Auditor of Meiji Yasuda System Technology Company
2016 Statutory Auditor of Topy Industries, Ltd. (to present)

Note: Director Tsuyoshi Inoue and Sumio Moriwaki are outside directors. Auditor Masakazu Kawabata and Kazuo Shouyu are outside statutory auditors.

Corporate Governance

We will work on strengthening and improving corporate governance to establish a company that will earn the trust of all stakeholders.

Basic approach

Topy Industries, Ltd. pledges to enhance corporate value in the medium to long term by establishing a corporate governance system that is appropriate for the company from the standpoint of management soundness, transparency and efficiency in order to maintain and improve the trust of stakeholders. This comes from the group basic philosophy, which advocates, “Win the trust and respect of society through the continuance and development of the Topy Industries Group and the execution of one’s duties as a public institution.”

Outline of corporate governance system

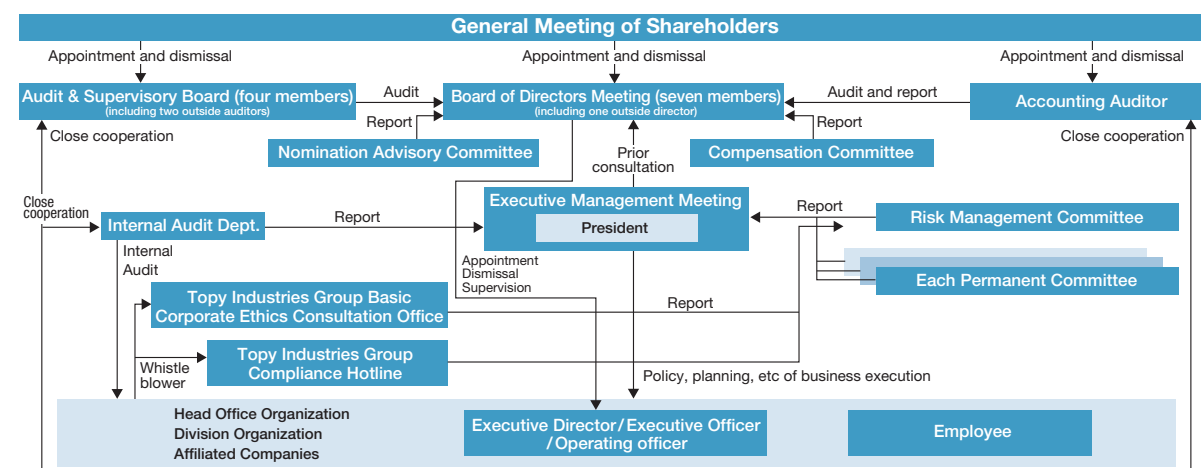
As illustrated below, Topy Industries, Ltd. is a Company with an Audit & Supervisory Board, and management oversight and audits are conducted by the Board of Directors and the Audit & Supervisory Board. We have divided management functions into decision-making functions and executive functions and have adopted an operating officer system to vitalize and improve management efficiency.

The Board of Directors (to be convened once a month or extraordnarily as needed, in principle) consists of a total of seven members: five Executive Directors and two Outside Directors. The Board resolves the matters required by laws and regulations or the articles of incorporation and important issues of the company, including basic management policy, and oversees management from an independent and objective standpoint. In addition, for the purpose of ensuring efficient deliberations by the Board of Directors, the Executive Management Meeting, which comprises the Directors and others, is held (once a week in principle) for prior deliberations of matters to be re-

solved at the Board of Directors and for discussions on policies, plans and the conduct of business execution, thereby ensuring that appropriate management decisions are made.

Furthermore, in order to respond rapidly to changes in the business environment, the term of the Directors and Executive Officers is set as one year. The Audit & Supervisory Board consists of a total of four members: two full-time members and two outside members, conducting fair and neutral audits. Aside from the statutory organizations, the company has the Compensation Committee, the Nomination Advisory Committee, the Risk Management Committee and other optional organs to strengthen governance functions. The company will establish a voluntary organization when required to further enhance its governance capabilities.

Corporate governance organizational diagram



Outside Directors and outside members of the Audit & Supervisory Board

Currently, the company has two Outside Directors and two outside members of the Audit & Supervisory Board. There are no special interests between those personnel and the company.

Outside Director Tsuyoshi Inoue is the Representative Director and President of Japan Economic Research Institute Inc., the Representative Director and President of Value Management Institute Inc., an outside corporate auditor of Mitsubishi Paper Mills Ltd., and an outside corporate auditor of Fuji Oil Co., Ltd. There are no human, capital or business transactions between these corporations and the company. He once worked for the Development Bank of Japan. The company carries a loan from the Development Bank of Japan for an amount of less than ten percent of the total loan of the company.

Outside Director Sumio Moriwaki is a partner of Ishii Law Office and an outside corporate auditor of JSR Corporation. There are no human, capital or business transactions between the law office or the corporation and the company.

Outside member of the Audit & Supervisory Board Masakazu Kawabata is an outside corporate auditor of Komori Corporation and an outside director of Fuyo Auto Lease Co., Ltd. There are no human, capital, or business transactions between these corporations and the company. He once worked for Mizuho Bank, Ltd. for an amount of about ten percent of the total loan of the company. Mizuho Bank, Ltd. holds 3.27% of the company's shares.

Outside member of the Audit & Supervisory Board Kazuo Shouyu is the managing director of Meiji Yasuda Cultural Foundation. There are no human, capital, or business transactions between this organization and the company. He once worked for Meiji Yasuda Insurance Company. The company carries a loan from Meiji Yasuda Life Insurance Company for an amount of about ten percent of the total loan of the company. Meiji Yasuda Life Insurance Company holds 4.05% of the company's shares.

In accordance with the independence standards defined by the Tokyo Stock Exchange, the company takes into account the interests in the company of those parties whose attribute information is required to be disclosed, including major shareholders, business partners, those parties with whom the company has relationships through Outside Directors and persons to perform the operations of organizations to which the company donates, and takes the independence of Outside Directors or outside members of the Audit & Supervisory Board into consideration. The company believes that it has secured the independence of the two Outside Directors and the two outside members of the Audit & Supervisory Board. All the Outside Directors and outside members of the Audit & Supervisory Board of the company have been reported to and accepted by the Tokyo Stock Exchange and Nagoya Stock Exchange as independent officers. Outside Director Tsuyoshi Inoue, mainly through his statements in the decision-making process of the Board of Directors based on the extensive knowledge and experience he has acquired as a corporate manager, and Outside Director Sumio Moriwaki, mainly through his statements in the decision-making process of the Board of Directors based on

the extensive knowledge and experience related to law he has acquired as an attorney for many years, contribute to reinforcing the decision-making functions and supervisory functions of the Board of Directors. Outside members of the Audit & Supervisory Board Masakazu Kawabata and Kazuo Shouyu contribute to reinforcing audit functions through their advice and suggestions to secure legality and adequateness in the decision-making of the Board of Directors and other occasions as well as opinions expressed in meetings of the Audit & Supervisory Board based on the extensive knowledge and experience they have acquired, mainly at financial institutions.

Overview of the operational status of systems necessary to ensure the appropriateness of operations of the company

Internal control systems in general

Based on annual audit policies and plans, the Internal Audit Department of the company conducts the monitoring of internal control in the Topy Industries Group in accordance with the Companies Act and the Financial Instruments and Exchange Act.

Compliance system

We have formulated the Group Basic Philosophy and the Group Code of Conduct and ensure that all the officers and employees of the Topy Industries Group are familiar with them through our websites, in-house newsletter, Group Compliance Guidebook, etc. Moreover, under the leadership of the Risk Management Committee of the company, employees in each department of the company and group companies formulate annual activity plans for full compliance, engage in compliance improvement activities and share relevant information. In addition, the divisions of the company supervising compliance and others provide a range of compliance education to employees at each level of the Topy Industries Group.

Regarding the whistle-blowing system, the Rules concerning Topy Industry Group Basic Corporate Ethics Consultation Office and Topy Industries Group Compliance Hot Line stipulate to the effect that reports and consultations from employees are held in strict confidence and will not become the basis for any unfair treatment. We also provide outside counsel as recipients of such reports and consultations.

Risk management system

Under the leadership of the Risk Management Committee of the company, employees in each department of the company and group companies formulate annual activity plans for risk management and engage in risk management improvement activities.

When an issue related to risk management occurs or is likely to occur in the Topy Industries Group, it is reported to the Risk Management Committee, etc. and the necessary instructions are provided through the risk management system.

As for response to emergencies such as major natural disasters, we have formulated business continuity plans and have taken steps to improve the earthquake resistance of the buildings and production facilities and conduct regular disaster response drills, etc. to cope with such emergencies.

Corporate Governance

■ Execution of duties by Directors

The Board of Directors resolves matters required by laws and regulations or the articles of incorporation and important issues of the company stipulated in the Board of Directors Regulations. Moreover, prior deliberations of matters to be resolved by the Board of Directors are held at the Executive Management Meeting, which comprises the Executive Directors and others. Prior explanations of the agenda for meetings of the Board of Directors are provided to Outside Directors who do not attend the Executive Management Meeting. In addition, the company endeavors to ensure efficient deliberations by the Board of Directors and rationality in the course of its decision-making by means such as establishing Bylaws concerning Preparation of Agenda Document for Board of Directors' Meetings.

■ Business management of the group companies

In accordance with the Group Company Management Regulations, the division of the company supervising the group companies receives reports therefrom regarding their business policies, plans, results and other matters as necessary, while important matters are resolved at the Executive Management Meeting or meetings of the Board of Directors. In addition, the company promotes the autonomous management of each group company and conducts management soundness evaluation to assess the business results and risk management status, among other aspects, of each group company for every fiscal year. Based on the results of the evaluation, the division of the company supervising the group companies provides instructions and support to the group companies.

■ Audits by the Audit & Supervisory Board

The Audit & Supervisory Board members receive reports on the activities of the Internal Audit Department, the Risk Management Committee, etc. and other matters that have a significant influence on the Topy Industries Group through attendance by the Audit & Supervisory Board members at meetings of the Board of Directors and other important meetings and attendance by the full-time members of the Audit & Supervisory Board at the Executive Management Meeting. In addition, the Representative Director and the Audit & Supervisory Board members hold regular meetings to exchange opinions.

When an issue related to risk management occurs or is likely to occur in the Topy Industries Group, it is also reported to the Audit & Supervisory Board members in accordance with the Group Risk Management Regulations. In addition, the company has developed a structure in which whistleblowing is reported to the Audit & Supervisory Board members in accordance with the Rules concerning Topy Industry Group Basic Corporate Ethics Consultation Office and Topy Industries Group Compliance Hot Line.

■ Responsibility to stakeholders

The business activities of the Topy Industries Group en-

compass a broad range of fields including materials, motorization, land development, urban construction, electric power generation, logistics, sports and leisure, recycling, transportation and services, and are widely involved with society in playing an indispensable role in various aspects of people's lives. Topy's corporate message "One-piece Cycle" has been chosen to express the corporate attitude toward creating a new wave in each business area to build a better future through the concerted efforts of the Topy Industries Group and the rest of society.

The Topy Industries Group's basic philosophy clearly states, "Win the trust and respect of society through the continuance and development of the Topy Industries Group and the execution of one's duty as a public institution." All our business behaviors come from this pledge. The Topy Industries Group will contribute to the development of society by providing customers with high quality, cost-competitive products that will result in their satisfaction, and we will fulfill our corporate social responsibility through specific activities, including the timely and appropriate disclosure of information, contribution to local communities, positive involvement in global environmental issues, and the like. It is therefore our mission that through these activities, we will enhance the corporate value of the Topy Industries Group as well as the common interests of stakeholders.

■ Information disclosure for highly transparent management

The Topy Industries Group discloses its business activities and financial conditions through various information tools in the hope that our stakeholders will understand the high transparency of our management. The annual publication of the Topy Report, which integrates CSR information such as corporate social contribution and environmental activities as well as financial information for shareholders and investors, began in FY2012. In addition, a variety of corporate information is delivered on a real-time basis on our website (<http://www.topy.co.jp/>).

■ Business-related risks

The risks that may have an impact on the corporate performance, share price and financial position of the Topy Industries Group include the following. The matters described below that are related to the future are based on estimations made by the Group as of March 31, 2017.

(1) Risks due to changes in the economic environment

1. Sales status

The operating revenues of the Group are primarily generated from steel products and automotive and industrial machinery components. The sales of automotive and industrial machinery components are affected largely by the sales of completed vehicles and machinery that carry the products of the Group. Furthermore, they are

vulnerable to the economic conditions of the respective market where such completed vehicles and machinery are sold. Likewise, demand for the steel products is affected by the business environment in the particular country or region where those products are sold. Accordingly, a slowdown of the economy and a subsequent drop in demand for our products in major markets such as Japan, North America and Asia would adversely affect the results of the business performance and the financial status of the Topy Industries Group.

2. Procurement of raw materials

The prices of major raw materials used to manufacture products of the Topy Industries Group such as steel material, ferrous scrap and fuel oil may fluctuate significantly according to changes in the international business environments. If raw material costs surge and such cost increases cannot be appropriately reflected onto the selling prices of products, there could be adverse effects on the business performance and financial status of the Group.

3. Currency exchange risks

The business of the Topy Industries Group includes exports of products from Japan to North America and Asia, and the manufacture and sales of products in such regions. Fluctuations in currency exchange rates would affect the Group's business performance and financial status.

4. Changes in interest rates and dependence on interest-bearing debt

The Topy Industries Group has been working to reduce interest-bearing debt. However, the percentage of interest-bearing debt to total assets remains high. Accordingly, the fluctuation in interest rates on interest-bearing debt would affect the Group's business performance and financial status.

5. Corporate financing

The Topy Industries Group conducts the procurement of funds mainly through loans from financial institutions. The financing costs are affected by the interest rates and evaluation of the Group by credit rating agencies. A rise in interest rates or a decline in the business performance of the Group may result in financing at higher interest rates or difficulty securing the necessary funds. This would adversely affect the Group's business performance and financial status.

(2) Risks of declines in selling prices

The Topy Industries Group conducts its steel products business and automotive and industrial machinery components business in extremely competitive markets. The Group will continue to make efforts to secure profit by reducing purchasing costs and improving productivity. However, if declines in selling prices override our efforts, it may lead to a decrease in the profit ratio.

(3) Risks Associated with overseas expansion

The Topy Industries Group has traditionally conducted manufacturing and sales activities in Japan and the United States. Now, with economic development in China and other Asian countries, the Group's manufacturing and sales activities have expanded into these regions by way of direct investment. However, doing business in these countries involves a range of intrinsic risks and new challenges such as inadequate social/technical infrastructures, unexpected changes in local laws and regulatory restrictions, disadvantageous political or economic factors, difficulties hiring and securing human resources, etc.

(4) Risks related to new products and new technology development

It is necessary for the Topy Industries Group, which engages in manufacturing activities, to establish a firm technological position within the competitive environment to ensure that each business segment achieves stable earnings over a long term. Particularly in the automotive and industrial machinery components business, driven by automotive technological innovation, we must be prepared to respond to the increasingly sophisticated requirements of automobile manufacturers.

We are continually at risk because we must gain the favor of the market and customers by precisely forecasting new products and technologies, as well as successfully commercializing such products.

(5) Disaster risks

The Topy Industries Group has steadily implemented a variety of effective measures against anticipated natural disasters including strengthening our emergency communication systems, executing regular evacuation drills, and the anti-seismic reinforcement of facilities. However, our business operations and financial status would be adversely affected by the occurrence of any large-scale earthquakes, typhoons, or other natural disasters in the vicinity of our factories.

(6) Risks from product defects

The Topy Industries Group places the safety of its products as a top priority, and our products are manufactured in accordance with the quality requirements and standards permitted in Japan and each of the other countries in which we operate. The Group is insured in terms of product liability; however, there is a possibility of incidents that are not covered by insurance or large-scale recalls required for the safety of our customers, which may result in substantial costs that will adversely affect our business performance and financial status.

(7) Risks from statutory regulations

The business operations of the Topy Industries Group are subject to a range of legal restraints and laws and regulations of Japan and other countries in which we operate. Any changes in these statutory regulations may have adverse effects on our business performance and financial status.

Corporate Data

Annual Report Fact Book

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Financial Data

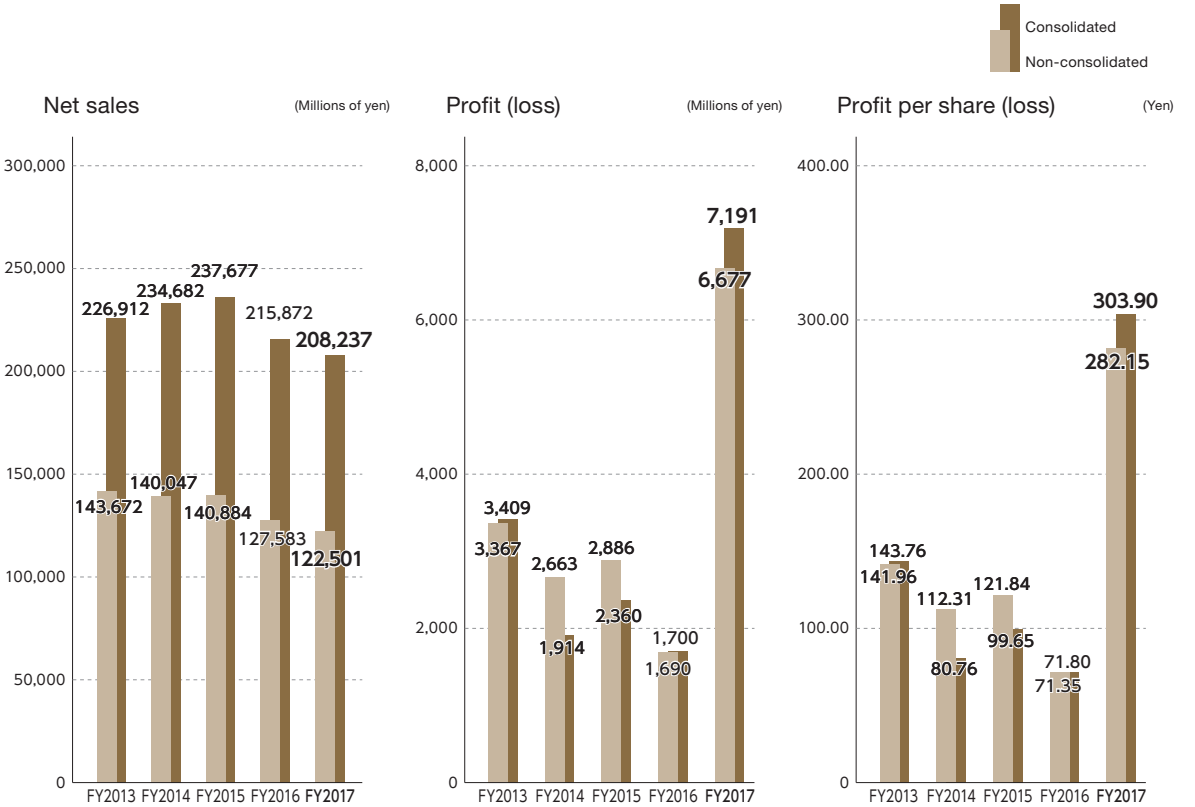
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Financial Highlights

Consolidated	Millions of yen		Thousands of U.S. dollars (Note)
	2017	2016	
Net sales	¥ 208,237	¥ 215,872	\$ 1,856,276
Profit attributable to owners of parent	7,191	1,700	64,102
Total assets	223,050	231,583	1,988,322
Profit per share (in yen and U.S. dollars)	30.39	7.18	0.271
Non-Consolidated	Millions of yen		Thousands of U.S. dollars (Note)
	2017	2016	
Net sales	122,501	127,583	1,092,004
Profit	6,677	1,690	59,520
Total assets	174,125	171,278	1,552,193
Profit per share (in yen and U.S. dollars)	28.21	7.14	251
Dividend per share (in yen and U.S. dollars)	8.00	6.00	0.071

*Net sales do not include consumption tax.
*On October 1, 2016, the company executed a one-for-ten common share consolidation. The profit per share and the dividend per share have been calculated on the assumption that the said share consolidation took place at the beginning of the fiscal year ended March 31, 2016.
Note: Dollar amounts are converted at the rate of ¥112.18 to U.S. 1 dollar.
(Year ended March 31, 2017)

■ Five-year Trends in Sales and Profits



Consolidated Business Results for FY2017 (Summary)

Analysis of Operation Results and Financial Situation

Business Overview

During the consolidated fiscal year under review, the world economy rallied at a generally mild pace. The U.S. economy was strong while Europe saw a recovery trend. Chinese and other emerging economies showed signs of a recovery in the middle of the fiscal year. Japan also saw its economy rebounding at a moderate pace, with improvement in employment situations and recovery of industrial production.

Under these circumstances, the Topy Industries Group commenced its medium-term management plan entitled Growth & Change 2018 with a view to continued growth and evolution into a company with job satisfaction. As part of the initiatives under the plan, the company strengthened its strategic partnership with MW ITALIA S.R.L. in the steel wheel business and boosted its production capacity of industrial fasteners at overseas locations in order to accelerate global expansion. To respond to changes in business circumstances including a decline in domestic demand for steel wheels, we commenced consideration of the reorganization of Ring Techs Co., Ltd. into a wholly owned subsidiary. In addition, the Group continued its efforts to establish its production system matched with demand, to increase productivity and slash costs through energy conservation and other actions.

As a result, for the consolidated fiscal year under review net sales were JPY 208,237 million, down 3.5% year-on-year, operating profit was JPY 7,180 million, rising 28.2%, and ordinary profit ended at JPY 6,116 million, a decline of 30.5%. Profit attributable to owners of parent stood at JPY 7,191 million, up 322.9% year-on-year, after the posting of extraordinary income following the transfer of noncurrent assets.

Dividend

The basic policy of the company regarding profit allocation is to return profit to shareholders depending on the consolidated business results and to increase internal reserves towards future business development and the strengthening of the corporate structure. The internal reserve will be appropriated to investment in new businesses and the development of new technologies and products for long-term stable business expansion in an effort to bolster the corporate structure and international competitiveness. While setting a rough goal in profit allocation based on consolidated financial results of a consolidated payout ratio of 30 to 35%, we will make a decision in full consideration of continuing to make stable dividend payments as well.

As for the dividends payable at the end of this consolidated fiscal year, we have decided to pay JPY 70 per share in accordance with the basic policy regarding profit allocation and in consideration of the acquisition

of 488,200 shares of treasury stock (for which the total share acquisition value amounted to JPY 1,499 million) during the acquisition period until March 2017. If the interim dividend of JPY 1 per share already paid is converted in view of the one-for-ten common share consolidation on October 1, 2016, the annual dividends amount to JPY 80 per share.

For the next fiscal year, the company is planning to pay dividends of JPY 70 per share.

Outlook for the future and issues to be resolved

Going forward, the Japanese economy is expected to recover at a slow speed through an improvement in the employment and income situations and the government economic package. Meanwhile, there exist some concerns, such as the protectionist moves mainly in Europe and in the United States, the uncertain prospects of the Chinese and other emerging economies and China's excessive production capacity. It is therefore likely that the business circumstances surrounding the Group will remain unpredictable.

In this operating environment, the Group will steadily take the steps described in the Growth & Change 2018 three-year management plan from FY2016, including accelerating the global expansion of the automotive and industrial machinery components business, defined as a growth driver, broadening the lineup of products based on original technologies in the steel business, and entering new business areas such as crawler robots and synthetic mica, aiming to achieve sustained growth. In addition, the Group will transform itself into a company where personnel who will play key roles in the future can display their capacity to the fullest degree and enjoy strong job satisfaction.

For the next fiscal year, net sales are forecast at JPY 227,000 million, operating profit at JPY 7,500 million, ordinary profit at JPY 7,400 million and profit attributable to owners of parent at JPY 4,900 million.

Topy Industries, Ltd.
President and CEO

R. Jakomata

Businesses by segment

Steel Business

Business Results

In the electric furnace industry, crude steel production moved higher from the previous fiscal year, after demand for steel materials for construction and others were on the upward trend from the second half of the fiscal year under review. However, amid the stagnation of the steel materials market, prices of iron scraps as main raw materials started to rise sharply in the middle of the fiscal year. The industry thus continued to face adverse circumstances.

Under these conditions, the Group worked to cultivate demand for special profile sections to achieve a growth in sales quantity. Net sales stood at JPY 63,803 million, a 0.1% increase year-on-year. However, despite efforts on selling prices in response to sharply soaring iron scrap prices, the price gap with iron scraps narrowed. Consequently, operating profit was JPY 2,882 million, a 40.1% decrease year-on-year.

Research and development

We are involved in the enhancement of quality level of hot rolled products, reduction of industrial wastes and improvement in environmental issues such as recycling while implementing development of new shapes and new grade of steels.

On going achievements include orders received for new shapes, reduction in power intensity rate on conventional products, development of technology on industrial wastes and recycling of resources.

We spent JPY 2 million on these R&D activities.

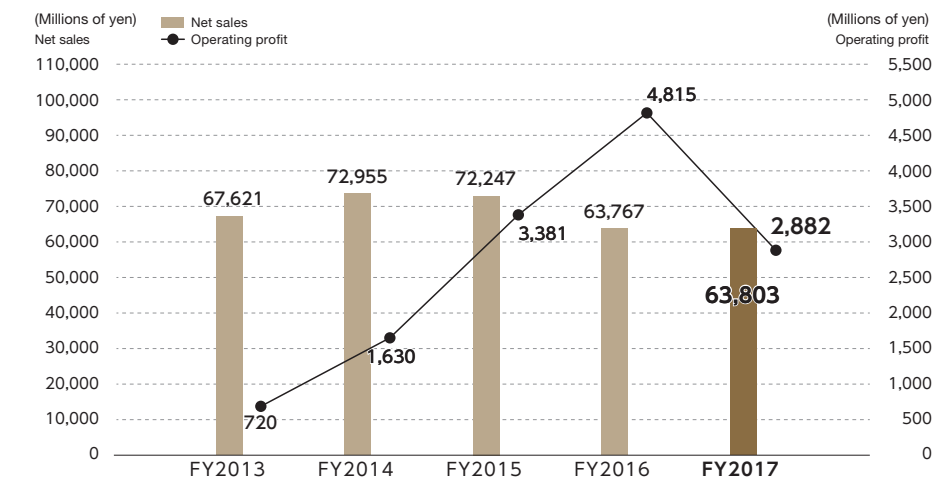
Companies included in this business segment

Topy Industries, Ltd., Topy Enterprises, Ltd., Topy Marine Transport, Ltd., Tojitu Co., Ltd., NE-Tojitsu Ltd., Akemi Recycling Center, Ltd.

Issues to be addressed

We will seek to maximize the effect of the new steel-making facilities and to cultivate new demand with a lineup of products based on special profile section manufacturing and processing technologies, in which the Group has strength.

Net Sales, Operating Profit



Corporate Data

Business by Segment

Automotive and Industrial Machinery Components Business

Business Results

In the automobile industry, light vehicle sales were sluggish and truck exports tumbled while domestic and overseas sales of ordinary passenger cars were bullish. Domestic production quantity consequently stayed flat. U.S. demand was at a high level. In the construction machinery industry, domestic demand contracted whereas the Chinese market rallied after growth in public investment. There were signs of a recovery in demand for mining machinery as well.

In this environment, the Group achieved growth in sales volume of undercarriage components for construction machinery mainly for China. However, affected by the strong yen and by a drop in sales volume of wheels for trucks, net sales were JPY 129,681 million, down 3.3% year-on-year. On the other hand, operating profit stood at JPY 6,524 million, rising 22.6% year-on-year, following an expansion of sales quantity of undercarriage parts for construction machinery, integration of production facilities in China and cost cutting effect.

Issues to be addressed

Chiefly led by emerging markets, global automobile demand is growing and worldwide competition is intensifying. Automobile manufacturers are introducing common platforms to reduce costs. In response, the Group will expand and upgrade its global system for supplying commonly designed wheels to anywhere in the world in a bid to increase its presence.

With respect to undercarriage components for construction machinery, we will bolster overseas production and logistical facilities and enhance the functions of the

domestic mother factory to rebuild our global supply chain and thereby cultivate new customers. For industrial fasteners, we will boost production capacity through mutual support among global production facilities, aiming to unfailingly capture growing demand.

Research and development

We are involved in weight saving, quality improvements, cost reduction, speed up of development time and development of new products.

Ongoing achievements related to steel and aluminum wheels for passenger cars include improvement in the accuracy of analysis and evaluation technology, development and commercial production of new products, cost reduction, and quality improvement of conventional products.

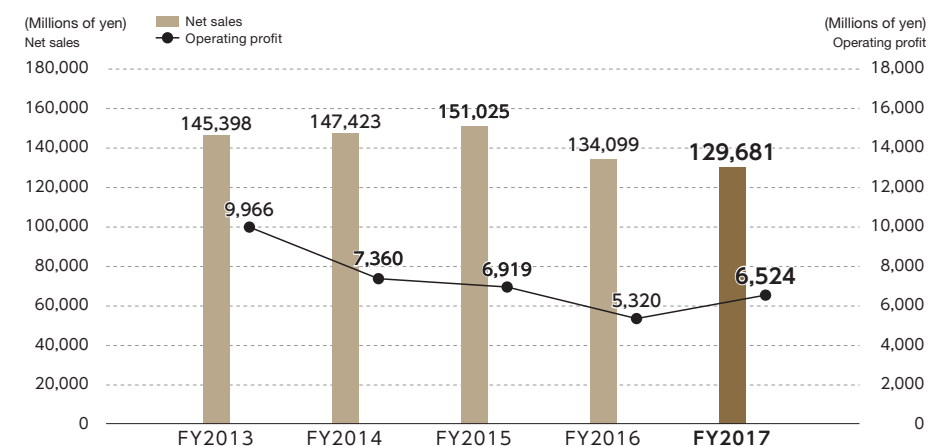
Achievements associated with construction and mining equipment components include cost reduction in forging process of ultra-large diameter wheels, quality improvements and cost reduction in heat treatment processes of rollers and shoes for hydraulic excavators.

We spent JPY 555 million on these R&D activities.

Companies included in this segment

Topy Industries, Ltd., Topy Enterprises, Ltd., Topy Fasteners, Ltd., Kyushu Wheel Kogyo, Ltd., Autopia Ltd., Sanwa Buhin Co., Ltd., Topy America, Inc., Topy Precision Mfg., Inc., Topy Fasteners (Thailand), Ltd., Fujian Topy Autoparts Co., Ltd., Topy Undercarriage (China) Co., Ltd., Topy Fasteners Vietnam Co., Ltd., PT. Topy Palingda Manufacturing Indonesia, PT. Topy Undercarriage Indonesia, Topy MW Manufacturing Mexico S.A. DE C.V., Topy Fasteners Mexico, S.A. DE C.V.

Net Sales, Operating Profit



Power Generation Business

Business Results

In accordance with its business plan, the Group maintained its constant supply of electric power generated from coal-fired thermal power generation. After a major fall in electric power sales prices following a sharp decline in crude oil and LNG prices, net sales were JPY 8,425 million, down 20.7% in a year-on-year comparison. Meanwhile, the slide in prices of coal as fuel for power generation was limited. Operating profit was JPY 494 million, an 80.0% decrease year-on-year.

Issue to be addressed

We continue to maintain solid production system and stable supply of electricity by operating power generation plant while paying the maximum consideration to keep harmonious relationship with surrounding environment.

Companies included in this business segment

Akemi Electric Power, Ltd.

Other Business

Business Results

The Topy Industries Group also engages in 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 JPY 6,326 million, and operating profit was JPY 1,557 million.

Issue to be addressed

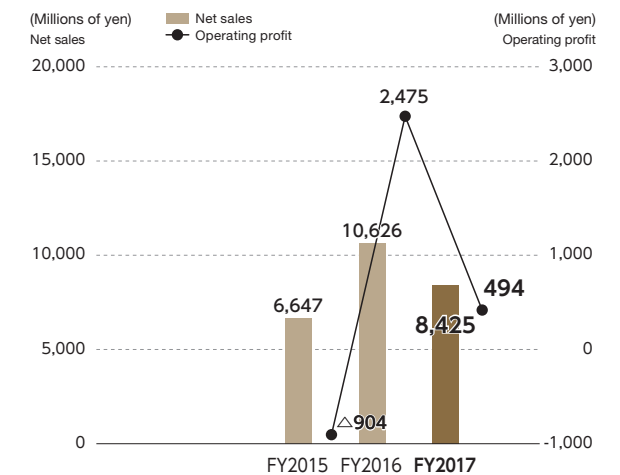
The Group has long cultivated technologies for manufacturing undercarriage components for construction machinery. We will promote crawler robots incorporating these technologies for disaster response, seabed studies and other applications. We will also commercialize revolutionary moving systems capable of automatic and autonomous travel and expand sales to service and agricultural sectors where demand growth is anticipated.

Synthetic mica has been developed by applying technologies for melting in electric furnaces. The Group will strive to expand its sales for cosmetic applications as well as for industrial applications such as food wrapping film.

Research and development

The R&D Center undertakes research and development of basic elemental technologies associated with

Net Sales, Operating Profit



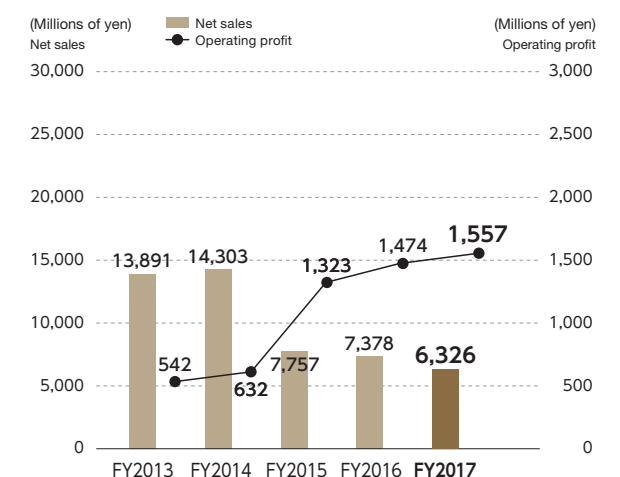
the steel business and with the automotive and industrial machinery components business. We work on positive promotion of university-industry cooperation in new areas. The Science Division is involved in the development of new products using high gloss synthetic mica as well as crawler robots.

We spent JPY 579 million on these activities.

Companies included in this business segment

Topy Industries, Ltd., Topy Enterprises, Ltd., Topy-Rec, Ltd.

Net Sales, Operating Profit



*Sales and operating profit attributable to Power Generation shown above are included in the above figures until FY2015.

Corporate Data

Major Subsidiaries & Affiliates [Topy Industries, Ltd.]

Company name	Head office location	Capital (millions of yen)	Business segment	Holding voting right or owned by (%)
(Consolidated Subsidiaries) Topy Enterprises, Ltd.	Shinagawa-ku, Tokyo	480	Steel, Automotive and Industrial Machinery Components, Other	100
Topy Marine Transport, Ltd.	Toyohashi-shi, Aichi Pref.	225	Steel	100
Topy Fasteners, Ltd.	Matsumoto-shi, Nagano Pref.	310	Automotive and Industrial Machinery Components	100
Topy-Rec, Ltd.	Koto-ku, Tokyo	300	Others	100
Kyushu Wheel Kogyo, Ltd.	Miyako-gun, Fukuoka Pref.	100	Automotive and Industrial Machinery Components	100
Tojitsu Co., Ltd.	Toyohashi-shi, Aichi Pref.	80	Steel	100 (100)
NE-Tojitsu, Ltd.	Urayasu-shi, Chiba Pref.	34	Steel	100 (100)
Autopia, Ltd.	Koto-ku, Tokyo	30	Automotive and Industrial Machinery Components	100 (100)
Akemi Recycling Center, Ltd.	Toyohashi-shi, Aichi Pref.	200	Steel	100 (30)
Sanwa Buhin Co., Ltd.	Bando-shi, Ibaraki Pref.	200	Automotive and Industrial Machinery Components	100
Akemi Electric Power, Ltd.	Toyohashi-shi, Aichi Pref.	205	Power Generation	100
Topy America, Inc.	Kentucky, U.S.A.	600 U.S. dollars	Automotive and Industrial Machinery Components	100
Topy Precision Mfg., Inc.	Illinois, U.S.A.	50 thousand U.S. dollars	Automotive and Industrial Machinery Components	100 (100)
Topy Fasteners (Thailand), Ltd.	Chonburi, Thailand	50 million baht	Automotive and Industrial Machinery Components	75 (40)
Fujian Topy Autoparts Co., Ltd.	Fujian, China	194 million yuan	Automotive and Industrial Machinery Components	100
Topy Undercarriage (China) Co., Ltd.	Qingdao, China	606 million yuan	Automotive and Industrial Machinery Components	100

Company name	Head office location	Capital (millions of yen)	Business segment	Holding voting right or owned by (%)
Topy Fasteners Vietnam Co., Ltd.	Jung Yen, Viet Nam	6.24 million U.S. dollars	Automotive and Industrial Machinery Components	100 (80)
PT. Topy Palingda Manufacturing Indonesia	West Java, Indonesia	710.6 billion rupiah	Automotive and Industrial Machinery Components	90
PT. Topy Undercarriage Indonesia	West Java, Indonesia	300 thousand U.S. dollars	Automotive and Industrial Machinery Components	100 (30)
Topy MW Manufacturing Mexico S.A. DE C.V.	State of Guanajuato, Mexico	867 million pesos	Automotive and Industrial Machinery Components	95
Topy Fasteners Mexico, S.A. DE C.V.	State of San Luis Potosi, Mexico	81 million pesos	Automotive and Industrial Machinery Components	100 (100)
(Unconsolidated subsidiary accounted for under the equity method) Hokuetsu Metal Co., Ltd.	Nagaoka-shi, Niigata Pref.	1,969	Steel	35.6 (1.4)
Nippon Steel Topy Bridge Co., Ltd.	Kitakyushu-shi, Fukuoka Pref.	100	Others	35
(Other Affiliates) Nippon Steel & Sumitomo Metal Corporation	Chiyoda-ku, Tokyo	419,524	Manufacture and sales of steel products and engineering	0.1 (Owned by) 20.6 (0.1)

As of March 31, 2017

- Notes:
- Respective business segments are listed in the "business segment" column (excluding other affiliated companies).
 - Topy America, Inc. and Topy Precision Mfg., Inc. have paid premiums of U.S. \$62,999,400 and U.S. \$4,950,000, respectively, aside from the capital mentioned above, totaling capital of U.S. \$63,000,000 and U.S. \$5,000,000 respectively.
 - Topy Enterprises, Ltd., Topy America, Inc., Fujian Topy Autoparts Co., Ltd., Topy Undercarriage (China) Co., Ltd., PT. Topy Palingda Manufacturing Indonesia and Topy MW Manufacturing Mexico S.A. DE C.V. are categorized as special subsidiary companies.
 - Hokuetsu Metal Co., Ltd. and Nippon Steel & Sumitomo Metal Corporation issue an official financial statement separately.
 - The sales ratio of Topy Enterprises, Ltd. as a proportion of the consolidated sales of Topy Industries Group exceeds 10% (excluding internal sales among consolidated Topy Industries Group companies).
- Major financial information
- | | |
|--------------------------|-----------------|
| (1) Net sales JPY | ¥86,605 million |
| (2) Operating profit JPY | ¥1,115 million |
| (3) Profit JPY | ¥757 million |
| (4) Net assets JPY | ¥7,870 million |
| (5) Gross assets JPY | ¥33,515 million |
- The liquidation of Nippon Steel Topy Bridge Co., Ltd. has finished.
 - The values in parentheses under the "holding voting right or owned by" column represent indirect holding percentages.

Directors, Auditors & Operating Officers [Topy Industries, Ltd.]

Position	Name	Titles or responsibilities
Chairman	Yasuo Fujii	
President and CEO	Nobuhiko Takamatsu	Representative Director
Director, Executive Vice President	Yasuto Ishii	In charge of Engineering Administration Dept., Internet of Things Promotion Dept. and Safety
Director, Executive Vice President	Tadashi Kojima	In charge of General Affairs Dept. and Personnel Dept.
Senior Managing Director	Norio Saito	In charge of Corporate Planning Dept. and Finance Dept.
Director	Tsuyoshi Inoue	Outside Director
Director	Sumio Moriwaki	Outside Director
Audit & Supervisory Board Member	Masaru Yamamoto	
Audit & Supervisory Board Member	Yukihiro Ogawa	
Audit & Supervisory Board Member	Masakazu Kawabata	Outside Audit & Supervisory Board Member
Audit & Supervisory Board Member	Kazuo Shouyu	Outside Audit & Supervisory Board Member
Senior Managing Executive Officer	Satoshi Kumazawa	General Manager of Personnel Dept.
Senior Managing Executive Officer	Hiroyuki Kinoshita	General Manager of the Undercarriage Components Div., in charge of Automotive and Industrial Machinery Components Business
Managing Executive Officer	Shinichi Kijima	General Manager of the Wheel Div., in charge of Automotive and Industrial Machinery Components Business
Managing Executive Officer	Ichiro Takeuchi	Deputy General Manager of the Wheel Div.
Managing Executive Officer	Masayoshi Takezawa	General Manager of Internet of Things Promotion Dept.
Operating Officer	Kazuhisa Nakayama	Deputy General Manager of the Wheel Div.
Operating Officer	Katsuyoshi Daido	General Manager of the Steel Div., in charge of Steel Business
Operating Officer	Masayuki Yamaguchi	General Manager of Internal Audit Dept.
Operating Officer	Satoshi Fukura	General Manager of the Science Div.
Operating Officer	Tsuyoshi Nakamura	General Manager of Engineering Administration Dept.
Operating Officer	Hiroji Kobayashi	General Manager of the Corporate Planning Dept.
Operating Officer	Takanori Kawano	General Manager of the Personnel Dept.

As of June 23, 2017

Corporate Data

Consolidated Financial Statements

◆ Consolidated Balance Sheets (Assets)

	Millions of yen		Thousands of U.S. dollars (Note)
	2017	2016	
Assets			
Current assets			
Cash and deposits	¥ 16,579	¥ 24,997	\$ 147,789
Notes and accounts receivable-trade	43,781	39,586	390,275
Merchandise and finished goods	12,337	12,806	109,975
Work in process	4,310	4,305	38,420
Raw materials and supplies	9,915	9,506	88,385
Deferred tax assets	1,530	1,546	13,639
Other	5,728	4,480	51,061
Allowance for doubtful accounts	(28)	(43)	(250)
Total current assets	94,154	97,186	839,312
Non-current assets			
Property, plant and equipment			
Buildings and structures	83,348	85,096	742,984
Accumulated depreciation	(54,051)	(54,746)	(481,824)
Buildings and structures, net	29,296	30,349	261,152
Machinery, equipment and vehicles	179,388	189,985	1,599,109
Accumulated depreciation	(134,090)	(141,842)	(1,195,311)
Machinery, equipment and vehicles, net	45,298	48,142	403,797
Land	15,499	18,260	138,162
Leased assets	3,955	4,288	35,256
Accumulated depreciation	(2,044)	(1,627)	(18,221)
Leased assets, net	1,910	2,661	17,026
Construction in progress	1,849	1,558	16,482
Other	32,809	32,897	292,467
Accumulated depreciation	(31,001)	(30,946)	(276,351)
Other, net	1,808	1,951	16,117
Total property, plant and equipment	95,663	102,924	852,763
Intangible assets			
Other	1,722	1,372	15,350
Total intangible assets	1,722	1,372	15,350
Investments and other assets			
Investment securities	27,272	24,992	243,109
Long-term loans receivable	626	620	5,580
Deferred tax assets	1,025	2,689	9,137
Other	2,681	1,854	23,899
Allowance for doubtful accounts	(94)	(55)	(838)
Total investments and other assets	31,510	30,101	280,888
Total non-current assets	128,895	134,397	1,149,002
Total assets	223,050	231,583	1,988,322

Note: Dollar amounts are converted at the rate of ¥112.18 to U.S. 1 dollar.
(Year ended March 31, 2017)

◆ Consolidated Balance Sheets (Liabilities / Net Assets)

	Millions of yen		Thousands of U.S. dollars (Note)
	2017	2016	
Liabilities			
Current liabilities			
Notes and accounts payable - trade	¥ 20,499	¥ 19,445	\$ 182,733
Electronically recorded obligations - operating	12,348	10,606	110,073
Short-term loans payable	16,503	22,603	147,112
Current portion of bonds	3,300	300	29,417
Lease obligations	604	438	5,384
Income taxes payable	738	1,657	6,579
Other	11,224	11,579	100,053
Total current liabilities	65,218	66,632	581,369
Non-current liabilities			
Bonds payable	20,800	23,800	185,416
Long-term loans payable	15,227	23,367	135,737
Lease obligations	1,765	2,336	15,734
Deferred tax liabilities	789	78	7,033
Provision for operating officers' retirement benefits	195	159	1,738
Provision for periodic repairs	305	171	2,719
Net defined benefit liability	11,031	11,011	98,333
Asset retirement obligations	177	235	1,578
Liabilities from application of equity method	—	809	—
Other	2,683	3,007	23,917
Total non-current liabilities	52,977	64,977	472,250
Total liabilities	118,196	131,609	1,053,628
Net assets			
Shareholders' equity			
Capital stock	20,983	20,983	187,048
Capital surplus	18,625	18,824	166,028
Retained earnings	59,922	54,152	534,159
Treasury shares	(1,728)	(931)	(15,404)
Total shareholders' equity	97,801	93,028	871,822
Accumulated other comprehensive income			
Valuation difference on available-for-sale securities	6,610	4,995	58,923
Deferred gains or losses on hedges	(14)	(13)	(125)
Foreign currency translation adjustments	332	1,927	2,960
Remeasurements of defined benefit plans	(778)	(1,044)	(6,935)
Total accumulated other comprehensive income	6,149	5,865	54,814
Non-controlling interests	902	1,080	8,041
Total net assets	104,853	99,973	934,685
Total liabilities and net assets	223,050	231,583	1,988,322

Note: Dollar amounts are converted at the rate of ¥112.18 to U.S. 1 dollar.
(Year ended March 31, 2017)

Corporate Data

Consolidated Financial Statements

◆ Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

	Millions of yen		Thousands of U.S. dollars (Note)
	2017	2016	
Consolidated Statements of Income			
Net sales	¥ 208,237	¥ 215,872	\$ 1,856,276
Cost of sales	173,350	178,201	1,545,284
Gross profit	34,886	37,670	310,982
Selling, general and administrative expenses	27,706	27,669	246,978
Operating profit	7,180	10,000	64,004
Non-operating income			
Interest income	77	89	686
Dividend income	619	706	5,518
Share of profit of entities accounted for using equity method	81	232	722
Insurance income	133	128	1,186
Other	267	419	2,380
Total non-operating income	1,179	1,577	10,510
Non-operating expenses			
Interest expenses	802	1,137	7,149
Foreign exchange losses	728	951	6,490
Other	712	683	6,347
Total non-operating expenses	2,243	2,772	19,995
Ordinary profit	6,116	8,806	54,520
Extraordinary income			
Gain on sales of non-current assets	7,104	19	63,327
Gain on sales of investment securities	54	1,089	481
Subsidy income	—	448	—
Other	38	—	339
Total extraordinary income	7,197	1,558	64,156
Extraordinary losses			
Loss on sales of non-current assets	890	69	7,934
Loss on retirement of non-current assets	779	308	6,944
Loss on reduction of non-current assets	14	440	125
Restructuring loss	300	4,864	2,674
Impairment loss	356	—	3,173
Other	74	0	660
Total extraordinary losses	2,415	5,683	21,528
Profit before income taxes	10,897	4,681	97,139
Income taxes-current	1,750	2,798	15,600
Income taxes-deferred	1,719	536	15,324
Total income taxes	3,469	3,335	30,924
Profit	7,427	1,345	66,206
Profit (loss) attributable to non-controlling interests	236	(354)	2,104
Profit attributable to owners of parent	7,191	1,700	64,102

Note: Dollar amounts are converted at the rate of ¥112.18 to U.S. 1 dollar.
(Year ended March 31, 2017)

	Millions of yen		Thousands of U.S. dollars (Note)
	2017	2016	
Consolidated Statements of Comprehensive Income			
Profit	7,427	1,345	66,206
Other comprehensive income			
Valuation difference on available-for-sale securities	1,563	(5,372)	13,933
Deferred gains or losses on hedges	(0)	(5)	(0)
Foreign currency translation adjustment	(1,604)	(2,036)	(14,298)
Remeasurements of defined benefit plans, net of tax	265	(760)	2,362
Share of other comprehensive income of entities accounted for using equity method	51	(30)	455
Total other comprehensive income	274	(8,205)	2,443
Comprehensive income	7,702	(6,860)	68,658
Comprehensive income attributable to			
Comprehensive income attributable to owners of parent	7,475	(6,340)	66,634
Comprehensive income attributable to non-controlling interests	226	(519)	2,015

Note: Dollar amounts are converted at the rate of ¥112.18 to U.S. 1 dollar.
(Year ended March 31, 2017)

Corporate Data

Consolidated Financial Statements

Consolidated Statement of Changes in Equity

	Millions of yen		Thousands of U.S. dollars (Note)
	2017	2016	
Shareholders' equity			
Capital stock			
Balance at the beginning of year	¥ 20,983	¥ 20,983	\$ 187,048
Changes of items during period			
Total changes of items during period	—	—	—
Balance at the end of year	20,983	20,983	187,048
Capital surplus			
Balance at the beginning of year	18,824	18,824	167,802
Changes of items during period			
Disposal of treasury shares	(65)	0	(579)
Change in ownership interest of parent due to transactions with non-controlling interests	(133)	—	(1,186)
Total changes of items during period	(198)	0	(1,765)
Balance at the end of year	18,625	18,824	167,042
Retained earnings			
Balance at the beginning of year	54,152	53,339	482,724
Changes of items during period			
Dividends of surplus	(1,421)	(947)	(12,667)
Profit attributable to owners of parent	7,191	1,700	64,102
Total changes of items during period	5,770	752	51,435
Balance at the end of year	59,922	54,152	534,159
Treasury shares			
Balance at the beginning of year	(931)	(925)	(8,299)
Changes of items during period			
Purchase of treasury shares	(1,663)	(6)	(14,824)
Disposal of treasury shares	865	0	7,711
Total changes of items during period	(797)	(6)	(7,105)
Balance at the end of year	(1,728)	(931)	(15,404)
Total shareholders' equity			
Balance at the beginning of year	93,028	92,281	829,274
Changes of items during period			
Dividends of surplus	(1,421)	(947)	(12,667)
Profit attributable to owners of parent	7,191	1,700	64,102
Purchase of treasury shares	(1,663)	(6)	(14,824)
Disposal of treasury shares	800	0	7,131
Change in ownership interest of parent due to transactions with non-controlling interests	(133)	—	(1,186)
Total changes of items during period	4,773	746	42,548
Balance at the end of year	97,801	93,028	871,822

Note: Dollar amounts are converted at the rate of ¥112.18 to U.S. 1 dollar.
(Year ended March 31, 2017)

	Millions of yen		Thousands of U.S. dollars (Note)
	2017	2016	
Accumulated other comprehensive income			
Valuation difference on available-for-sale securities			
Balance at the beginning of year	¥ 4,995	¥ 10,399	\$ 44,527
Changes of items during period			
Net changes of items other than shareholders' equity	1,614	(5,403)	14,388
Total changes of items during period	1,614	(5,403)	14,388
Balance at the end of year	6,610	4,995	58,923
Deferred gains or losses on hedges			
Balance at the beginning of year	(13)	(8)	(116)
Changes of items during period			
Net changes of items other than shareholders' equity	(0)	(5)	(0)
Total changes of items during period	(0)	(5)	(0)
Balance at the end of year	(14)	(13)	(125)
Foreign currency translation adjustment			
Balance at the beginning of year	1,927	3,796	17,178
Changes of items during period			
Net changes of items other than shareholders' equity	(1,594)	(1,869)	(14,209)
Total changes of items during period	(1,594)	(1,869)	(14,209)
Balance at the end of year	332	1,927	2,960
Remeasurements of defined benefit plans			
Balance at the beginning of year	(1,044)	(281)	(9,306)
Changes of items during period			
Net changes of items other than shareholders' equity	265	(763)	2,362
Total changes of items during period	265	(763)	2,362
Balance at the end of year	(778)	(1,044)	(6,935)
Total accumulated other comprehensive income			
Balance at the beginning of year	5,865	13,906	52,282
Changes of items during period			
Net changes of items other than shareholders' equity	284	(8,041)	2,532
Total changes of items during period	284	(8,041)	2,532
Balance at the end of year	6,149	5,865	54,814
Non-controlling interests			
Balance at the beginning of year	1,080	1,753	9,627
Changes of items during period			
Net changes of items other than shareholders' equity	(178)	(672)	(1,587)
Total changes of items during period	(178)	(672)	(1,587)
Balance at the end of year	902	1,080	8,041
Total net assets			
Balance at the beginning of year	99,973	107,941	891,184
Changes of items during period			
Dividends from surplus	(1,421)	(947)	(12,667)
Profit attributable to owners of parent	7,191	1,700	64,102
Purchase of treasury shares	(1,663)	(6)	(14,824)
Disposal of treasury shares	800	0	7,131
Change in ownership interest of parent due to transactions with non-controlling interests	(133)	—	(1,186)
Net changes of items other than shareholders' equity	106	(8,714)	945
Total changes of items during period	4,880	(7,967)	43,502
Balance at the end of year	104,853	99,973	934,685

Note: Dollar amounts are converted at the rate of ¥112.18 to U.S. 1 dollar.
(Year ended March 31, 2017)

Corporate Data

Consolidated Financial Statements

Consolidated Cash Flow Statement

	Millions of yen		Thousands of U.S. dollars (Note)
	2017	2016	
Cash flows from operating activities			
Profit before income taxes	¥ 10,897	¥ 4,681	\$ 97,139
Depreciation	10,631	11,321	94,767
Loss on business restructuring	—	4,480	—
Impairment loss	356	—	3,173
Increase (decrease) in allowance for doubtful accounts	24	17	214
Increase (decrease) in provision for operating officers' retirement benefits	35	19	312
Increase (decrease) in provision for periodic repairs	134	(347)	1,195
Increase (decrease) in net defined benefit liability	400	363	3,566
Interest and dividend income	(697)	(796)	(6,213)
Interest expenses	802	1,137	7,149
Insurance income	(133)	(128)	(1,186)
Share of (profit) loss of entities accounted for using equity method	(81)	(232)	(722)
Loss (gain) on sales of short-term and long-term investment securities	(54)	(1,089)	(481)
Loss (gain) on valuation of short-term and long-term investment securities	4	—	36
Loss (gain) on sales and retirement of property, plant and equipment	(5,434)	358	(48,440)
Subsidy income	—	(448)	—
Loss on reduction of non-current assets	14	440	125
Decrease (increase) in notes and accounts receivable-trade	(4,448)	4,198	(39,651)
Decrease (increase) in inventories	(243)	857	(2,166)
Increase (decrease) in notes and accounts payable-trade	3,037	(4,736)	27,073
Increase/decrease in other assets/liabilities	(1,934)	2,409	(17,240)
Subtotal	13,313	22,506	118,675
Interest and dividend income received	776	830	6,917
Interest expenses paid	(842)	(1,147)	(7,506)
Proceeds from insurance income	133	128	1,186
Income taxes paid	(3,386)	(3,060)	(30,184)
Income taxes refund	135	88	1,203
Net cash provided by (used in) operating activities	10,130	19,346	90,301
Cash flows from investing activities			
Net decrease (increase) in time deposits	142	(91)	1,266
Purchase of property, plant and equipment	(8,439)	(9,428)	(75,227)
Proceeds from sales of property, plant and equipment	9,637	99	85,907
Purchase of investment securities	(13)	(26)	(116)
Proceeds from sales of investment securities	69	1,600	615
Payments for investments in capital	(756)	—	(6,739)
Payments of loans receivable	(20)	(28)	(178)
Collection of loans receivable	17	15	152
Purchase of intangible assets	(496)	(133)	(4,421)
Proceeds from subsidy income	—	448	—
Loss on liquidation of subsidiaries and associates	(809)	—	(7,212)
Payments for sales of investments in affiliates' equity resulting in change in scope of consolidation	(365)	—	(3,254)
Other, net	18	13	160
Net cash provided by (used in) investing activities	(1,016)	(7,529)	(9,057)

Note: Dollar amounts are converted at the rate of ¥112.18 to U.S. 1 dollar.
(Year ended March 31, 2017)

	Millions of yen		Thousands of U.S. dollars (Note)
	2017	2016	
Cash flows from financing activities			
Net increase (decrease) in short-term loans payable	¥ (5,511)	¥ (406)	\$ (49,126)
Proceeds from long-term loans payable	1,074	3,638	9,574
Repayments of long-term loans payable	(9,241)	(5,299)	(82,377)
Proceeds from issuance of bonds	298	485	2,656
Redemption of bonds	(300)	(5,300)	(2,674)
Increase (decrease) in deposits received through CMS	0	(12)	0
Repayments of lease obligations	(377)	(387)	(3,361)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(352)	—	(3,138)
Purchase of treasury shares	(1,663)	(6)	(14,824)
Proceeds from disposal of treasury shares	800	0	7,131
Cash dividends paid	(1,419)	(948)	(12,649)
Dividends paid to non-controlling interests	(168)	(153)	(1,498)
Net cash provided by (used in) financing activities	(16,861)	(8,391)	(150,303)
Effect of exchange rate change on cash and cash equivalents	(502)	(558)	(4,475)
Net increase (decrease) in cash and cash equivalents	(8,250)	2,865	(73,543)
Cash and cash equivalents at the beginning of year	24,599	21,733	219,282
Cash and cash equivalents at the end of year	16,349	24,599	145,739

Note: Dollar amounts are converted at the rate of ¥112.18 to U.S. 1 dollar.
(Year ended March 31, 2017)

Corporate Data

Notes to Consolidated Financial Statements

Basic significant matters to prepare consolidated financial statements

1. Scope of consolidation

- (1) Consolidated subsidiary companies: 21 companies
The names of consolidated subsidiary companies are omitted, given that they are stated in Major Subsidiaries and Affiliates on page 57.
Tianjin Topy Machinery Co., Ltd. and Qingdao Topy Machinery Co., Ltd. have been removed from the scope of consolidated subsidiaries after the completion of the liquidation of the first company and the sell-off of the second one.
- (2) A major non-consolidated subsidiary
Topy Agency, Ltd.
- (3) Reason for exclusion from consolidation
Total assets, sales, net profits (in proportion to equity) and retained surplus (in proportion to equity) and other performances of those non-consolidated subsidiary companies are relatively marginal in scale and have insignificant impact on overall consolidated statements, and therefore, those companies are excluded from the scope of consolidation.

2. Subsidiaries and affiliated companies by the equity method

- (1) Non-consolidated affiliated companies by the equity method: 2 companies
Hokuetsu Metal Co., Ltd.
Nippon Steel Topy Bridge Co., Ltd.
- (2) A major company among non-consolidated subsidiaries and affiliated companies to which the equity method is inapplicable
Topy Agency, Ltd.
- (3) Reason that the equity method is inapplicable
Those non-consolidated affiliated companies and subsidiaries, to which the equity method is inapplicable, posted relatively marginal performances in profit (in proportion to equity) and retained earnings (in proportion to equity), and its impact to consolidated financial statements is limited and insignificant as a whole, and therefore, those companies are excluded from the scope that the equity method is applied.

3. Fiscal term of consolidated subsidiaries

- The following companies settle their accounts on December 31 each year.
Topy America, Inc.
Topy Precision Mfg., Inc.
Topy Fasteners (Thailand), Ltd.
Fujian Topy Autoparts Co., Ltd.
Topy Undercarriage (China) Co., Ltd.
Topy Fasteners Vietnam Co., Ltd.
PT. Topy Palingda Manufacturing Indonesia
PT. Topy Undercarriage Indonesia
Topy MW Manufacturing Mexico S.A. DE C.V.
Topy Fasteners Mexico, S.A. DE C.V.
Consolidated financial statements are prepared based on the financial data available as of the account settling day of respective companies. However, necessary adjustments are made on the consolidated statements for the business transactions of material importance that occurred between January 1 and March 31.

4. Accounting standards

- (1) Evaluation criteria and evaluation method of material assets
- a) Securities
Other securities
Securities with running prices
Running prices to be calculated based on the market prices or other applicable prices quoted on the account settling date (evaluation difference to be reported as component of shareholders' equity and selling costs to be calculated by moving average method).
Securities without running prices
Cost methods are based on moving average method

- b) Derivative
Market price method
- c) Inventories
Merchandise
Total average method or last invoice method depending on the classification of merchandise (values on balance sheet to be calculated by writing down book value due to reduced profitability)
Finished goods, semi-finished goods, raw materials, work in process
Primarily moving average method (values on balance sheet to be calculated by writing down book value due to reduced profitability)
Supplies
Rolls by individual identification cost and others primarily by moving average method (values on balance sheet to be calculated by writing down book value due to reduced profitability)
- (2) Material depreciation assets and depreciation method
- a) Property, plant and equipment (except for leased assets)
Depreciation of property, plant and equipment is calculated by the declining balance method or the straight-line method, and others by the declining balance method, and consolidated subsidiaries adopt the declining balance method or the straight-line method.
However, for buildings acquired in Japan on and after April 1, 1998 (except for auxiliary facilities of building) and auxiliary facilities and structures acquired on and after April 1, 2016, depreciation is calculated by the straight-line method.
The principal estimated useful lives:
Buildings and structures 10-47 years
Machinery and transportation equipment 4-14 years
Others 2-10 years
- b) Intangible assets (except for leased assets)
The straight-line method is adopted.
For software (for in-house use), the straight-line method is adopted based on the estimated useful life in the company.
- c) Leased assets
The Company regards the leasing term as estimated useful lives and adopts the straight-line method with eventual residual value reduced to zero. For the finance lease agreements stipulating the transfer of ownership and the agreements that started before March 31, 2008, accounting process in accordance with standard lease transactions is adopted.
- (3) Accounting basis for significant allowance
- a) Allowance for doubtful accounts
To prepare for possible losses due to uncollectable accounts such as accounts receivable, the Company has posted estimated uncollectable accounts by using actual rate of uncollectable accounts for general credit accounts and also by checking individual possibility of collection for special accounts such as doubtful accounts.
- b) Provision for operating officers' retirement benefits
To prepare for the payment of retirement benefits for the operating officers of the Company, the Company has posted payable amount at the end of consolidated fiscal year in accordance with the in-house standards for the benefits.
- (4) Changes in accounting concerning payment for employees' retirement benefits
- a) Attribution method for projected retirement benefits
In calculating retirement benefits obligations, the benefit formula basis is adopted to attribute projected retirement benefits for the period up to the current consolidated accounting term.
- b) Processing cost calculating method of actual gains or losses arising from gaps between theory and practice
Actual gain and loss are amortized in the year following the year in which the gain or loss is recognized primarily by the straight-line method over the average remaining years of service of the employees (principally 15 years).

- (5) Significant assets or liabilities in foreign currencies and conversion criteria into Japanese Yen.

Monetary credits and debts in foreign currencies have been transferred to yen at the spot exchange rate on the closing date of consolidated financial statements. Translation differences have been disposed as profits or losses.

Assets, liabilities and earnings, expenses of subsidiaries overseas have been transferred to yen based on the spot exchange rate on the closing date of consolidated financial statements and translation differences are included in currency exchange transfer adjustment account of net assets and equity by minor shareholders.

- (6) Significant hedge accounting method

a) Hedge accounting method
The Company principally has adopted the deferral hedge accounting. The deferral accounting is adopted for exchange forward contracts and currency swaps when accounting requirements are met and special accounting is adopted for interest rates swaps when accounting requirements are met.

- b) Hedging methods and hedging items
Hedging methods and hedging items to which hedging accounting has been employed are as stated below.
- i. Hedging method: Exchange contract and currency swap
Hedging item: Foreign currency denominated credits and foreign currency forecast transaction
- ii. Hedging method: Commodity futures
Hedging item: Commodity physical transaction
- iii. Hedging method: Interest rate swap
Hedging item: Borrowing rate

- c) Hedging policy
The Company hedges against a fluctuation in exchange rates, commodity prices and interest rates in accordance with internal standards.
- d) Evaluation method of hedging effectiveness

The Company compares the total fluctuations in cash flow as hedging item and the total fluctuations in cash flow as hedging method for the period from hedge implementation to hedge effectiveness judgment and make a judgment based on the fluctuation amount of both factors. However, for the swapping of interest rates by special accounting, effectiveness evaluation is omitted.

- (7) Consolidated cash flow statement and scope of funds

Scope of funds covers cash in hands, deposit with unrestricted withdrawal and short-term investments with high liquidity with maturity of three months or less and minimal risks against fluctuations in values.

- (8) Accounting process for consumption tax

The Company has adopted tax-exclusion system as accounting process for consumption tax.

(Change in accounting policy)

(Application of Practical Solution on a change in depreciation method due to Tax Reform 2016)

Following the amendment to the Corporation Tax Act, the Company and its domestic consolidated subsidiaries apply the Practical Solution on a change in depreciation method due to Tax Reform 2016 (Accounting Standards Board of Japan (ASBJ) PTIF No. 32 of June 17, 2016) from the consolidated fiscal year under review. Accordingly, the depreciation method for buildings, auxiliary facilities and structures acquired on and after April 1, 2016 has been changed from the declining-balance method to the straight-line method.

This change has minor impacts on the consolidated financial statements.

(Additional information)

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

The Company applies the Implementation Guidance on Recoverability of Deferred Tax Assets (Accounting Standards Board of Japan (ASBJ) Guidance No. 26 of March 28, 2016) from the consolidated fiscal year under review.

Corporate Data

Segment Information (2017)

(Millions of yen)

	Segment				Other Business	Total	Adjustments	Consolidated total
	Steel Products Business	Automotive and Industrial Machinery Components Business	Power Generation Business	Total				
Net sales	63,803	129,681	8,425	201,910	6,326	208,237	—	208,237
External sales								
Intra-segment sales and transfer	13,955	—	—	13,955	—	13,955	(13,955)	—
Total	77,758	129,681	8,425	215,865	6,326	222,192	(13,955)	208,237
Segment income	2,882	6,524	494	9,901	1,557	11,459	(4,279)	7,180
Segment assets	84,891	97,093	5,797	187,783	13,328	201,112	21,938	223,050
Other items	4,324	5,244	602	10,170	384	10,555	76	10,631
Depreciation								
Increase in property, plant and equipment and intangible assets	2,937	5,601	593	9,131	202	9,334	540	9,874

(Thousands of U.S. dollars)

	Segment				Other Business	Total	Adjustments	Consolidated total
	Steel Products Business	Automotive and Industrial Machinery Components Business	Power Generation Business	Total				
Net sales	568,756	1,156,008	75,103	1,799,875	56,392	1,856,276	—	1,856,276
External sales								
Intra-segment sales and transfer	124,398	—	—	124,398	—	124,398	(124,398)	—
Total	693,154	1,156,008	75,103	1,924,273	56,392	1,980,674	(124,398)	1,856,276
Segment income	25,691	58,157	4,404	88,260	13,879	102,148	(38,144)	64,004
Segment assets	756,739	865,511	51,676	1,673,944	118,809	1,792,762	195,561	1,988,322
Other items	38,545	46,746	5,366	90,658	3,423	94,090	677	94,767
Depreciation								
Increase in property, plant and equipment and intangible assets	26,181	49,929	5,286	81,396	1,801	83,206	4,814	88,019

Note: Dollar amounts are converted at the rate of ¥112.18 to U.S. 1 dollar.
(Year ended March 31, 2017)

Consolidated Financial Statement for the Past 10 Years

(Millions of yen)

Fiscal year	2008	2009	2010	2011
Net sales	296,629	290,333	196,848	221,413
Operating profit	12,888	6,686	355	7,006
Ordinary profit	11,784	6,010	626	5,241
Profit (loss) before income taxes	11,284	5,225	(1,641)	4,765
Profit (loss) attributable to owners of parent	6,366	2,384	(1,032)	2,072
Comprehensive income	—	—	—	(340)
Capital investments	10,907	12,401	7,659	7,170
Depreciation	10,721	11,707	11,195	10,057
Research and development expenses	1,576	1,649	1,288	1,245
Net assets	83,217	80,942	81,884	80,165
Total assets	231,887	202,995	201,138	203,956
Interest-bearing debt	68,177	63,763	62,255	61,696
Net assets per share (yen)	3713.98	3341.56	3375.33	3351.63
Profit (loss) per share (yen)	288.95	103.88	(42.96)	86.37
Dividends per share (yen)	80	50	20	40
Equity ratio (%)	35.3	39.6	40.3	39.0
Return on equity (%)	7.7	2.9	(1.3)	2.6
Price/earnings ratio	9.8	13.9	—	25.2
Net cash provided by (used in) operating activities	9,405	21,547	12,010	6,236
Net cash provided by (used in) investing activities	(8,447)	(15,908)	(7,507)	(3,681)
Net cash provided by (used in) financing activities	(4,266)	(287)	(2,236)	(1,952)
Cash and cash equivalents at the end of current period	13,130	18,293	20,547	18,741
No. of employees (persons)	4,133 [556]	4,125 [471]	4,242 [422]	4,151 [432]

*The Company executed a one-for-ten common share consolidation on October 1, 2016. Profit (loss) per share, net assets per share and dividends per share have been calculated on the assumption that the share consolidation took place at the beginning of fiscal year 2008.

2012	2013	2014	2015	2016	2017
240,534	226,912	234,682	237,677	215,872	208,237
10,554	6,990	5,308	6,422	10,000	7,180
7,304	6,234	4,485	6,037	8,806	6,116
6,118	5,842	4,249	4,476	4,681	10,897
3,918	3,409	1,914	2,360	1,700	7,191
4,459	8,222	7,566	12,416	(6,860)	7,702
8,982	20,477	25,458	20,374	8,815	9,874
9,310	8,957	10,086	10,315	11,321	10,631
1,271	1,212	1,519	1,202	1,059	1,137
83,096	91,258	96,219	107,941	99,973	104,853
212,828	208,781	232,714	252,456	231,583	223,050
58,091	53,534	62,453	77,516	70,070	55,831
3473.70	3774.71	3983.91	4483.61	4175.99	4426.81
165.20	143.76	80.76	99.65	71.80	303.90
40	40	20	40	60	80
38.7	42.9	40.5	42.1	42.7	44.6
4.8	4.0	2.1	2.4	1.7	7.1
15.6	15.3	22.5	28.0	30.9	9.7
16,010	16,770	7,251	19,440	19,346	10,130
(7,703)	(14,770)	(17,478)	(29,141)	(7,529)	(1,016)
(4,983)	(4,997)	7,538	13,157	(8,391)	(16,861)
22,124	19,798	17,485	21,733	24,599	16,349
4,135 [428]	4,374 [491]	4,515 [538]	4,596 [573]	4,408 [597]	4,568 [587]