

# TOPY Report 2015

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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.

# Creating "Satisfaction in Life" – the work of the Topy Industries Group

The Topy Industries Group plays an active role in various aspects of one's life and society.

It is our mission to create new value that lead to "Satisfaction in Life" through a wide range of business activities from making steel material – the foundation of society – to producing automobiles and industrial machinery components, generating and distributing electric power, and sports / leisure businesses.

We have an integrated production system from raw materials to finished products, which assures the manufacture of high value-added products that meet the various needs of industries.

We have a flexible world-wide manufacturing network.

By making the most of these strengths we continue to deliver technologies and products to make our society more livable, comfortable, and contribute to the global environment.

This report provides the latest business and CSR activities of the Topy Industries Group.

Take a look at the "present" Topy Industries Group as we continue to work on future challenges.

## Contents

Editorial Policy/Contents	1
Top Message	3
<b>Corporate Profile and Governance</b>	
Corporate Profile	5
Global Development of the Topy Industries Group	9
Special feature	11
Corporate Governance	15
Medium Term Consolidated Management Plan	19
<b>Business Development</b>	
Topy Industries Group at a Glance	21
Steel Business	23
Automotive and Industrial Machinery Components Business	25
Other Business	29
New Products and Technologies	30
From Topy's Global Locations	31
<b>CSR Activities</b>	
CSR of the Topy Industries Group	33
CSR Highlights: Close-up	35
Toward a Promising Future	
Energy Saving Initiatives 2020 : "Enekatsu 2020"	37
<b>Environmental Activities</b>	
Environmental Management	39
Recycling	40
Initiatives on Waste Reduction	41
Initiatives on the Prevention of Global Warming	43
Biodiversity Conservation	43
Chemical Substance Management	44
Development of Environmentally Friendly Products	45
Basic Environment Policy of Each Factory	46
<b>Social Responsibility</b>	
Relationship with Customers	47
Involvement with Shareholders and Stakeholders	48
Relationship with Local Communities	49
Relationship with Employees	51
<b>Additional Data</b>	
Corporate Data	55

## Editorial Policy

### Basic Policy

Topy Report 2015 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) 2014 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 2015.

This report has been prepared with reference to "ISO26000:2010", GRI"Sustainability Reporting Guideline 2006" and Environment Reporting Guidelines 2012 of Ministry of the Environment.

### Reporting Scope

This report covers all companies listed as an affiliate 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 FY2014 (April 1, 2014 to March 31, 2015), but includes some activities that occurred after April 1, 2015.

### Date of Issue

December 2015

### Inquiries Regarding this Report

Topy Industries, Limited (General Affairs Department)  
TEL: +81-3-3493-0777  
Art Village Osaki Central Tower, 1-2-2 Osaki,  
Shinagawa-ku, Tokyo, Japan 141-8634

# Top Message

**We strive to further enhance corporate value and contribute to realizing a sustainable society by providing the world with values generated through our core business.**

Topy Industries, Ltd.  
President and CEO

*Y. Fujii*



### Fulfill Corporate Social Responsibility (CSR) through Business Activities

The basic corporate philosophy of the Topy Industries Group is expressly stated as "Win the trust of society through the continuance and development of the Topy Industries Group and the execution of one's duty as a public institution."

Our CSR strategies aim at obtaining the trust of our stakeholders by realizing a sustainable society through manufacturing activities based on this corporate philosophy.

Topy Industries uses products produced at the raw material section, the Steel Division, to produce various high value-added products through unique technologies at the processing sections, the Wheel Division and the Undercarriage Components Division. This integrated production from raw materials to finished products highlights the competitive strength of our unique business operation. By utilizing the synergy effect of this integration, we

produce reliable and high-quality products that meet the diversified need of customers for certain material characteristics as well as design.

We believe our continued initiative in improving corporate value through manufacture will lead to the realization of a richer, more livable and sustainable society including the future growth of the Topy Industries Group.

### Initiatives on Medium Term Consolidated Management Plan

2015 is the final year of our on-going Medium Term Consolidated Management Plan. In the past three years we have witnessed a drastic change in the business environment far beyond our expectation envisaged at the time the management plan was drafted. It is no exaggeration to call the change an

upheaval. The progressing depreciation of the yen, drop in oil prices and slowing down of the economy in China and ASEAN countries which once was a "high-flying economy", have brought serious impact on our development plans that expected quantitative global growth for our products and services. This is particularly conspicuous in the sharp drop in demand for mining machinery overall and decrease in demand for construction machinery in China, putting us in a difficult position to achieve the targets we initially planned. However, we have steadily implemented measures to build a foundation for growth and addressed actions against environmental changes at each business segment as well as reviewing and realignment of business. We have evaluated all group companies under the same criteria, giving management freedom to a greater extent for those companies with a high evaluation while applying more effective corporate governance for companies with a low evaluation in order to enhance group company management levels and to progress business promotion scheme towards future growth.

### Initiatives on CSR for FY2014

From the view point of CSR, we have exerted increased efforts toward corporate compliance and risk management, and promoted the awareness of such matters through educational training programs for employees of the Topy Industries Group. Furthermore, human resource development from a global prospective is essential to the future of the Topy Industries Group. In order to meet such requirements we have accepted trainees from overseas, provided assistance to local production sites and launched a project team to realize the participation and success of women employees in the workplace as part of promoting diversification.

As for EneKatsu 2020 (Energy Saving Initiatives 2020), reported in Topy Report 2014, we have achieved solid results and are proceeding with the next plan to introduce energy saving equipment. We believe that services and products that are environmentally friendly and that lead to resolving social issues are essential to the future of our company. In this respect, we are determined to progress our contribution to the environment through our business, namely making use of our new electric furnace (the world's most energy efficient, maximum capacity) as our key weapon.



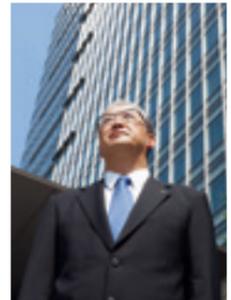
### Desired Supply Chain Management

The major products of the Topy Industries Group such as wheels for large-sized vehicles and undercarriage components for construction machinery occupy a remarkably high market share. Such products must be reliable, safe and of high-quality, excellent in cost performance, as well as being able to supply steadily to any volume demand increase. Topy Industries has a firm standpoint with regards to procurement. With unique

procurement criteria at each department, we are advancing the formulation of a supply chain management that enables stable procurement and one which can precisely respond to the needs from customers.

As a supplier, we have paid special attention to the issue of BCP (Business Continuity Planning) when building the new electric furnace. Since it is highly unrealistic to think that all damages can be prevented in the event of a disaster, we are taking action on a regular basis to minimize damages by increasing the resistance of buildings and manufacturing facilities against earthquakes, and implementing other disaster mitigation measures so that we do not disrupt the supply of products to our customers. We are confident that these initiatives will help strengthen the continuation of our business activities.

The development of global business such as the establishment of a joint venture company in Mexico poses another business challenge for us. As our business expands globally it becomes more important for us to respect differences in cultures, customs and habits of local communities, to comply with applicable laws and regulations of host countries, to promote diversity, and to tackle other social issues.



### Business Activities and Promotion of CSR

In six years' time, Topy Industries will celebrate its 100th anniversary of foundation. The 100th anniversary will mark a milestone in the history of the company. In order for the company to continue being a sustainable organization in the future, we need to start our 101st year with a clean slate, and create a new corporate culture. We are fully aware that, the notion that conventional ideas, technologies and preceding examples of management will assure business success had long prevailed during the height of Japan's economic growth. However, this can no longer be applied to our business today. When drawing out our future business plan, it is now unrealistic to think that following our predecessors' paths and doing business in the same way will eventually lead us to our desired goal.

This recognition will consequently require the change in awareness of our employees in the coming five to six years. It is the task of the management to provide such opportunities and environment to our employees. This is one of the issues that the Topy Industries Group faces. For the Topy Industries Group to be a reliable enterprise and one where our employees can work with confidence and pride, we need to listen to public opinions, avoid being egocentric and promote management to resolve social issues through our core business operations. We are determined to take our first step in FY2015.

# 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:** Yasuo Fujii  
**Capital:** ¥20,983 million  
**No. of employees:** 1,855 (non-consolidated)  
 4,596 (consolidated)  
**No. of issued shares:** 240,775,103 shares  
**No. of consolidated subsidiary companies:** 22 companies  
**No. of equity-based affiliated companies:** 2 companies  
**Net sales:** ¥237,700 million (consolidated)  
**Ordinary profit:** ¥6,000 million (consolidated)



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 Tekkoshu 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 Toyohashi 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. Pailingda 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 Pailingda 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**  
 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

**Akemi Plant**  
 5-29 Akemi-cho, Toyohashi-shi, Aichi 441-8074  
 TEL: +81-532-23-3191 FAX: +81-532-23-3194

**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

**● Ayase Factory**  
 2-3-1 Ogami, Ayase-shi, Kanagawa 252-1104  
 TEL: +81-467-78-1111 FAX: +81-467-76-7302

**Hamura Plant**  
 3-5-10 Nagaoka, Mizuho-cho, Nishitama-gun, Tokyo 190-1232  
 TEL: +81-42-579-5871 FAX: +81-42-579-5874

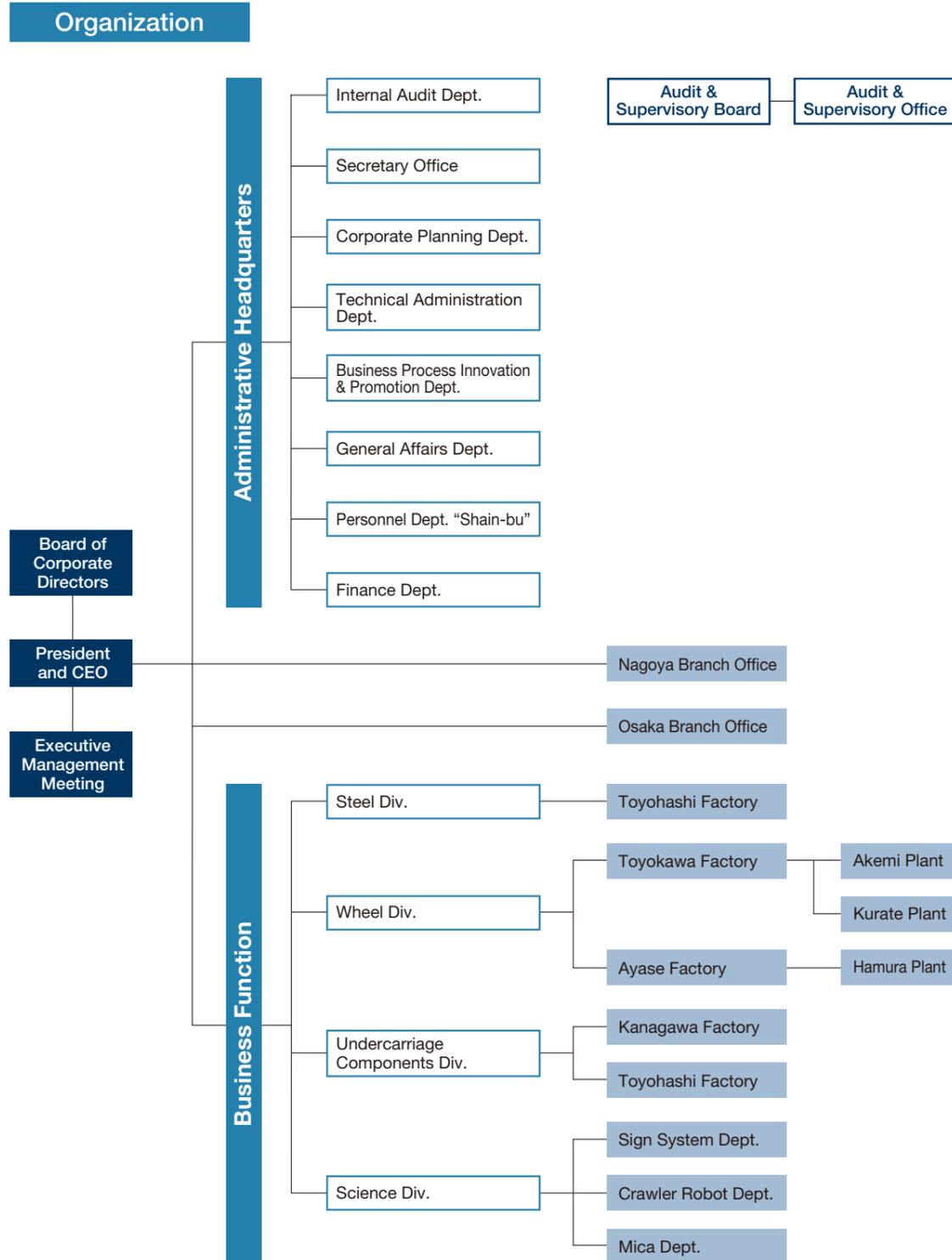
**● Kanagawa Factory**  
 830 Yabata, Chigasaki-shi, Kanagawa 253-8650  
 TEL: +81-467-82-1171 FAX: +81-467-58-3566

**● Nagoya Branch Office**  
 2-15-22 Nishiki, Naka-ku, Nagoya-shi, Aichi 460-0003  
 TEL: +81-52-201-6051 FAX: +81-52-231-2692

**● Osaka Branch Office**  
 4-4-9 Koraihashi, Chuo-ku, Osaka-shi, Osaka 541-0043  
 TEL: +81-6-6220-1250 FAX: +81-6-6220-1273

**● 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.)



**President and CEO  
Yasuo Fujii**  
 1977 Joined Nippon Steel Corporation  
 2005 Executive Counsellor, General Superintendent, Sakai Works, Structural Division Director, Member of the Board, 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 Adviser of Topy Industries, Ltd. President and CEO (to present)



**Executive Vice President  
Akira Higashi**  
 1975 Joined Topy Industries, Ltd.  
 2000 Operating Officer, General Manager of Corporate Planning Dept.  
 2003 Director, Corporate Planning, Affiliated Companies; General Manager of Corporate Planning Dept.  
 2006 Managing Director, Corporate Planning, Affiliated Companies; General Manager of Corporate Planning Dept.  
 2007 Managing Director, Corporate Planning, Affiliated Companies, Overseas Planning; General Manager of Corporate Planning Dept.  
 2010 Senior Managing Director, Corporate Planning, Affiliated Companies, Financial Matters, Overseas Planning  
 2011 Executive Vice President in charge of Corporate Planning, Affiliated Companies, Financial Matters, Human Resources and Labor Relations  
 2013 Auditor, Qingdao Topy Machinery Co., Ltd. (present post)  
 Auditor, Topy Undercarriage (China) Co., Ltd. (present post)  
 2015 Executive Vice President (present post)



**Senior Managing Director  
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. (present post); Auditor at Tianjin Topy Machinery Co., Ltd. (present post)  
 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 (present post)  
 Senior Managing Director (present post)



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



**Director  
Yasuo Yuuki**  
 1973 Registered lawyer at Tokyo Bar Association (present post)  
 1994 Vice Chairman of Tokyo Bar Association  
 1996 Criminal Law Instructor at Legal Training and Research Institute  
 2000 Bar Examination, Examination Committee  
 2003 Standing Director at Japan Federation of Bar Associations  
 2004 Visiting Professor at Senshu University Law School, Instructor at Meiji University Law School  
 2008 Outside Auditor of Nippon Light Metal Company, Ltd.  
 2012 Auditor of Japan Marrow Donor Program (present post)  
 Chairman of Outside Evaluation Committee at Shinshu University Law School Outside Auditor of Nippon Light Metal Holdings Company, Ltd. (present post)  
 2013 Outside Auditor of CONFEX CO., Ltd. (present post)  
 2015 Outside Director of Topy Industries, Ltd. (present post)



**Statutory Auditor  
Takeshi Mitsuma**  
 1978 Joined Fuji Bank, Ltd.  
 2005 Executive Officer, General manager of Consulting Business Div. at Mizuho Bank, Ltd.  
 2007 Managing Executive Officer at Mizuho Bank, Ltd.  
 2009 Advisor at Mizuho Bank, Ltd.  
 Corporate Auditor of Mizuho Bank, Ltd.  
 2012 Statutory Auditor of Topy Industries, Ltd. (present post)  
 Statutory Auditor of Komori Corporation (present post)



**Statutory Auditor  
Tamio Kurosaki**  
 1972 Joined Yasuda Life Insurance Company  
 2005 Operating Officer, General Manager of Compliance Coordination Dept. at Meiji Yasuda Life Insurance Company  
 Executive Operating Officer, General Manager of Corporate Sales Dept. at Meiji Yasuda Life Insurance Company  
 2006 Senior Executive Operating Officer  
 2012 Standing Advisor of Meiji Yasuda Life Insurance Company  
 Statutory Auditor of Topy Industries, Ltd. (present post)  
 Outside Auditor of Mizuho Trust & Banking Co., Ltd. (present post)



**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 (present post)



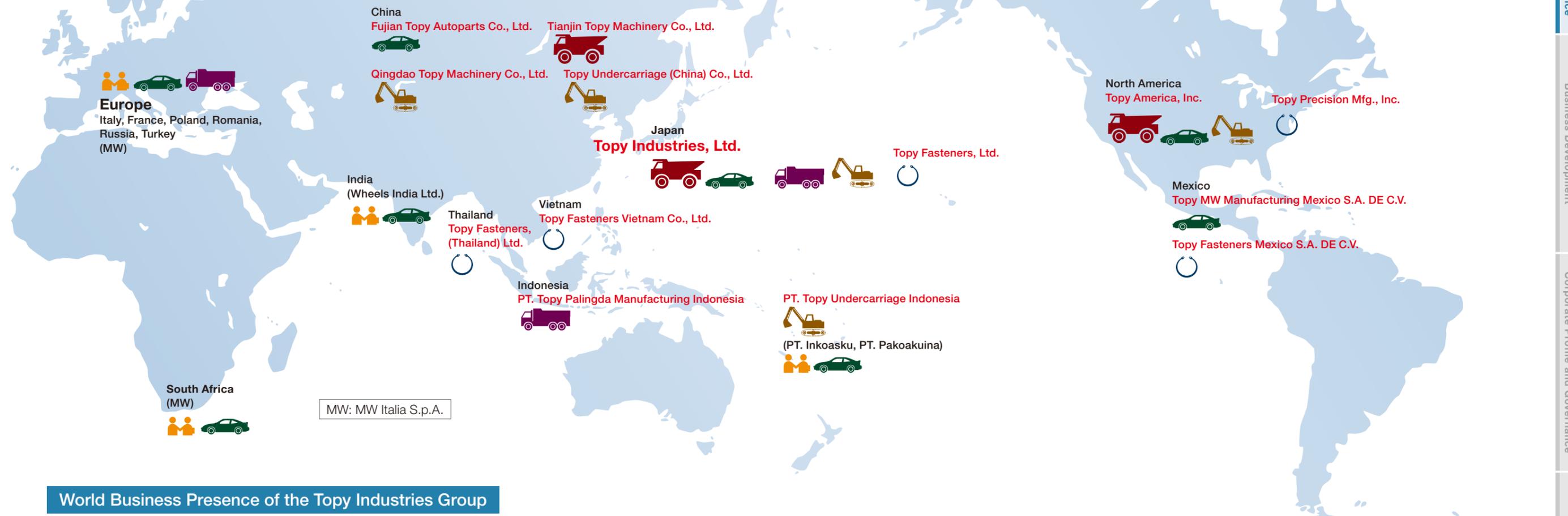
**Statutory Auditor  
Yukihiro Ogawa**  
 1982 Joined Topy Industries, Ltd.  
 2007 Manager of Educational Issues at Personnel Dept.  
 2010 Senior Manager of General Affairs Dept. (PR, IR)  
 2014 Deputy General Manager of General Affairs Dept.  
 2015 Statutory Auditor (present post)

Note:  
 Director Yasuo Yuuki is an outside director  
 Auditor Takeshi Mitsuma and Tamio Kurosaki are outside statutory auditors.

# Global Development of the Topy Industries Group

The company is accelerating the establishment of an optimum global production system centering on automobile 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.



## World Business Presence of the Topy Industries Group

### South East Asia

Infrastructure development is increasingly brisk in the ASEAN countries and the Topy Industries Group meets the demand for automobile and construction machinery components there. In Indonesia, a plant for truck and bus wheels and a sales outlet for undercarriage components have been added, and industrial fasteners are produced and supplied for both two-wheeled and four-wheeled vehicles in Thailand and Vietnam.

### China

Production and sales of SGOR® (ultra-large diameter mining dump truck rims) components started in Tianjin in 2012 and steel wheels for passenger cars are produced in Fujian. Those facilities function to meet local demand and also to disperse international procurements risks. In Qingdao, we produce and sell undercarriage components for construction machinery and further solidification of business foundation continues to be undertaken.

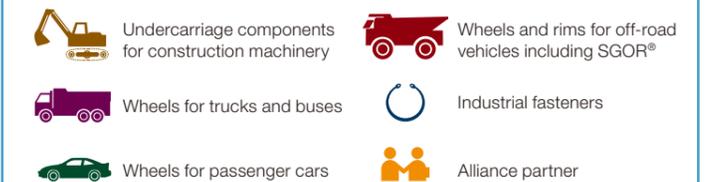
### Japan

Factories in Japan function as mother factories to support the global development of our businesses. Wheels for passenger cars, trucks and buses as well as off-road vehicles and undercarriage components for construction machinery are produced at our four domestic bases. The latest developments include a new steelmaking plant designed to achieve drastic improvements in costs and the introduction of new processes composition to promote development of high value-added products. The benefits of these efforts are well capitalized on strengthening the competitive strengths of our overseas bases.

### North America

Operation in the U.S. started more than 20 years ago and solid operation has been maintained since. We currently have five bases for three different product categories including steel wheels for automobiles, off-road wheels/rims for construction and mining vehicles and undercarriage components for construction machinery. In 2013, we signed a joint venture company agreement with MW Italia S.p.A. to establish a plant in Mexico to manufacture and sell steel wheels for passenger cars and light trucks. The plant commenced operation from April, 2015. In the same year, Topy Fasteners Mexico S.A. DE C.V. was founded. This will enable us to meet the increasing demand in North and South American markets.

### Production and Sales Base / Product Category



–Special feature–

# The New Steel Making Plant



## The steel making plant equipped with the world's most advanced and cutting-edge technology commenced operation at Toyohashi Factory in Aichi Prefecture.

The long-awaited new steel making facility commenced full-scale operation from March 2015 at Toyohashi Factory of Topy Industries, Ltd. This was a total renewal and replacement of our old steel making facilities built well over 30 years ago.

The new plant has incorporated earthquake and tsunami-resistance measures in anticipation of a Nankai Trough earthquake and established a supply system more resilient against natural disasters. Furthermore, the 200 ton ECOARC™ electric furnace, one of the largest in Japan, has reduced the electricity consumption intensity to remarkably low levels, while the increase in steelmaking capacity has reduced operation time to the night time hours only when electricity costs are at its lowest. We are also supplying our own billets for deformed bars by the introducing of a continuous casting facility that can be used for both bloom and billet. Each of these measures have helped the plant to be reborn into a domestic top-class environmentally conscious and cost competitive facility.

### Investment Objectives

- ① Maintaining supply chain by implementing earthquake and tsunami countermeasures
- ② Realizing extremely low electricity consumption unit
- ③ Strengthening cost competitiveness by self-sufficiency of billets and blooms



## Thorough Preparation against Natural Disasters

The floor level of the new steel making plant has been raised to TP\* + 3.75m. According to the announcement made by the Toyohashi Disaster Prevention Forum on August 28, 2014, the maximum tsunami height predicted under the worst case scenario based on past disasters caused by the Nankai Trough Earthquake is TP +2.7m. In addition, by taking into consideration the “unexpected”, the electric room, which is the most critical facility, has been located at TP +5.0m.

By strengthening the facility against earthquakes, we will be able to continue stable production of crude steel even in the event of a large-scale earthquake and tsunami.

\*TP (Tokyo Peil): Tokyo Bay Mean Sea Level

### Construction schedule of the new steel making plant

December 2012	Ground breaking
October 2014	Completion Trial run (hot run) started Performance evaluation / operation training / Quality Validation Parallel operation with old plant
March 2015	Production switch to the new plant Full operation
FY2015	Aiming to achieve a targeted level

## Summary of the New Steel Making Plant

<b>Total investment</b>	About ¥30 billion	
<b>Scope of new plant</b>	Building, scrap yard, electric furnace facility, ladle refinement furnace, wire station and continuous casting equipment	
<b>Production capacity</b>	Productivity	210 tons/h (130tons/h)
	Crude steel production capacity	90,000 ton/month(65,000 ton/month) ( ) denotes old steel making plant



–Special feature– The New Steel Making Plant

**Manufacturing Process**

Raw materials are melted in the electric furnace – impurities are removed in the ladle refining furnace – chemical composition is adjusted – molded into required shapes by continuous casting.

**Scrap yard**

Stores scrap metal that will become raw material, and makes optimum scrap composition using a computer system.



**200 ton Electric Furnace**

Melt scrap by electricity and oxidation reaction heat. Remove impurities from molten metal in the furnace by oxidation-refining.



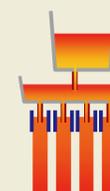
**Ladle Refining Furnace**

Input slag making agent and alloy steel to refine and adjust chemical composition. The temperature is controlled to suit casting conditions.



**Continuous Casting**

Molten metal is poured evenly from the tundish into four-casting molds, and undergoes continuous casting. Atmosphere sealing device enables the production of high quality billet or bloom.



**Storage yard for molded slab**

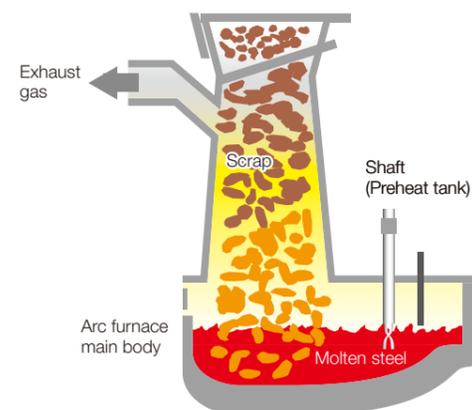
Molded slabs are sorted for three rolling mills (large sized shapes, medium sized shapes and deformed bars) and controlled according to charge.



**Feature of Main Facility**

**Environmentally Friendly and Highly Efficient Arc Furnace [ECOARC™]**

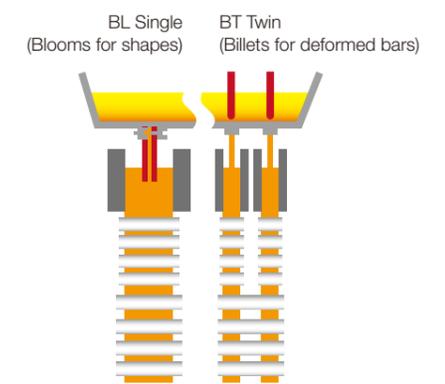
ECOARC™ is comprised of the main body of the furnace and the scrap preheat furnace called the shaft (preheat tank) which is attached directly to the main furnace. This is a state of the art, highly efficient furnace enabling the world's lowest level of electric consumption unit. Compared to the old furnace, the new furnace has enabled the reduction of electricity consumption unit and improvement in productivity. We aim to achieve a 24% reduction in electricity cost by increasing night shift operation. Our operating technology acquired through past experience coupled with the state-of-the-art ECOARC™ will strengthen our cost competitiveness.



- ECOARC™ Installation Record**
- Installation record (including domestic and overseas) 6 units
  - Capacity 210 tons/charge (largest of the 6 units)

**Bloom-cum-Billet Continuous Casting Machine**

We have installed a continuous casting facility that can mold both blooms and billets; the former is used for rolling shapes and the latter for deformed bars. In order to achieve high productivity, a twin cast system is provided with four strands for bloom and the world's first, eight strands for billets. In addition, we have adopted advanced technologies such as high-speed casting mold and hydraulic oscillation equipment that will maintain quality and improve productivity of products. With the introduction of this equipment, it has become possible to achieve high productivity while maintaining high quality. By succeeding our sequence casting technologies developed in-house for different grade steels, we have enabled a small lot and flexible billet/bloom feeding system into three rolling mills. With these advantages we continue to maintain our strong selling point of high-mix, low-volume manufacturing.





# Corporate Governance

## Responsibility to Stakeholders

The business activities of the Topy Industries Group stretch over a broad range of fields including materials, motorization, land development, urban construction, electric power, distribution, 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 towards 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.

Going forward, we will contribute to the development of society by delivering high quality, cost competitive products that satisfy customers and users in accordance with the Group Basic Philosophy to "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." At the same time, we will fulfill our social responsibility as a corporation by positively addressing issues such as timely, appropriate disclosure of corporate information, contribution to local communities, and the global environment, in order to 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 hopes that our stakeholders will understand the high transparency of our management. 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 stakeholders started from FY2012 in order to expand investor relations. In addition, a variety of corporate information is delivered in real-time on our website (<http://www.topy.co.jp/>).



Website: Top Page



Website: Shareholders and Investors Information

## Information Tools Addressed to Stakeholders



Topy Report 2015

Corporate Profile

Corporate Profile DVD



Financial Statement



Financial Results Brief



To Our Shareholders



## Business Related Risks

The risks that may impact corporate performance, stock prices and financial position of the Topy Industries Group include the following. Issues related to the future are based on estimations made by the Group as of the date the securities report was submitted (June 25th, 2015).

### (1) Changes in Economic Environment

#### 1. Sales

The primary income of the Group comes from the sales of steel products and components for automotive, mining and construction equipment. The sales of the automotive, mining and construction components are affected largely by the sales of completed vehicles and machinery which are vulnerable to the economic conditions of the respective market where such vehicles and machinery are sold. Likewise, the sales of steel-products are also affected by the business environment in the particular country or area where those products are sold.

Therefore, slowdown of economy and subsequent drop in demand for our products in major markets such as Japan, North America and Asia would adversely affect the results of business and 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, metal scrap, and fuel oil, may fluctuate rapidly in response to changes in international business environments.

When raw material costs surge and such cost increase cannot be appropriately reflected onto the selling prices of products, there would be adverse effects on business and financial performance of the Group.

#### 3. Currency Exchange Risks

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

#### 4. Change in Interest Rate and Reliance on Interest-bearing Debt

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

#### 5. Corporate Financing

The Topy Industries Group conducts corporate financing mainly by loans from financial institutions. The financing costs are affected by the interest rates and evaluation of the Group by financial rating organizations. Rise in interest rates or decline in business performance of the Group may result in the procurement of financing at higher interest rates, or difficulty in securing the financing amount needed. This would adversely affect the Group's business and financial performance.

### (2) Risks due to Selling Price Decline

The Topy Industries Group conducts its manufacture and sales business of steel, automotive/industrial machinery components within extremely competitive markets. The Group will continue to exert efforts to secure earnings by reducing purchasing costs and improving productivity. However, if the selling price overrides our efforts, it may lead to decrease in profit ratio.

### (3) Risks Associated with Overseas Expansion

Japan and North America had long been existing manufacture and sales activities of the Topy Industries Group.

Now, with economic development in China and Asian countries, the Group's manufacture and sales activities have expanded into these regions by way of direct investment. However, doing business in these countries brings various intrinsic risks and new challenges such as inadequate social/technical infrastructures, unexpected changes of local laws and regulations, disadvantageous political or economic factors, and difficulties in 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 in order to ensure each business segment achieves long and stable profit. Especially in the automotive/industrial machinery components business, driven by technological innovation of automobiles, we must be prepared to respond to the increasingly sophisticated requirements from automobile manufacturers.

We are continually at risk for that we must gain 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 various effective measures against anticipated natural disasters including strengthening our emergency communication systems, executing regular evacuation drills, 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) Risk from Product Defects

The Topy Industries Group places the safety of the products as a top priority and we products are manufactured in strict conformance with quality requirements and standards emplace by law and regulation applicable in the country where we operate. The Group is insured in terms of product liability; however, there is always the possibility of incidents not covered by insurance or large-scale recalls needed for the safety of our users and customers which may result in substantial cost that will adversely affect our financial status.

### (7) Risks from Laws and Regulations

The business operations of the Topy Industries Group are subject to various laws and regulations of the country where we operate. Any changes in these laws and regulations may have adverse effects on our business performance and financial status.

# Medium Term Consolidated Management Plan "Growth & Change 2015"

We have entered our final year of "Growth & Change 2015 (G&C 2015)", the Medium Term Consolidated Management Plan which started in FY2012 aiming at realizing "Growth" on global perspective and "Change" for higher corporate earnings. Unfortunately, we find it difficult to achieve the targets for earnings we initially set amidst hostile economic conditions as seen in the plummeted demand for the world mining equipment as well as the construction equipment in China. However, we have promoted measures to expand overseas business (Quantitative Growth) and strengthening of domestic business foundation (Qualitative Change) with a firm determination to build a strong business structure that can withstand changes in economic conditions on a global basis. Followings are the brief report on the progress.

**Basic Policy**

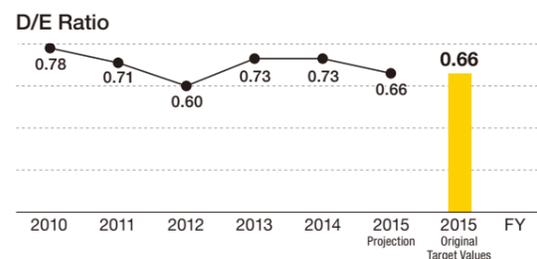
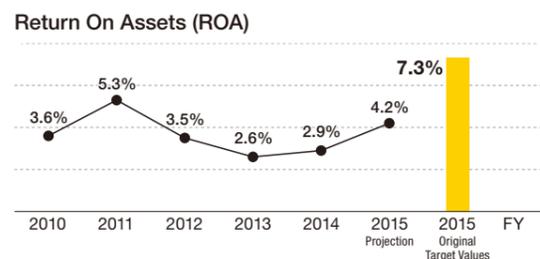
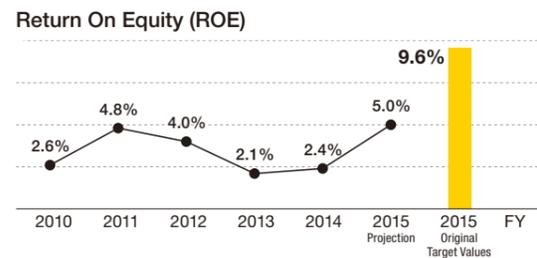
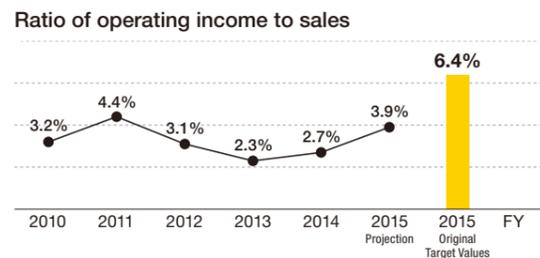
**"Growth" from a global perspective and "Change" to a highly profitable corporate structure**

- Quantitative Growth of Overseas Business**
  - Respond to the growing markets of emerging countries
  - Realize a solid business foundation to win out against competition on a global level
- Qualitative Change of Domestic Business**
  - Achieve strong competitive edge in costs
  - Expand the sales of high value-added products by making the most out of cost competitive products and prominent technology
  - Strengthen the functions of mother factories to support overseas business developments

**Progress of Priority Themes**

- Expansion of Overseas Business (Quantitative Growth)**
  - Maintain and expand global market share
  - Strengthen global supply system
- Fortification of Domestic Business Foundation (Qualitative Change)**
  - Fundamental improvement in production costs by installing advanced steelmaking facilities
  - Productivity improvement changes in manufacturing domain and further development of cost reduction activities
  - Development and sales expansion of strategic and high value-added products
- Enhancement of Management**
  - Change business administration processes
  - Promote global enhancement of Group management
  - Reinforce technology strength to compete in the global field
  - Refine risk management system

## Change in the Medium Term Consolidated Management Plan



## Progress of Priority Themes

### 1 Expansion of Overseas Business (Quantitative Growth)

Expand production and supply system in response to increasing demand accompanying infrastructure improvement in emerging countries.

We are responding to the increasing demand for construction equipment and automobiles amid dynamic improvements of infrastructure in progress in ASEAN and other emerging countries. The automobile and construction equipment undercarriage components business segment, a major business pillar of the Topy Industries Group, produces track shoes and related undercarriage components for construction equipment and ultra-large diameter wheels for mining trucks where we hold a large portion of the global share.

Under G&C2015 we plan to build additional supply systems in China, South East Asia and Mexico to respond to the increasing global demand for our products to maintain/expand market shares and to strengthen cost competitiveness.



#### Current Progress

- **Topy Fasteners Vietnam Co., Ltd.** commenced operation in November 2012 to meet increasing demand for two-wheeled vehicle fasteners.
- **Tianjin Topy Machinery Co., Ltd.** (Tianjin, China) commenced operation in November 2012 to produce components for ultra-large diameter wheels (SGOR<sup>®</sup>) for mining trucks in order to enhance components production capacity.
- **Topy Undercarriage (China) Co., Ltd.** (Qingdao, China), a subsidiary for the production of track shoes for construction machinery in China, commenced operation in October 2012.
- **PT. Topy Palingda Manufacturing Indonesia** (Java Barat, Indonesia), a subsidiary for the production of truck/bus wheels was established and commenced operation in April 2014 to meet the increasing demand in the ASEAN region.
- **PT. Topy Undercarriage Indonesia** (Becasi, Indonesia) established in December 2013 and commenced operation to reinforce sales of undercarriage components for construction machinery in April 2014. [see page 28](#)
- **Topy MW Manufacturing Mexico** (Guanajuato, Mexico) established in 2013 to meet the increasing demand of wheels for passenger cars and light trucks in North and South American markets. The company is scheduled to commence production in April 2015.
- **Topy Fasteners Mexico S.A. DE C.V.** (San Luis Potosi, Mexico) was established to manufacture industrial fasteners for motorcycles and automobiles. [see page 26](#)

### 2 Reinforcement of Domestic Business Foundation (Qualitative Change)

Make concrete developments in the domestic businesses as represented by the modernization of steelmaking facilities.

We will expedite the transformation of domestic business by smooth startup and stable operation of the large-scale investment projects including the modernization of steel making facilities.

We are committed to the further improvement in our function as the mother factory for the expansion of overseas businesses back by our inherent product design and production technologies nurtured over the years. We will also address the reconstruction of businesses and build a strong business structure that can withstand changes in business environment.

#### Current Progress

- **Operation starts at the new steel making plant in Toyohashi Factory**  
The construction of this leading edge steelmaking plant incorporates various features designed to improve competitiveness in various areas such as the achievement of a dramatic reduction in power and environmental costs, a completely self-sufficient supply mechanism of blooms and billets and an advanced supply chain against earthquakes, tsunamis and other disasters. The plant commenced commercial production from March 2015 after successful tryouts in 2014 and enables dramatic reduction in power and environmental costs, a completely self-sufficient supply mechanism of blooms and billets and an advanced supply chain against earthquakes, tsunamis and other disasters. (Toyohashi City, Aichi Prefecture) [see page 11-14 and 24](#)
- **Development and sales expansion of strategic and high-value added products featuring Topy's originality**  
We are exerting our efforts to develop and expand sales of special profile section steel, ultra-large diameter wheels for mining dump trucks, high design large window wheels, fine-particle synthetic pearl mica, crawler robots and other products. [see page 29-30 and 45](#)
- **Reinforcement of manufacturing strength at mother factories to support production at overseas locations**  
We are positively working on the introduction of new methods, concentration of production processes and introduction of new lines as well as improvement of cost reduction activities by strengthening workplace capabilities.

### 3 Enhancement of Management

Raising the level of management efficiency.

We will enhance our business processes and global group management system as the foundation of "G&C2015." Further, we will improve our technological strength to develop new products and new processes to compete in the global marketplace and to reinforce risk management system.

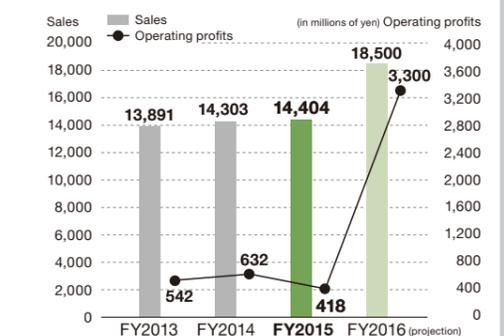
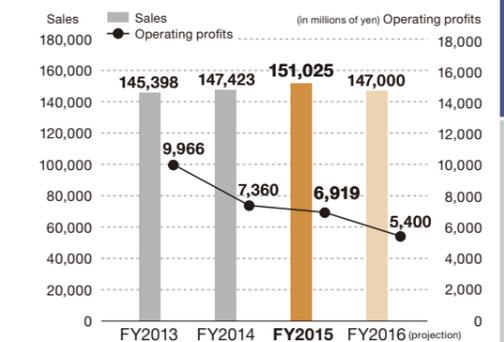
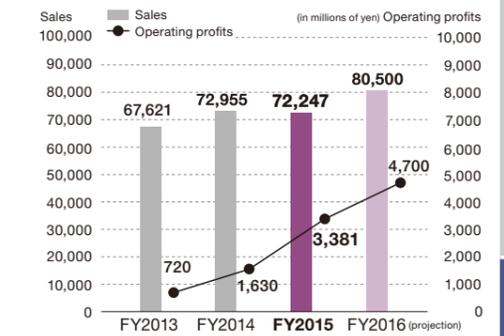
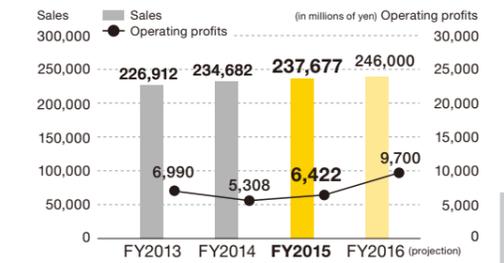
#### Current Progress

- **Business process reforms**  
We have established an intranet system and renewed our website.
- **Instillation of risk management system**  
As part of strengthening our corporate governance, we are working on the promotion of strengthening our risk management system and compliance. [see page 15-18](#)

# 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, automobiles, 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 three segments, namely "Steel," "Automobile and Industrial Machinery Components" and "Other." Major products and business records for the last 3 years are provided here for reference.

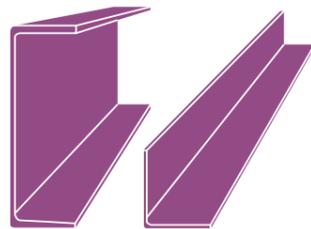
Sales, Operating Profits and Projections



Projection for FY2016 includes the sales and operating profits from Power Generation Business

Business Segment

## 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.

Main Products



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

## Automotive and Industrial Machinery Components Business



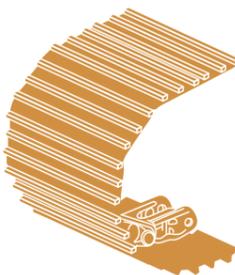
### Wheel Division

#### A world top-class general wheel manufacturer

Topy responds to the various needs of the automobile 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 automobile 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



### 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.



- Industrial spring steel fasteners
- Shoes
- Track shoes
- Cutting edges
- Links
- Rollers

## 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 electric power generation, and sports and leisure-related businesses.

As for the power generation and supply business at Toyohashi, we have changed the supply destination effective as of April 2015 to power producer and suppliers. This is treated as a segment report in view of the increasing quantitative importance of the business from FY2015.



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

# Steel Business



Drawing out maximum capacity of the new steel making plant and steady development of new products

## Message from the Division General Manager

The new steelmaking plant commenced production in March 2015.

The new electric furnace we introduced at Toyohashi Factory is called the Eco Arc (ECOARC™) and provides environmentally friendly features capable of suppressing power consumption and dust production. In addition to the furnace, we have installed a new continuous casting machine capable of molding both blooms for structural shapes and billets for deformed bars, providing us greater production flexibility for versatile demand. By this shift of billet source from outside to in-house supply, we aim to cut cost significantly.

From a BCP stand point, the building has adopted a “new earthquake resistant design method” to withstand seismic intensity of 6+ which is estimated in the simultaneous occurrence of the Tokai and Tonankai Earthquakes. Other facilities and equipment have also incorporated earthquake resistant and damage prevention measures. As a measure against tsunami and high tide, the floor level of major electrical equipment has been raised. Also, the overall floor level of the new steelmaking plant has been raised by 1.0 m compare to the old plant and the electric room has been raised by 1.6+m in preparation of high tides caused by tsunamis after an earthquake, and typhoons.

In the rolling operation, we will start, during this fiscal year, the mass production of new products developed last year. By increasing the production of new products, we will continue to evolve our “Only One” or inherent technology that enables us to produce our representative products of special profile sections steels. We will work to realize early achievement of the targets that we had set when deciding the introduction of the new plant, and proceed with production and delivery of new products as scheduled. We will exert our utmost efforts towards the achievement of these targets.



**Akira Tanahashi**  
Managing Operating Officer  
General Manager, the Steel Division



## Production Starts at the New Steelmaking Plant

The new steelmaking plant at Toyohashi Factory commenced mass production from March 2015 after tryout operations started in October 2014. In order to strengthen business continuity, state of the art equipment and technologies with measures against large earthquakes and tsunamis, consideration for productivity and quality improvement, and environmental burden have been introduced.

The main facility of the plant, the electric furnace that we have introduced, is the largest eco-friendly and highly-efficient arc furnace in Japan. We expect to reduce electricity cost significantly by reduction of the electricity consumption unit as well as by concentrating operations during the night time and holidays when electricity rates are relatively low. In addition, the new continuous casting machine is designed to cast both blooms and billets. With this, we are able to replace billet procured from the outside to in-house supply, and achieve complete self-sufficiency of raw materials that will give our products greater competitiveness.



# Automotive and Industrial Machinery Components Business

Wheel Division



Dynamic propelling of business development in overseas markets under the basic policy “Growth” in global perspective and “Change” to high earning corporate structure

## Message from the Division General Manager

Under the basic policy of “Growth” in the global perspective and “Change” to higher corporate earnings, the Wheel Division has promoted business development in overseas markets where growth is expected. Following the establishment in 2014 of a production site for bus-truck wheels in Indonesia, we have started up a production site for steel passenger wheels this year in Mexico.

We will continue to strengthen our global supply chain to respond to the needs of customers and markets by effective alliances with overseas partners while solidifying existing overseas bases for passenger and industrial machinery wheels in the U.S. and China. By fostering “technological strength”, “cost competitiveness” and “human resources” through close cooperation between these overseas bases and Japanese mother factories at Toyokawa and Ayase, from where “competitive strength of manufacturing” originates, we will enhance our presence as a “world’s top class general wheel manufacturer” and at the same time solidify our business foundation.



**Shinichi Kijima**  
Managing Operating Officer  
General Manager, the Wheel Division



### Establishment of Manufacturing Site in Mexico for Steel Passenger Car Wheels

On May 28, 2013, we established a joint venture manufacturing subsidiary company for steel passenger car wheels in Mexico with MW Italia S.p.A and decided the construction of a new factory.

The production of passenger vehicles in Mexico is expected to grow as exports to North and South America has increased in recent years. Until now, wheels to Mexico were supplied from our manufactur-

ing sites in Japan and the U.S.; however, with the establishment of a new factory in Mexico, we will be able to respond to the global supply needs of our customers. We will further strengthen business foundation by taking in the demand for steel wheels in the expanding market.



### Establishment of a New Factory in Mexico for Industrial Fasteners

Topy Fasteners Ltd., a subsidiary of Topy Industries, decided to establish on April 27th, 2015, Topy Fasteners Mexico S.A. DE C.V. in Mexico and embarked on the construction of a new factory for the manufacture and sales of industrial fasteners.

Topy Fasteners supplies industrial fasteners including precision spring steel fasteners for wide range of industries such as motorcycles, cars, precision machines, industrial equipment and has manufacturing sites in the U.S., Thailand and Viet Nam beside Japan.

Recently, Japanese and major world car manufacturers have made inroads into Mexico, backed by its geographical advantage and the conclusion of Free Trade Agreements. The demand for automobile related products is expected to increase considering market potentials in North and South America. The new company will make stable supply of high precision and high quality industrial fasteners to both Japanese and European/American car manufacturers and secure the growing demand in these markets.

# Automotive and Industrial Machinery Components Business

Undercarriage Components Division



Building a strong business foundation to respond to demand fluctuations and advance business administration reforms to support construction machinery manufacturers and society.

## Message from the Division General Manager

The Undercarriage Components Division manufactures and sells various undercarriage components for construction machinery such as hydraulic excavators. Above all, track shoes\* for hydraulic excavators embody the “integrated production system from raw materials to finished products” featuring our strongest selling point. The integrated manufacturing system has realized high level of QDC and our products receive excellent evaluation from our customers thanks to refined services including VA proposals supported by advanced design development nurtured over many years.

The Division operates in North America, China and Indonesia and contributes to globalization by supplying products of high QDC to local construction machinery manufacturers, by responding to fluctuation risks in foreign currency exchange rates and by performing just-in-time delivery. As a result, the Division enjoys the world’s top-level market share in terms of OEM supply of track shoes and tracks\*\* for hydraulic excavators.

Demand from emerging countries has been slow in the recent years putting us under harsh business environments. However, we will exert our greatest efforts towards further promote our business by developing high value added products, improving cost competitiveness and utilizing the advantage of our global supply chain.

Looking into the future, global population growth and urban expansion is expected, and we anticipate demand for construction machinery will increase. We will contribute to the development of society as a leading company in the construction machinery components industry.



**Hiroyuki Kinoshita**  
Managing Operating Officer  
General Manager,  
the Undercarriage Components Division

\*Track shoe: 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 a steel track belt.



### Operation Starts at the Subsidiary Company of Undercarriage Components Sales in Indonesia

In April 2014, PT. Topy Undercarriage Indonesia, a sales and distribution organization of tracks and track components commenced operation. The company aims at expanding undercarriage components business in the ASEAN region by providing customer-oriented services.

The company will also play a part in expanding sales in the future not only in the ASEAN region, but also in South Asia and Oceania where demand increase is expected.



# Other Business

## Aiming to Introduce an “Only One” and Highly Functional Product

### Message from the Division General Manager

The Science Division is the fourth division of Topy Industries with focus on research and development, and challenges scientific fields other than metal processing.

At first look at the business lines of the Science Division, it may seem there is not much association with the company’s core technologies. But, in fact, Topy’s high level of technology which we have been nurturing over the years and our continued initiatives for development activities forms the main body of this division.

Our mind for developing new products based on such technologies will influence the expansion and development of the Science Division in the future.

This Division is faced with challenges for new markets and products, and we have young forces full of vitality towards that achievement.

Clarifying product concept for each business, promoting sophistication and efficiency of each process and as a result, sending products rich in originality to society; this is the image of the Division that we are aiming to realize.



**Toshiyuki Tani**  
Managing Operating Officer  
General Manager,  
Science Division



### Development of a Crawler Robot Marine Resource Research

The Science Division has concluded an agreement with Japan Agency for Marine-Earth Science Technology and Nissan Motors, Co., Ltd. to develop high efficient operating technology for marine resource research crawler robot.

Topy’s crawler robots have operated as ROV (Remotely Operated Vehicle) to inspect and measure the conditions inside the buildings and basements at Fukushima No.1 Nuclear Power Plant after the Great East Japan Earthquake and Tsunami. The joint research team will work on developing a robot that can work efficiently under the water by combing our crawling technology that allows robots to run in a stable form even on complex terrains of the sea floor, with the system that can grasp the surrounding conditions at ease.



Source:JAMSTEC

# 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 the needs of our customers and society, embodying the ideas into visible products. The items introduced below show some of the new technologies and products that are expected to help boost the growth of the Topy Industries Group in the future.

### 1 The Inspection Robot for Decommissioning Nuclear Reactors

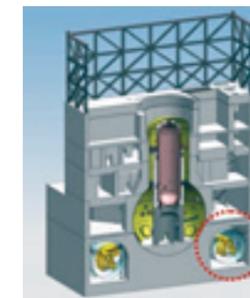
The Crawler Robot Department of the Science Division and the Technology Development Promotion Center has delivered an “Underwater Inspection Robot” and a “Suppression Chamber (Pressure Control Center) Upper Section Inspection Robot” for inspection towards decommissioning of nuclear reactors at Fukushima No.1 Nuclear Power Plant.

It is said that decommission of the nuclear reactors at Fukushima No.1 Nuclear Power Plant will take another 30 to 40 years. Radiation inside the nuclear reactors is very high and therefore, robots are needed to work and inspect in the place of human workers.

Currently, for the extraction of nuclear fuel, the “Water Immersion Method” is scheduled to be applied in which the pre-stressed concrete container will be filled with water. The difficult part of this particular method is the determination of water leakage location. With such challenges at hand, Topy’s crawler mechanism and under-water control technology was highly evaluated and our robot was adopted for the under-water decommissioning nuclear reactor inspection robot. Our robot succeeded in locating the water leakage, and we have been given high praises from various quarters.

In addition, we have developed a robot that can inspect the upper section of the suppression chamber and its vicinity in the No.1 building which is located right under the nuclear reactor. The inspection

unit of this robot can be recombined so that for inspection of any water leakage from the surrounding structures in the upper section, an inspection unit with an ascending/descending camera function can be attached to gain visual images, and for inspection of the wall surface, an inspection unit with a suspended type underwater camera can be attached to gain visual images. This enables inspection of both the flow of retained water from the penetrated wall and the catwalk. With these features, Topy’s robots are expected to find more opportunities for use under severe conditions where workers are unable to access.



### 2 Particles with Upgraded Luster and Saturation make it into the Helios® Lineup

The Mica Department of the Science Division has successfully added small particle size products to the existing large particle size pearl mica “Helios®” lineup.

Luster and saturation (grade of purity of a color image) are the most appealing quality features of our pearl mica. Luster and saturation level of Topy’s pearl mica products are much higher compared to our competitors’ products, and we have achieved excellent review from our customers. We will exert more efforts to increasing the sales of our core product, “Helios®” with focus in the cosmetic industry.



# From Topy's Global Locations

The Topy Industries Group has expanded its global presence.

Here, we will introduce some of their activities.

In North America, China, and Southeast Asia, the Topy Industries Group operations are well assimilated into the local environments. Introduced here are some of the latest topics and news.



## 1 Jig Improvements Reduce Defects and Improve Work Efficiency (Qingdao Topy Machinery Co., Ltd.)

Qingdao Topy Machinery manufactures undercarriage components such as links, bush and pins. Broaching machine is used for machining, but there were problems such as defective position of the nut, damage of cutting edge tools, long set-up and adjustment time. At Qingdao Topy Machinery, employees set these matters as the theme of their 100 days improvement activity (JK activity) and discussed and came up with solutions; changed the jigs from mono-type to divided independent type, and changed positioning holes to grooves. This made subtle adjustments easier and as a result, achieved 0% defect, 60% set-up and adjustment time improvement, and elimination of damage to cutting edge tools.



## 3 Communication Improvement (Fujian Topy Autoparts Co., Ltd.)

There are various on-going programs to promote communication between workers at Fujian Topy Autoparts. Japanese language classes are held twice a week aiming at acquiring grade 4 on the Japanese proficiency test which comes with a bonus for those who pass. In-house news letters are printed in both Chinese and Japanese. Also, for health and communication improvement, a basketball court has been opened where tournaments and free throw contest are held and training programs where workers are dispatched to Japan are being operated.



## 2 Human Resource Development and Awareness Improvement to Increase Motivation (Topy Undercarriage China Co., Ltd.)

Since 2014, Topy Undercarriage China has been promoting JK activities aiming at improving the skill level of workers by awareness improvement and training. Several groups such as Track Shoe Group, Forging Group, Assembly Group and Warehouse Group (women only) have been formed and each group examines issues and in six months, they present the results of their activities to share their output and to enhance workplace capability.



## 4 Nurture Consciousness through Japanese Language Education and Greater Communication (Topy Fasteners Viet Nam Co., Ltd.)

Important meetings are conducted with interpretation into Japanese and Japanese education is provided at daily meetings of each department. There was even an episode where a local visitor was very surprised by the welcome in Japanese "Ohayou Gozaimasu" ("Good Morning"). Here the consciousness of being a Topy Group member is nurtured daily. Besides the language education, various events such as sports events and barbecue parties are organized to promote communication.



## 5 Zero Accidents by Reviewing Safe Operation Procedures (Topy Fasteners Thailand, Ltd.)

Topy Fasteners (Thailand) manufactures and sells industrial fasteners. There was once an accident in which an operator's finger got caught between the attaching jigs when trying to attach a hose clamp to a folder. This initiated the review of the entire production processes including operation method, jig attachment device, operator's fatigue level and concentration etc. for improvement methods. As a result, zero accident has been achieved and production output per hour has improved.



## 20th Anniversary Ceremony

On November 20th, 2014, Topy Fasteners (Thailand) celebrated its 20th anniversary with a celebration banquet at a hotel in the suburb of Chonburi, Thailand. The party was attended by more than 320 participants including shareholders, guests and company employees. The ceremony was highlighted with a dance party with a live music, which is indispensable to parties in Thailand.



## 7 Local Staff Recruitment and a Step towards Business Expansion (PT. Topy Undercarriage Indonesia)

Topy Undercarriage Indonesia was founded in 2013, the opening ceremony was held in February 2014, and by November 2014, a total of five staff including a locally-hired manager and warehouse operators was appointed. We aim for business expansion by delivery to Japanese OEM customers who are already in Indonesia and by utilizing geographical advantages.



## 8 Improvement of the Steel Wheel Production Line (Automotive Division, Topy America Inc.)

The production line of passenger car steel wheels for the North American market is aiming to produce wheels of almost perfect roundness in order to improve running stability and quietness of the vehicle to which it is assembled. To enable this, thorough examination of each process in order to reduce "vibration" at each stage of disc production, rim production and assembly process, as well as every possible improvement including skill level of operators have been conducted.



## 6 Establishing functions as overseas base (PT. Topy Palingda Manufacturing Indonesia)

Topy Palingda Manufacturing commenced production and sales from April 2014. The company is expected to become a strategic production base to expand wheel business for commercial vehicles in the ASEAN region and at the same time, play a role in the global supply chain together with Topy MW Manufacturing Mexico S.A. DE C.V.



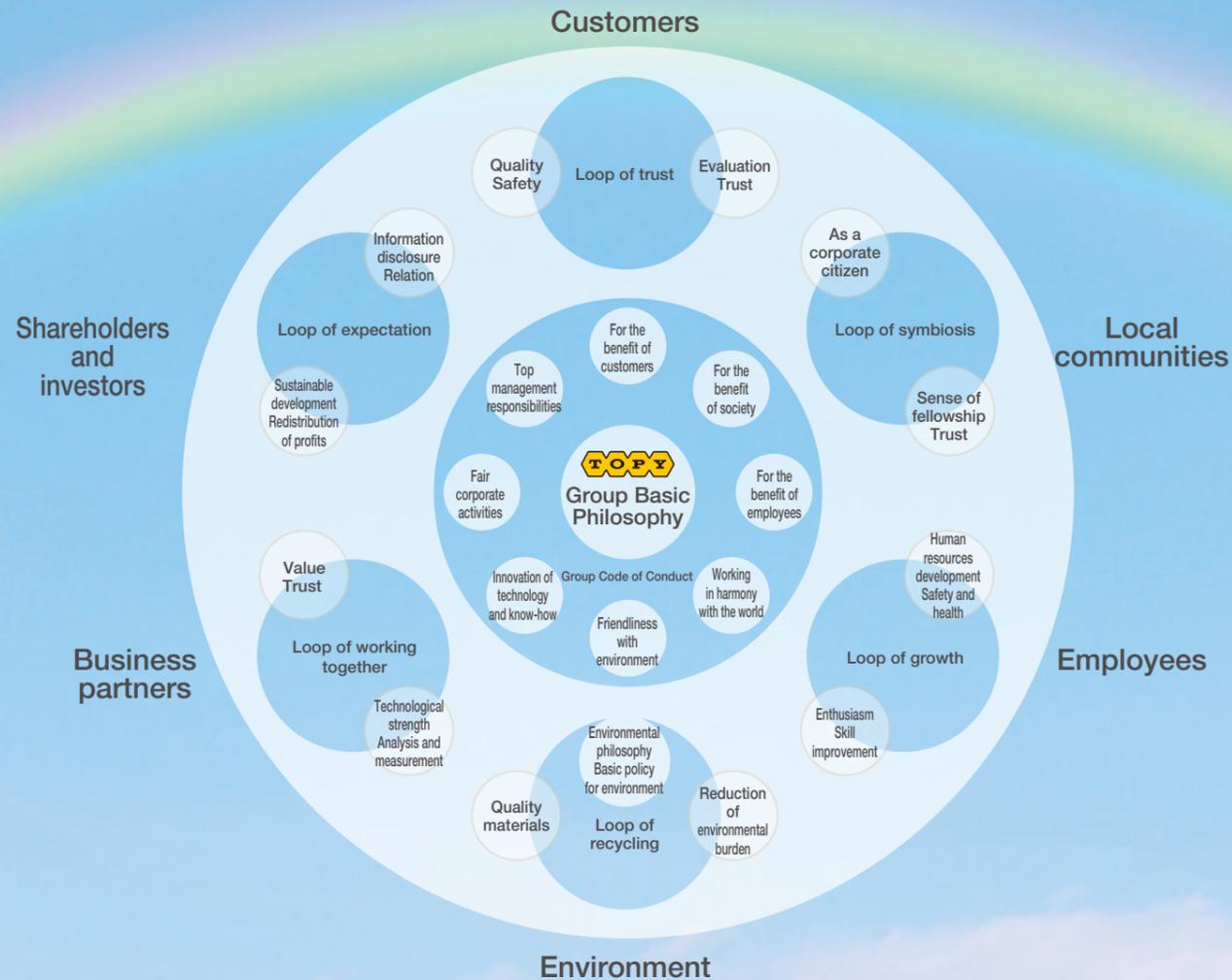
## 9 CNO Vessel Operating Common Carrier License Secures New Orders (Topy Marine Transport, Ltd.)

Topy Marine Transport obtained a license for Non Vessel Operating Common Carrier in 2013. With this, Topy Marine Transport has expanded its business capability, and in 2014, carried equipment for the new steelmaking plant at Toyohashi Factory as well as rim and side ring sections to PT. Topy Palingda Manufacturing Indonesia.



# 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 "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 "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 "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 "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 "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 worldwide. 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**  
Managing Director  
General Affairs

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.



## Toward a Promising Future

### Topy Industries Group initiatives to promote greater participation by women in the workplace

We believe that accepting personnel with versatile values and potentials, and drawing out their motivation and potential to the fullest are vital for the Topy Industries Group to continue developing in the future.

We have launched a project as part of a diversity promotion initiative and are working on creating workplace environments where diverse human resources are able to succeed.

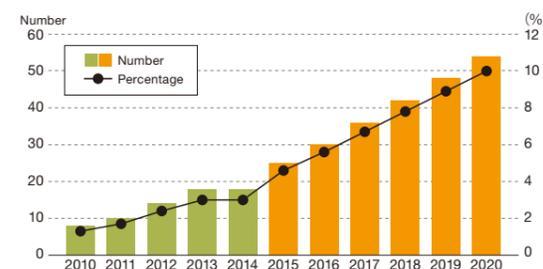
We have started the approach focusing first, on supporting the success of women in the workplace. The objectives are to create a corporate culture where employees can succeed irrespective of gender, to facilitate awareness change of employees, and to implement systems to assist work-life compatibility etc. This will result in the development of human resources for the future of the Topy Industries Group.

#### Voluntary Action Plan

One of the slogans under the Topy Industries Group Corporate Code of Conduct is "Respect the individual character and personality of employees". With such, we have embarked on initiatives toward the promotion of women's success in the workplace as one of the actions to promote diversity. This has resulted in the proportion of women in pre-management positions to double during the period from 2011 to 2014 at Topy Industries.

To further accelerate this move, we have launched a diversity promotion project and will work on extracting additional issues as well as measures to be taken, and on enhancing in-house systems and measures to support career forming by the end of FY2015. In order to promote women to managerial positions, we will recruit and train women in pre-management positions and assist women in leadership roles. Our aim is that by 2020, 10% of the employees are women in pre-management positions.

Number and Percentage of Pre-Management Women (FY2010 to FY2020)



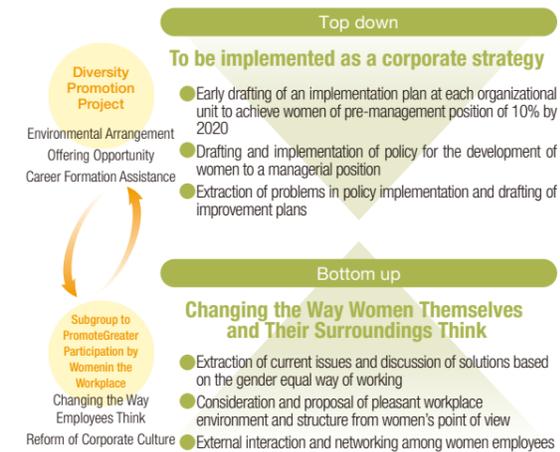
#### Promotion of Women's Participation in the Workplace

At Topy Industries, we have launched a diversity promotion project with members consisting of men and women in managerial positions to initiate the promotion of greater participation of women in the workplace. We have also organized a subgroup consisting of pre-management position women so that we may achieve coordinated action through various communication channels.

Project Objectives

- Be proactive in promoting greater participation by women in the workplace by working towards the accomplishment of voluntary action plans
- Changing the way employees think
- Further improvement of corporate culture and workplace environment

#### Action Implementation Structure



#### Initiatives on Work-Life Compatibility

● Childcare Assistance System  
Improve the assistance system to meet the diversified needs of employees to realize a pleasant workplace environment

Delivery: 1 year, 18 months, Elementary School (1st Grade, 3rd Grade)

- Childcare leave
- Short working hour system
- Limit/exempt overtime, exempt night shifts
- Nursing care leave

#### Initiatives to promote greater participation by women in the workplace

	2014	2015	2016
Project activity	Kick off	Problem analysis Policy review and resolution	Implementation and verification
Sub-group to promote greater participation by women in the workplace	Kick off	Cross-industry interaction Extraction of problems	Drafting specific proposals
System and environmental implementation	Improvement of child-care assistance system	In-house informing action	Environmental implementation
Recruitment activity	Positive recruitment of women		

Environmental Topics

Energy Saving Initiatives 2020 : “Enekatsu 2020”

Energy saving activity with employee involvement to contribute in reducing energy consumption and conservation of the Earth’s environment

**Deployment 1** Promotion of a company-wide energy index reduction campaign (FY2013 to FY2016)

**1** Attain solid achievements at each factory!  
**Topy Energy Saving Award**

We have implemented an “Energy Saving Competition among Factories” aiming to achieve solid results against the energy reduction target stipulated in the Law Concerning the Rational Use of Energy (1% reduction over the previous FY). The annual reduction percentage of specific energy consumption at each factory is compared and the award along with prize money is given to the factory that achieves the greatest average reduction percentage during the aggregate activity period. We are targeting to improve awareness toward a “Reduction of 1% over the previous year.”

**Kanagawa Factory Wins Award for FY2014**

In FY2014, Kyushu Wheel Kogyo, Ltd., Topy Fasteners, Ltd., Hokuetsu Metal Co., Ltd., Akemi Recycling Center, Ltd. in addition to the four factories at Topy Industries participated in the energy savings competition. Kanagawa Factory won first place in two consecutive years.

- 1<sup>st</sup> Kanagawa Factory, Topy Industries, Ltd. (Reduction percentage 25.8%)
- 2<sup>nd</sup> Akemi Recycling Center (Reduction percentage 7.4 %)



**2** Address power savings by work unit!  
**Topy Power Saving Award**

A “Power Saving Competition by Work Unit” has been implemented for non-production work units such as our head office, branch offices, and the administrative departments of production sites. The annual reduction percentage in electricity consumption amount at each work unit (work unit is the smallest unit by which power consumption amount is measurable) are compared and the award along with prize money is given to the work unit with the greatest reduction. We aim to improve the awareness about energy saving among all our employees.

**The Administration Office of Toyokawa Factory wins award for FY2014**

In FY2014 a total of 53 units including group companies participated in the competition. The Administrative Office of Toyokawa Factory won the award with an overwhelming reduction percentage.

In the administrative unit, Osaka Branch Office finished 2<sup>nd</sup> with a reduction percentage of 18.5%, and the Administration Department of Toyohashi Factory finished 3<sup>rd</sup> with a reduction percentage of 17.7% and both received an award.

Overall standings (Administrative units and Factory unit)

- 1<sup>st</sup> The Administrative Office of Toyokawa Factory (Reduction percentage 61.3%)
- 2<sup>nd</sup> The Deformed Bar Rolling Mill of Toyohashi Factory (Reduction percentage 27.8%)

**3** Special award for excellent improvements in energy saving  
**Topy Energy Saving Improvement Award**

The “Special Award for Energy Saving Improvement Proposal” is offered to recognize proposals within on-going improvement proposals which have achieved successful results in terms of improved energy saving. The award along with prize money is given to the strongest proposal in relation to energy saving based on the reduction percentage of energy saving and its sustainability. We aim to vitalize energy saving efforts at each workplace.

**Out of the all proposals the Deformed Bar Production Mill of Toyohashi Factory was selected as the best improvement for this FY2014.**

1. The Deformed Bar Production Mill of Toyohashi Factory  
Improvement Theme: Reduction of electricity consumption during non-operating hours by shutting down the compressor

**4** We will move onto the next stage (FY2017 to FY2020) challenging higher levels set based on the outcome from the first period (FY2013 to FY2016)

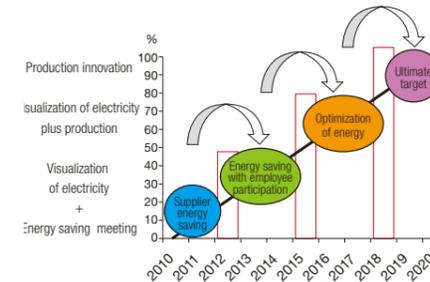
**Deployment 2** Promotion of investment for energy saving (FY2013 to FY2020)

In addition to mentality actions aiming at developing the awareness of energy savings through united efforts across the company, we will make solid physical investments to build efficient measures and facilities to curb increase in energy costs. In the past, investment on energy saving has not necessarily been given high priority compared to other rationalization investment programs. However, now we are fully aware of the necessity of treating investments related to energy saving among our top priority issues.

**“Visualization of Electricity” at Kanagawa Factory, Undercarriage Components Division**

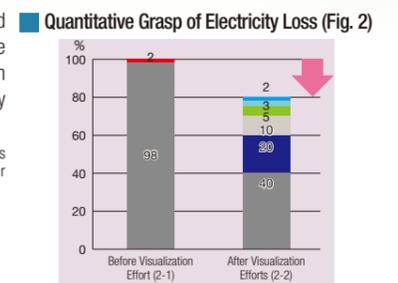
In response to surging electricity costs and as one part of “Enekatsu 2020”, Kanagawa Factory promoted the visualization of electricity before any of the other office or factory. Fig.1 shows a road map of electricity consumption showing targeted milestones. Visualization has become an indispensable tool to manage electricity consumption for the factory.

Road map of “Visualization of Electricity” Fig. 1



tricity loss occurred and at the same time, the reduction target became very clear.

\*The arrow in Fig.2 shows the reduction target after visualization efforts.



**Connection with Productivity**

With visualization, we can now see when and how much electricity is being used at each machine. (the right bar in Fig.2)

In addition to reduction in electricity usage, it is now possible for us to suppress peak consumption and cut cost by concluding electricity contract at lower cost levels.

**Future Developments**

- Leveling off of electricity consumption⇒Moderation of electricity contract⇒Reduction in electricity cost
- Optimization of energy consumption (electricity and fuel oil) and optimization of production equipment
- \*Improvement is not limited to the above mentioned but includes drastic review (production reform) of the whole processes that consume a lot of energy.
- The knowhow we obtained by visualization will be expanded to other workplaces throughout the Topy Industries Group.

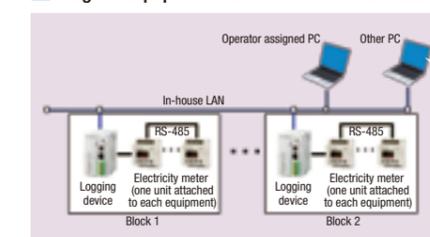
**Determining Reduction Targets**

Until now, it had been difficult to know the exact amount of electricity needed for each machine to operate (the left bar in Fig.2), and only approximate numbers such as “XX% reduction target”. However, now, as shown in Fig.2, with visualization we were able to see the amount of minimum electricity needed for each machine to operate. By accumulating such data, we were able to understand where elec-

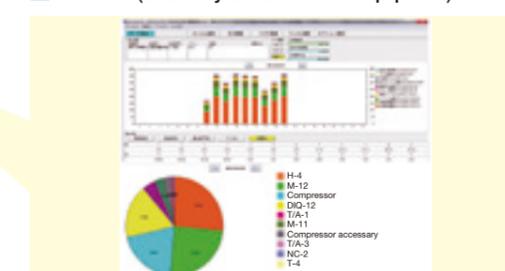
**What is Visualization?**

In the past, operators walked to the meter attached to each machine to check the amount of electricity in use. Visualization has made it possible to know the amount of electricity used at any particular moment in the workplace and we can display the total amount of electricity and percentage on the PC monitor.

Image of Equipment Connection for Visualization



PC screen (Electricity amount of each equipment)



# Environmental Activities

## Environmental Management [Topy Industries, Ltd.]

### Environmental Philosophy

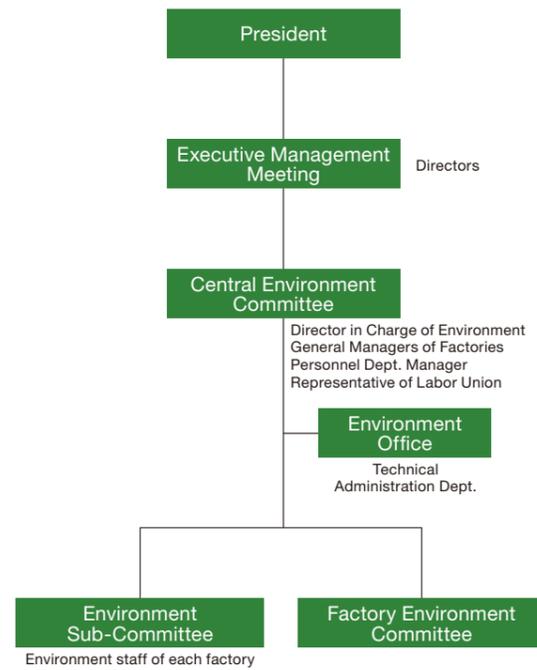
We believe it is our duty to preserve a rich and beautiful world for future generations to enjoy. In partnership and solidarity with local communities we will work to promote continuous improvement in everything we make, from materials to finished products, to lay the foundation for sustainable development 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
Toyohashi Factory	Apr. 1999	Completed in Feb. 2006
Toyokawa Factory	Nov. 1998	Completed in Oct. 2005
Ayase Factory	Nov. 1998	Completed in Nov. 2005
Kanagawa Factory	Jun. 1999	Completed in Jun. 2005

## Recycling [Topy Industries, Ltd.]

### Topy is a corporation that recycles

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-

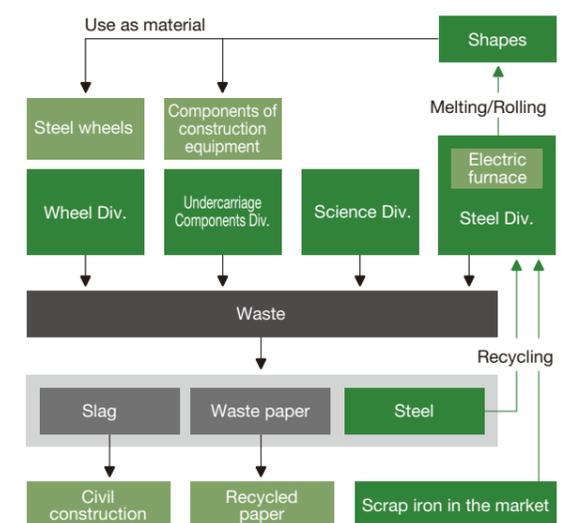
pany assigned to carry out a vital role in the production activities within the recycling system of society. Furthermore, we have implemented an original recycling system within our production flow for the reuse of resources.



### 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 Activities

## Initiatives on Waste Reduction [Topy Industries, Ltd.]

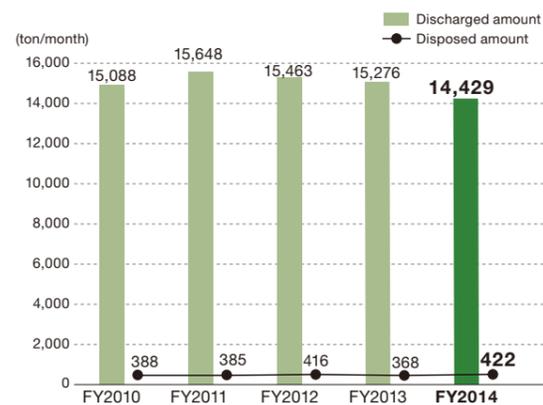
### Waste reduction and recycling

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 remained almost flat since FY2010 but decrease 5.5% year-on-year in FY2014. Meanwhile, the ultimate amount of disposed industrial waste marked 422 tons, an increase of 14.7% from the previous term in spite of our efforts on 3Rs (Reduce, Reuse, Recycle). This attributes to the decrease in the reuse of refractory materials at the old steelmaking plant in connection with transformation to the new steelmaking plant.

We will continue to promote recycling and reduce the ultimate disposal amount through the expansion and improvement of 3R activities.

### Transition of Discharged and Ultimate Amount of Industrial Waste Disposal



### Recycling of cutting oil by clarification treatment

Various cutting oils are being used in the production processes of our operations, and these also constitute one of our major environmental issues. At Ayase Factory, we apply clarification treatment to the used cutting oil and bring it back for reuse. We will eventually implement this at 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.

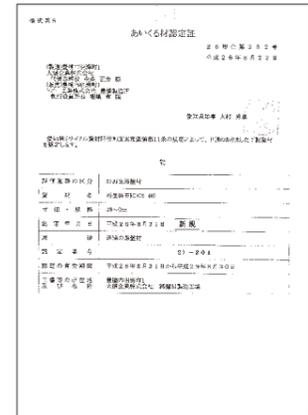
### Electric Furnace Slag for Recycled Road-bed Material ECO Stone obtains "AIKURU" certificate

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)

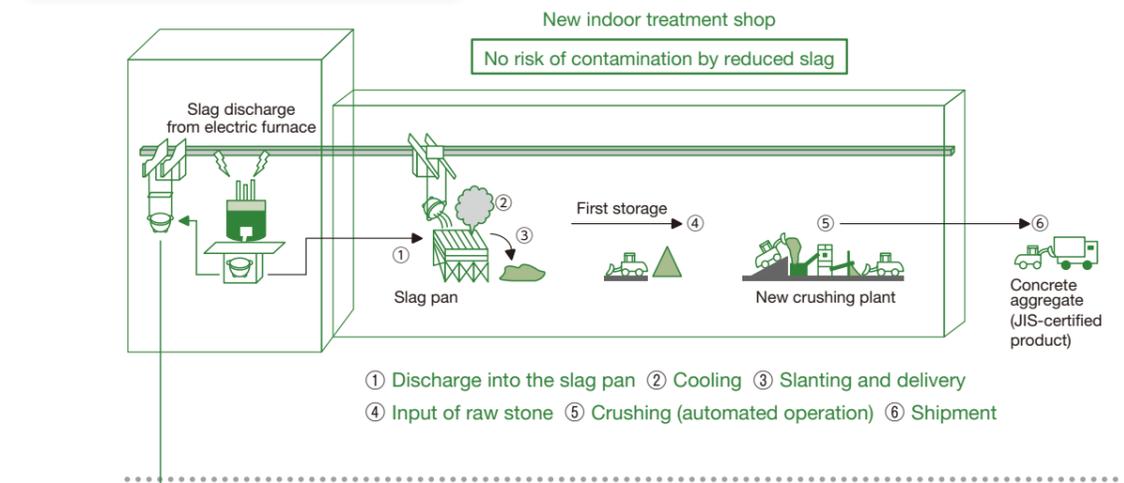
Item	Elusion Test (mg/L)		Inclusion Test (mg/kg)	
	Analysis value	Spec. value	Analysis value	Spec. value
Cadmium	< 0.001	≤0.01	<5.0	≤150
Lead	<0.005	≤0.01	6.0	≤250
Hexavalent Chromium	<0.01	≤0.05	<2.0	≤15
Arsenic	<0.005	≤0.01	<0.5	≤150
Total mercury	<0.0005	≤0.0005	<0.05	≤150
Selenium	<0.002	≤0.01	<0.5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



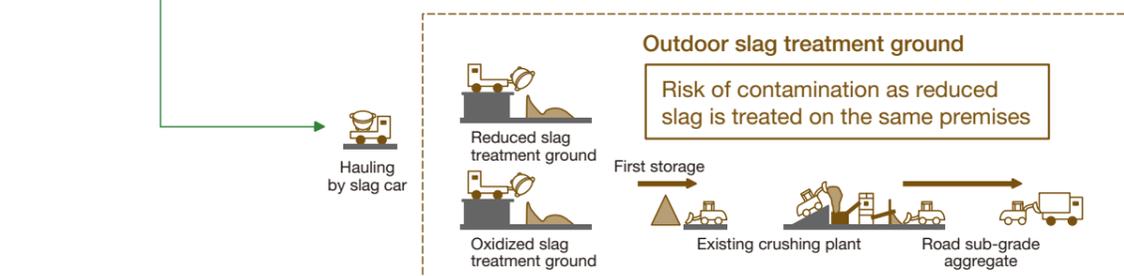
AIKURU Certificate

### New Slag Treatment Flow

#### New slag treatment for JIS certification



#### Conventional treatment



# Environmental Activities

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

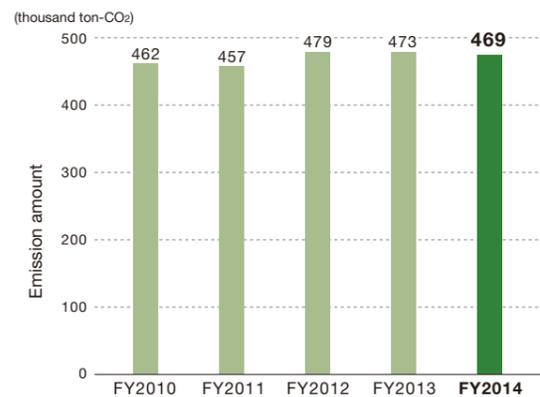
### Reduction of CO<sub>2</sub> emissions

At each factory of Topy Industries, Ltd. improvement activities are in place according to the production facilities involved toward achieving targets based on Keidanren's (Japan Business Federation) "Voluntary Action Plan on the Environment." In FY2014, the total amount of CO<sub>2</sub> emissions from energy use at Topy's facilities was 469 thousand tons, maintaining the target level below that of FY1990. However, the CO<sub>2</sub> emissions has continued to be flat since FY2010 due to the increase in production along with the recent upturn trend of the global economy.

As we anticipate an increase in the amount of energy use in the future as production volume recovers, we will pursue stringent control and improvements in order to continue to restrict the amount of energy usage.

The amount of CO<sub>2</sub> at our facilities is reported to the government authorities according to the revised Energy Saving Regulation enacted in FY2009. The report includes Topy's offices, which would usually be excluded from designated energy control factories. As for Toyohashi Factory and Toyokawa Factory in Aichi Prefecture, we have submitted a Global Warming Prevention Measures Plan according to the Aichi Prefecture Ordinance for Global Warming Prevention Measures Plan System.

### Energy Source Based CO<sub>2</sub> Emission Amount



### 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 m<sup>2</sup> 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 does 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 amount of chemical substance emission depends significantly on the production volume just as the amount of CO<sub>2</sub> emission and discharge of industrial wastes do likewise. Both total emission and transfer amounts of substances subject to PRTR (Pollutant Release and Transfer Register) declined due to the global economic slump triggered by the economic crisis in 2009 but turned to an increase as business activities started to pick up. However, with the reduction of VOC (Volatile Organic Compound), such amounts in FY2012 dropped to FY2009 levels. The amounts for FY2013 decreased about 7% on a year-on-year comparison with FY2012 due to further improvement efforts.

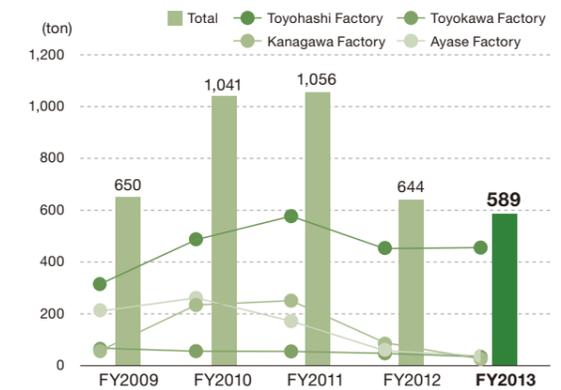
### Initiatives on air pollution prevention

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.

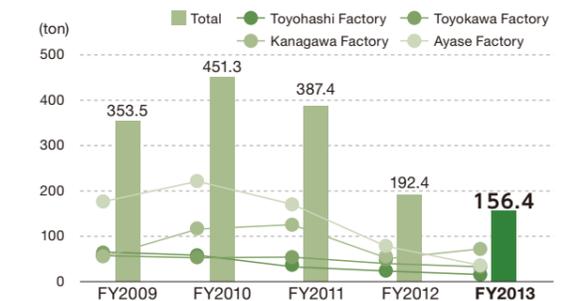
In FY2012, VOC emission dropped to half compared to the previous year due to reduction at Toyohashi (due to decreased use of paint in the bridge business after announcement of business withdrawal) and Ayase Factory (emission gas treatment facilities commissioned). FY2013 posted further reduction of 20% due to paint gas emission facilities and decreased use of paint and thinner.

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



(The results for FY2014 will be posted in Topy Report 2016.)

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



(The results for FY2014 will be posted in Topy Report 2016.)

# Environmental Activities

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

### Hot-rolled high-strength rim material

Wheels assuring vehicle weight reduction and collision safety

Automobile 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.



### 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.



### 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.



### 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 Each Factory [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. Work toward reducing waste through activities such as reining in waste generation, utilization of resources, and expanding recycling.
4. Work toward decreasing environmental impact through improvement in processes and facilities, designing and development of eco-friendly products.
5. 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.
6. 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.
7. 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

#### Environment basic 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

#### Environment basic policy

1. Comply with applicable legal and related requirements in order to build a symbiotic relationship with the local community.
2. Reduce greenhouse gases (CO<sub>2</sub>) to prevent global warming.
3. Work toward building eco-friendly manufacturing processes throughout the entire business activities from design, to sales, purchasing, production and transportation and maintain, and improve the health of the environment by saving energy, saving resource, and reduction of waste and chemical substances (environment impacting substances).
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

#### Environment basic 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

## Relationship with Customers [Topy Industries, Ltd.]

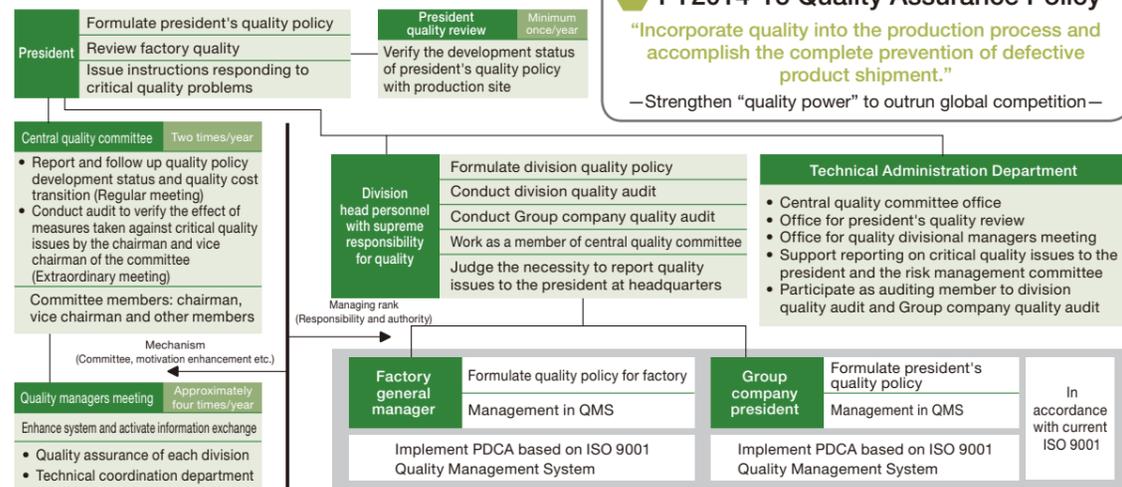
### – Customer Satisfaction and Quality Management –

#### Quality Assurance Philosophy

Topy Industries 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

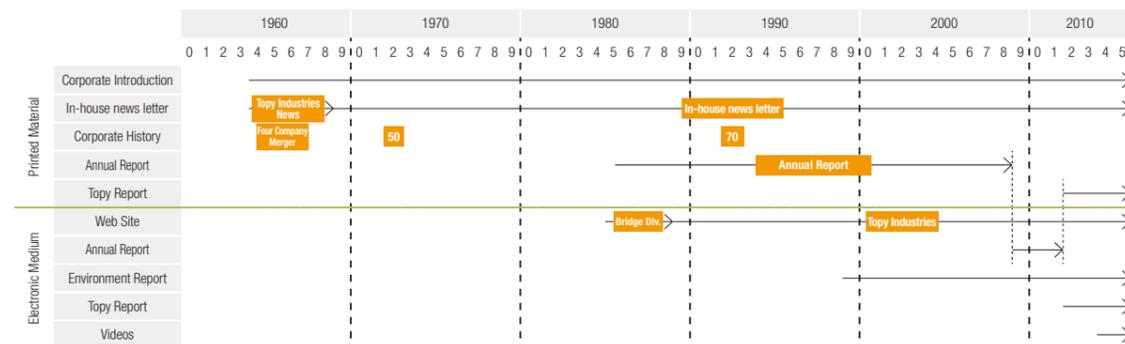
#### Quality Management Structure



#### FY2014-15 Quality Assurance Policy

**“Incorporate quality into the production process and accomplish the complete prevention of defective product shipment.”**  
 –Strengthen “quality power” to outrun global competition–

#### Topy Industries, Ltd. Communication Tool Chronology



## 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.



March 2015, explanation session for financial results

#### Participants of FY2014 Explanation Session

Date Held	Content	Participants
Nov. 19, 2014	2 <sup>nd</sup> quarter financial results	30
May 21, 2015	12-month financial results	35

### 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)

### 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.]

In order to earn the trust of our shareholders and investors, we believe it is important to continue making stable dividends besides redistribution of profits by taking into account overall factors including business development, and strengthening corporate financial structure.

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 business undertakings and the development of new technologies/products for long-term business development, and thus we are committed to strengthening our corporate structure and global competitiveness. The profit return index based on consolidated business results is targeted at a payout ratio of about 25%. However, decisions are made with careful consideration for stable and continued dividends.

Dividends are, in principle, paid out twice per year—an interim and a year-end dividend. Regarding the body responsible for deciding dividends, it is stipulated in Topy’s articles of incorporation that “dividends of surplus can be decided by the resolution of the Board of Directors Meeting in accordance with section 1 of article 459 of Companies Act.”



### 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.”

# Social Responsibility

## Relationship with Local Communities

– Contributions to Society –

### Visitation of Junior High School Students from Anjyo City, Aichi Prefecture at Topy Industries Head Office

As part of a social contribution activity, and with the belief of for the need of education of the next generation, Topy Industries accepts junior high school student visitations at our head office. On June 2nd, seven students from Higashiyama Junior High School (Anjyo City, Aichi Prefecture) visited the head office of Topy Industries. The purpose was for them to have hands-on business related experience, which it not possible at school or in their local community. The office visit was part of their school trip to Tokyo.

The office visit started with the students making their original business cards. The students wrote their extra curriculum club activities or their future dream jobs on their name cards, and practiced customary name card exchanges for the first time in their lives. Next, they listened attentively to our presentation on Topy's business structure of "Integrated manufacturing from steel raw materials to the finished products", followed by a virtual plant tour of each division so that they could see our operators at work and how our products are being produced at each factory. In addition, they learned our improvement efforts for reducing electricity costs and CO<sub>2</sub> emission by introduction of the new largest, environmental friendly and highly efficient electric arc furnace in Japan. They listened carefully to the explanation from the General Affairs Department staff. We hope what they have experienced here becomes useful in some way during their future school life as well as in the selection of their course of life after graduation.



Students of Higashiyama Junior High School

### Cleaning of areas neighboring factory

[Topy Industries, Ltd.]

At Toyohashi Factory, a cleaning activity of neighboring areas has been organized several times a year as part of environmental conservation activities.

In FY2014 a cleanings event was conducted on June 4th. The 60 participants cleaned for about one hour, collecting a large quantity of driftwood, plastic bottles and other objects.



Seashore cleaning

### Toyohashi team wins indoor fire hydrant competition

[Topy Industries, Ltd.]

The in-house fire-fighting team of Toyohashi Factory participated in the 48th Toyohashi City In-House Fire-fighters Liaison Council Hose Watering Contest on November 1st, 2014 and won first place in the "In-door Fire Hydrant" category and the 3rd place in the "Small Power Pump" category.

Each team consists of 5 members including a leader and they compete on the time and efficiency in shooting down the target with water through the hydrant under the instruction of the leader. Topy teams performed well despite the heavy rain.



The In-house Fire-fighting Team

### Kanagawa Factory concludes an agreement with Chigasaki City

Kanagawa Factory entered an agreement with Chigasaki City on September 17th, 2014 regarding measures to be taken in times of natural disaster.

Kanagawa Factory will assist in the emergency activities of Chigasaki City by providing an extended support base including secondary evacuation facilities, personnel, equipment and emergency first-aid.

We will strengthen our relationship with our local neighbors and work on community contribution.



Hiroyuki Kinoshita, General Manager of Kanagawa Factory and Nobuaki Hattori, Mayor of Chigasaki City

### Music club awarded for voluntary activity

The music club of the Toyohashi Factory received an award from the Mayor of Toyohashi City in April 2014 at the "Appreciation Party" hosted by Toyohashi Goodwill Bank at Toyohashi Multi-purpose Gymnasium. The award, the 2nd consecutive in two years, was to appreciate their regular voluntary activities.

The music club's main activity includes participation in the "Charity Artist Festival", the "Goodwill Festival" held in Toyohashi city and visits to various welfare facilities. On their consolation visits to those facilities they include small magic tricks besides their regular program of playing music in hopes that the people there will enjoy something different.



Members of Topy's Music Club

### Co-sponsor to "HINO TEAM SUGAWARA" in Dakar Off-road Rally 2015

Topy Industries co-sponsored "HINO TEAM SUGAWARA" which participated in the 15-day long Dakar Off-road Rally from January 3rd to January 17th, 2015.

The Dakar Rally had been held in Europe/Africa since its first meet but the venue has been moved to South America since 2009. This year, the course ran over 9,000 km from Argentina to Bolivia and back to Argentina, trespassing deserts, mountainous terrains and trackless paths. Hino's two rally cars with Topy's logo on its body completed the world's toughest course and gained an incredible win in the class for less than 10 liter displacement.



HINO TEAM SUGAWARA No.1 Car  
Photo provided by Hino Motors, Ltd.

### Evacuation drill at Head Office

An evacuation drill was conducted on October 9th, 2014 at the office building of Art Village Osaki Central Tower where Topy Industries has its head office.

Every tenant including Topy's employees evacuated following the emergency evacuation drill plan. Two emergency stairs were used to shorten the evacuation time and the drill was completed without any particular troubles.



Evacuation drill

### Earthquake Disaster Drill

A joint earthquake disaster drill was conducted on November 20th, 2014 at Toyohashi Factory. The drill assumed a large Nankai Trough Earthquake of seismic intensity 6+ to 7 followed by a huge tsunami.

In the drill, participants confirmed the evacuation route to shelters at high elevation in preparation of tsunami waves. The undercarriage plant also took the time to practice using the outdoor fire hydrant.



Outdoor fire hydrant

### A virtual plant tour on our home page

[Topy Industries, Ltd.]

The company has opened on its home page a link for a "Virtual Factory Tour" introducing the production processes of our products in a form that is easy to understand. The three virtual tours available are "Production Process of Manufacturing Steel," "Production Process of Steel Wheel Manufacturing" and "Production Process of Undercarriage Components of Construction Machinery." Each one is a narrated tour of about one and half minutes.

Please browse through our home page and see how our factories are operated and what production processes are required for the manufacture of our products.



<http://www.topy.co.jp/>

# Social Responsibility

## 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"> <li>• Business manners</li> <li>• Individual knowledge</li> <li>• Health and safety</li> </ul>		<ul style="list-style-type: none"> <li>• Entry level communication ability</li> </ul>
Senior employee	<ul style="list-style-type: none"> <li>• Advanced individual knowledge</li> </ul>		<ul style="list-style-type: none"> <li>• Intermediate level communication ability</li> </ul>
Follower (candidate to become a leader)	<ul style="list-style-type: none"> <li>• Expert knowledge</li> </ul>	<ul style="list-style-type: none"> <li>• Problem-solving ability</li> <li>• Basic logical thinking</li> </ul>	<ul style="list-style-type: none"> <li>• Guidance to juniors</li> </ul>
Leader	<ul style="list-style-type: none"> <li>• Advanced expert knowledge</li> <li>• Financial knowledge</li> </ul>	<ul style="list-style-type: none"> <li>• Applied logical thinking</li> </ul>	<ul style="list-style-type: none"> <li>• Fostering juniors</li> </ul>
Manager	<ul style="list-style-type: none"> <li>• Master expert knowledge</li> <li>• Basic management</li> <li>• Advanced management</li> </ul>	<ul style="list-style-type: none"> <li>• Target-driven management</li> </ul>	<ul style="list-style-type: none"> <li>• Fostering junior partners</li> <li>• Senior level communication ability</li> </ul>
		<ul style="list-style-type: none"> <li>• Business strategy</li> </ul>	<ul style="list-style-type: none"> <li>• Organization management</li> </ul>

### Improvement in workplace health and safety

We consider securing the health and safety of our workers to be one of the top priorities of the company.

We have implemented a variety of actions to achieve zero accidents, and at the same time conduct a monthly statistical survey for labor accidents in order to enhance the awareness of health and safety of each and every employee. The survey results are listed in the company’s monthly magazine.

### Labor Accident Statistical Survey List (Term: January 2014 through December 2014)

Factory	Total working hours	No. of accidents	Frequency	Severity
Kanagawa	464,517	0	0.00	0.00
Ayase	957,684	0	0.00	0.00
Toyohashi	1,451,066	5	3.45	0.34
Toyokawa	907,743	1	1.10	0.00
Total	3,781,010	6	1.59	0.13

### Initiatives on work-life balance

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.

### Danger Simulation Dojo

The “Danger Simulation Hall,” or “Dojo,” at Toyohashi Factory provides a mock experience using equipment that are actually used at workplaces, and makes it possible for us to learn what is dangerous, how we should respond to such dangers, and why we should comply with the rules. We continue to foster safety awareness among our employees by offering them vivid experiences through practical training at the “Dojo.”



Learning at the Danger Simulation Dojo

### The first Indonesian trainees head home

The first 10 technical trainees from Indonesia set out on their return trip on October 22nd, 2014 after completing their program that started in November 2013.

During their almost 12 months stay, they learned a lot about wheel manufacturing at Ayase Factory with great enthusiasm. Toward the last leg of the training period, their knowledge including communication in Japanese reached such levels that they could give handoff instructions in Japanese to the second trainees who started training in September 2014.

We have great expectations for them as they start working at new production sites in their home country by utilizing the knowledge, skills and experiences they have obtained in Japan.



The first Indonesia trainees

### Holding the Topy Juku induction course for new employees

The company organizes an induction course entitled Topy Juku for newly recruited personnel for the four months starting from mid-April every year, right after they start their duties. In FY2014, 10 associates were divided up into groups and dispatched to each factory. They were exposed to workplace experience, which is the foundation for manufacturing, by working under the same shift arrangement as production line personnel. During their on-the-job training program, they carried out office staff jobs and job-related problem solving under the one-to-one guidance of their training leaders. Topy Juku is designed to broaden new recruits’ horizons through first-hand job experience and at the same time let them feel their social responsibility with respect to work.



Topy Juku (Ayase)



Topy Juku (Kanagawa)



Topy Juku (Toyokawa)

# Social Responsibility

## Relationship with Employees [Topy Industries, Ltd.]

– Creating a Safe and Comfortable Workplace Environment –

### Initiatives on FY2014 National Safety Week and National Labor Health Week

As part of the event for the National Safety Week as well as the National Labor Health Week the company solicited posters and slogans from employees. The fol-

lowing slogans have been selected out of a large number of submissions and awarded for the FY2014 contest.

#### Posters for National Safety Week



#### Posters for National Labor and Health Week



### The Platinum Award from Caterpillar for 3 consecutive years

The Wheel Division won the platinum award SQEP for 2014 from Caterpillar for three consecutive years and received a certificate on March 23rd at Ayase Factory, Kanagawa.

SQEP (Supplier Quality Excellence Award) is the most prestigious award given to suppliers who meet excellent quality, cost, delivery and other requirements. The award system also includes Gold, Silver, Bronze; Platinum is the highest level of the award and each award is evaluated by a clear assessment criteria set by Caterpillar. SGOR® (ultra-large wheels) for mining and construction equipment has won Caterpillar's trust for its overall performance over the years. The Undercarriage Components Division

also received a Silver certificate in 2014 for two consecutive years.

Topy Industries will continue to improve performance to win customer's trust.

\*SQEP:Supplier Quality Excellence Process



Awarding Ceremony at Ayase Factory

### JK Activity (Jishu Kanri Katsudo)

JK activity refers to group activities peculiar to the Japanese steel industry that started when the Japan Iron and Steel Federation established an Autonomous Control Activity Committee in 1969. This activity is "activity based on the autonomy of employees," and there-

fore, is called JK activity taking the initial letter of J=Jishu and K=Kanri. At Topy Industries, various autonomous improvement activities are performed in small groups every day, a issues such as costs, productivity, safety, and environmental preservation.

### Small Group Activity Presentation Convention (JK activity) 26th Topy Industries Group Small Group Activity Presentation Convention

The presentation took place on December 6th, 2014 with a total of 409 participants. 12 groups made presentation; five from Topy Industries and seven from the Group companies. The best award went to the Rainbow Circle of Toyokawa Factory and the Express Delivery team from Fujian Topy Autoparts Co., Ltd. received the impressive award. In addition to the presentation awards, awards for outstanding essays (three recommended awards and four honorable awards) were presented. The presentation themes covered various areas such as quality, productivity, energy saving, cost reduction. Each group made solid analysis of their theme based on collected data. The Topy Industries Group believes it is important to determine the problem, solve it and continue better activities to make visible contributions to actual jobs at each workplace.



The Convention



Presentation by Toyokawa Factory Rainbow Circle



Presentation by Topy America Wheel Watcher Team



Presentation by Fujian Topy Autoparts Express Team

### The 26th Convention Award Activities

Award	Business Unit	Group Name	Theme
First prize	Toyokawa Factory	Rainbow Circle	Productivity improvement of 3E line
Excellent Prize	Fujian Topy Autoparts	Express Team	Reduction in repair ratio of disc line
	Ayase Factory	Juggling Circle	Reduction in repair ratio of top coat at painting line AP-7
	Topy Fasteners	Silk Princess	Overall efficiency improvement on B22765G equipment
	Kyushu Wheel	Casting Joint Circle	Improvement of MG casting failure ratio
Superior Award	Toyohashi Factory	TOSBO-1	Reduction of electricity in non-operating time
	Kanagawa Factory	Circle A	Energy saving approach of heat treatment line RQ・PQ
	Hokuetsu Metal	"Zubatto"	Reduction of die setting time and discard number
	Akemi Electric Power	J & B	Reduction of industrial water usage on bottom ash treatment facility
	Topy America	Wheel Watchers Team	Process improvement by review of paint (acid) treatment method
Impressive Award	Toyohashi Factory	Straightening Project Circle	Operation efficiency improvement by reviewing straightening pitch
	Topy Marine	TZ Circle	Vanning of export track shoes by use of F building
	Fujian Topy Autoparts	Express Team	Reduction in repair ratio of disc line

# Corporate Data

## Annual Report Fact Book

### Contents

#### Additional Data

Financial Highlights	56
Analysis of Operation Results and Financial Situation	57
Business by Segment	
• Steel Business	58
• Automotive and Industrial Machinery Components Business	59
• Other Business	60
Major Subsidiaries & Affiliates	61
Directors, Auditors & Operating Officers	62
Consolidated Financial Statements	
• Consolidated Balance Sheet (Assets)	63
• Consolidated Balance Sheet (Liabilities/Net Assets)	64
• Consolidated Statement of Income and Comprehensive Income	65
• Consolidated Statement of Changes in Net Assets	67
• Consolidated Statement of Cash Flows	69
• Notes to Consolidated Financial Statements	71
Segment Information	73
Consolidated Financial Statement for the Past 10 Years	73

## Financial Highlights

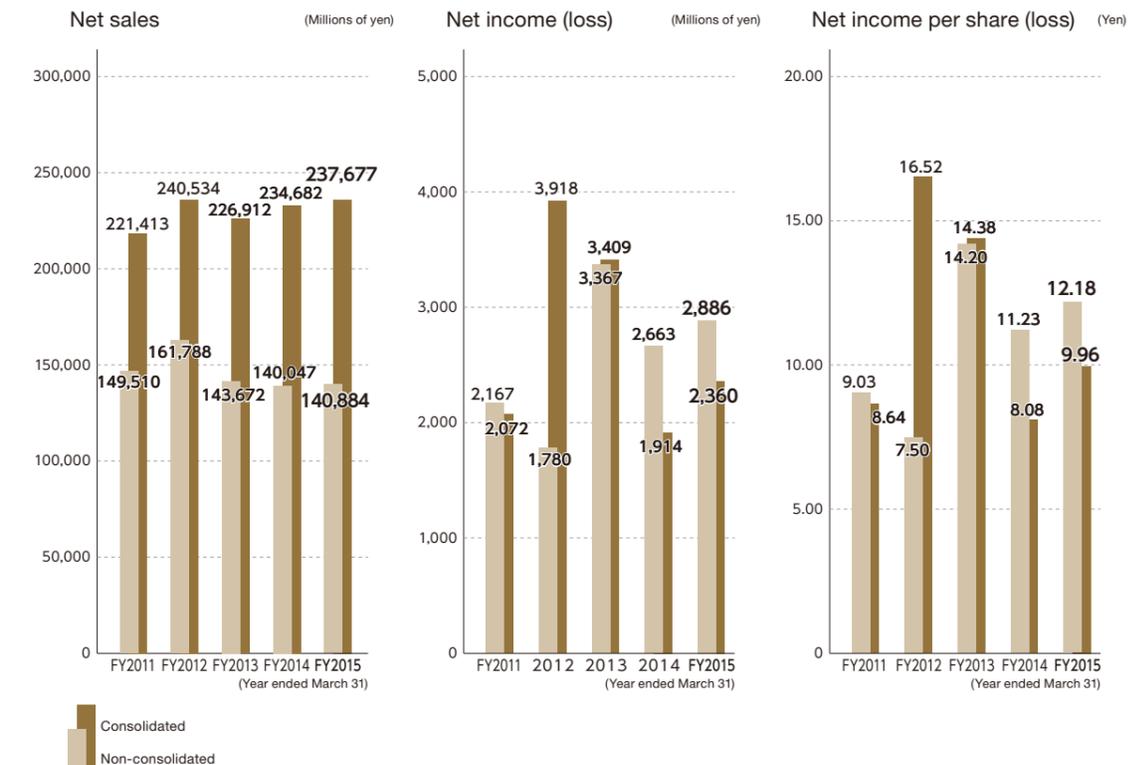
Consolidated	Millions of yen		Thousands of U.S. dollars (Note)
	2015	2014	
Net sales	¥ 237,677	¥ 234,682	\$ 1,976,195
Net income	2,360	1,914	19,622
Total assets	252,456	232,714	2,099,077
Net income per share (in yen and U.S. dollars)	9.96	8.08	0.083

Non-Consolidated	Millions of yen		Thousands of U.S. dollars (Note)
	2015	2014	
Net sales	140,884	140,047	1,171,398
Net income	2,886	2,663	23,996
Total assets	187,337	176,395	1,557,637
Net income per share	12.18	11.23	0.101
Cash dividend applicable to the period (in yen and U.S. dollars)	4.00	2.00	0.033

Note: Dollar amounts are converted at the rate of ¥120.27 to U.S. 1 dollar (Year ended March 31, 2015)

### Five-year Trends in Sales and Profits



## Consolidated Business Results for Fiscal 2015 (Summary)

### Analysis of Operation Results and Financial Situation

#### Business Overview

The global economy during this consolidated fiscal year showed gradual recovery as the United States economy recovered and the European economy showed continued sign of picking back up; however, the growth slowed down in China and was at a standstill in other developing countries. The economy in Japan showed signs of gradual recovery supported by governmental economic policies, despite weak personal spending due to effects from the tax increase.

Under such conditions, the Topy Industries Group has implemented the medium-term consolidated management plan, "Growth & Change 2015" with its basic principle being global "Growth" and "Change" to achieve a highly profitable structure. As part of such plan, the manufacture of truck wheels at Topy Palingda Manufacturing Indonesia (Java Barat, Indonesia), started, as well as operation of the new steel-making plant at Toyohashi Factory (Toyohashi City, Aichi Prefecture) have started. Furthermore, we will continue working on determining optimum sales price of steel material, as well as the establishment of a production system that respond to demand, and improvement of productivity and cost in relation to energy-conservation etc.

As a result, net sales for this consolidated fiscal year for the Topy Industries Group ended at ¥237,677 million (year-to-year comparison, 1.3% increase), operating income ended at ¥6,422 million (year-to-year comparison, 21% increase), ordinary income ended at ¥6,037 million (year-to-year comparison, 34.6% increase). Net income ended at ¥2,360 million (year-to-year comparison, 23.2% increase) due to impairment loss of fixed assets etc. of consolidated subsidiary companies.

#### Dividend

The company considers it important to maintain stable and continuous payout by taking an overall consideration on the profit return to shareholders, business development and strengthening of corporate structure.

The basic policy regarding profit allocation at the company is to return profit to our shareholders appropriately according to consolidated business results, and to retain earnings for future business development and for strengthening our corporate structure. Retained earnings will be appropriated to new business investments and new technology/product developments for long-term and stable business development in order to strengthen our corporate structure and global competitiveness. A profit return index based on consolidated business earnings is targeted at consolidated payout ratio of 25%. However, decisions are made with careful consideration for stable and continuous dividend.

As for the number of payout of dividend for retained earnings, the company's basic policy is; 2 times a year, one interim dividend and one year-end dividend. The res-

olution organization for the dividend is as stipulated in the company's article of incorporation, "Company can make dividend payout for the retained earnings by the resolution of the Board of Directors Meeting in accordance with Companies Act No. 459".

In view of the circumstances for stable and continuous payout, the dividend for this consolidated fiscal term has been resolved at ¥4 per share (including interim dividend ¥1 per share)

#### Outlook for the future and issues to be resolved

With regards to the outlook of the economic environment from here on, there is hope for gradual recovery as a result of governmental economic policies. However, there are unclear elements that remain such as the economic trend in China and other emerging countries, and the movement of U.S. momentary policies etc. which leaves us to believe the business environment surrounding the Topy Industries Group will continue to be unpredictable.

Under such management conditions, and in promoting the new medium-term consolidated management plan, "Growth & Change 2015", the Topy Industries Group will strive to further improve its corporate value by active business development into overseas markets where growth can be expected, and by solidifying the domestic manufacturing base to establish a business structure strong enough to withstand drastically changing environments. The Topy Industries Group will continue to pursue consecutive profit and seek further progression by exerting its competitive advantage of "integrated manufacture from raw material to products" as defined by the corporate message "One-piece Cycle".

As for the outlook of next year's consolidated performance, we anticipate net sales of ¥246,000 million, operating income of ¥9,700 million, ordinary income of ¥8,800 million, and income attributable to parent company shareholders of ¥5,400 million by ensuring to produce the effects of the new steel-making plant by formulating appropriate sales price structures and by implementing further cost reductions.

Topy Industries, Ltd.  
President and CEO

*Y. Fujii*

### Businesses by segment

#### Steel Business

#### Business Results

In the Japanese steel industry, production of crude steel fell below that of the previous year due to decline in demand. In the electric furnace industry, demand for domestic construction was steady during the first half of the year, but unfortunately weakened during the latter half of the year. Furthermore, difficult conditions continued overall due to increase in electricity and other costs despite decline of our main material cost, steel scrap price, from the middle of the year.

Under such circumstances, the Topy Industries Group has endeavored in the formulation of appropriate sales price structures and intensive cost reduction. This resulted in net sales of ¥72,247 million (year-to-year comparison, 1.0% decrease).

#### Issues to be addressed

We will aim to become the leading company in the industry by taking advantage of our distinctive special section steel and by being cost competitive at the highest domestic level.

We will drastically lower electric power consumption rate, improve productivity and quality, reduce environmental effects, enable self-support of billets and blooms, and strengthen our cost competitiveness by ensuring the operation of the new steel-making facilities. Furthermore, all companies of the Topy Industries Group will join in

promotion of efficiency to obtain improvement in revenue by reducing the cost of our integrated production from raw materials to product delivery.

#### 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.

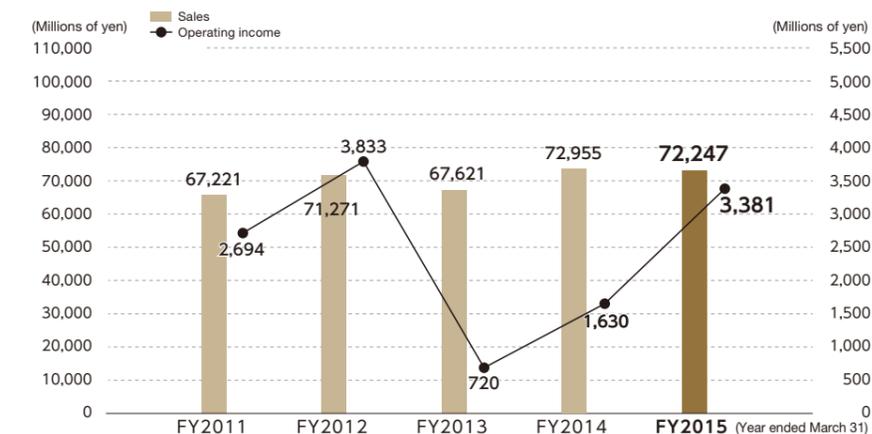
Ongoing achievements include orders received for new shapes, reduction in power intensity rate on conventional products, development of technology on industrial wastes and recycling of resources.

We spent ¥10 million on these R&D activities.

#### Companies included in this business segment

<b>Manufacturing:</b>	Topy Industries, Ltd. Akemi Recycling Center, Ltd.
<b>Sales and services:</b>	Topy Industries, Ltd. Topy Enterprises, Ltd. Topy Marine Transport, Ltd. Tojitu Co., Ltd. NE-Tojitsu Co., Ltd.

#### Net sales, operating income



# Corporate Data

## Business by Segment

### Automotive and Industrial Machinery Components Business

#### Business Results

In the automobile industry, volume of domestic production decreased below that of last year due to the downfall in demand after the tax raise. On the other hand, automobile production was strong in North America. The demand for construction machinery industry remained low as the Chinese and South East Asian markets and demand for mining machinery stagnated.

Under such conditions, the sales of wheels for passenger cars and trucks for the Topy Industries Group were steady. This resulted in net sales of ¥151,025 million (year-to-year comparison, 2.4% increase). Despite continued improvement actions that were taken, operating income remained at ¥6,919 million (year-to-year comparison 6.0% decrease) due to decrease in sales volume of construction machinery components in the Chinese and East Asian markets, and due to effects from severe competition.

#### Issues to be addressed

Strengthen our presence as a “world top-class general wheel manufacturer” and work toward establishing our status as a “general undercarriage components manufacturer of construction machinery”. In addition, we well endeavor further cost reduction to enable a profitable structure even under difficult business conditions. Also, we will continue to work in the formulation of a global optimum production structure by expansion of our overseas manufacturing sites and by strengthening operation with our global business partners.

#### Research and development activities

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

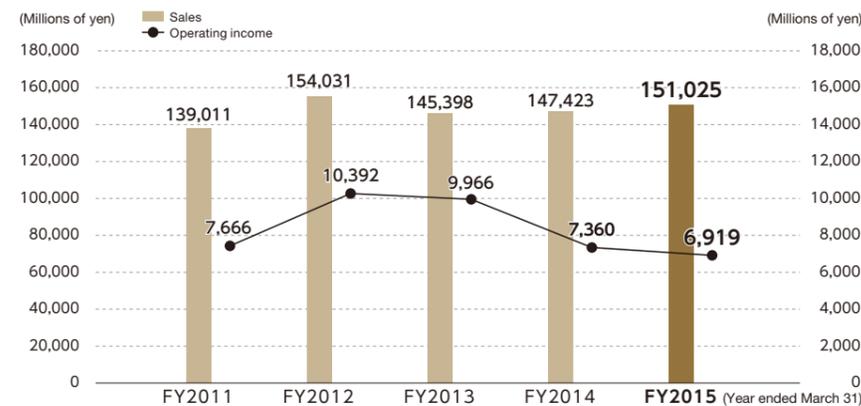
Ongoing achievement related to steel and aluminum wheels for passenger cars includes, improvement in the accuracy of analysis and evaluation technology, development and commercial production of new products, cost reduction, and quality improvement of conventional products.

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

We spent ¥617 million on these R&D activities.

Companies included in this segment	
<b>Manufacturing:</b>	Topy Industries, Ltd. Topy Fasteners, Ltd. Kyushu Wheel Kogyo, Ltd. Sanwa Buhin Co., Ltd. Topy America, Inc. Topy Precision Mfg., Inc. Topy Fasteners (Thailand) Ltd. Qingdao Topy Machinery Co., Ltd. Fujian Topy Autoparts Co., Ltd. Topy Undercarriage (China) Co., Ltd. Topy Fasteners Vietnam Co., Ltd. Tianjin Topy Machinery Co., Ltd. PT. Topy Palingda Manufacturing Indonesia PT. Topy Undercarriage Indonesia Topy MW Manufacturing Mexico S.A. DE C.V.
<b>Sales and Services:</b>	Topy Enterprises, Ltd. Autopia Ltd.

#### Net sales, operating income



### Other Business

#### Business by Segment

Topy Industries Group also engages in wholesale electricity, indoor and outdoor sign systems, manufacture of synthetic mica used in cosmetics etc., manufacture and sale of LED displays and crawler robots, civil engineering and construction, real estate such as “Topy-Rec Plaza” (Minami Suna, koto-ku, Tokyo), and operation of sport club “OSSO”.

Net sales resulted at ¥14,418 million and operating income was ¥418 million.

#### Issue to be addressed

We work forward expanding our business by product development that satisfy the needs of customers in the course of developing our business extending over vast area from energy, service and other domains.

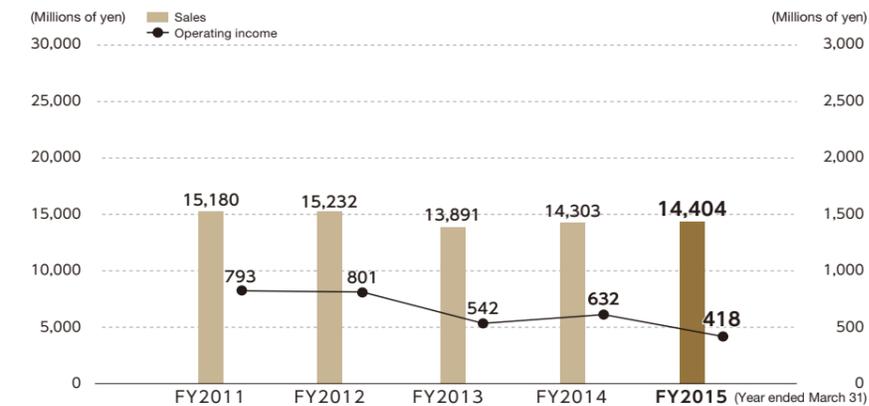
#### Research and development activities

We work on positive promotion of university-industry cooperation in new areas. The Science Division is involved in the development new products using high gloss synthetic mica as well as crawler robots. The Technical Center is involved in the development of basic element technology related to the business of each operating division.

We spent ¥575 million on these R&D activities.

Companies included in this segment	
<b>Manufacturing:</b>	Topy Industries, Ltd. Topy Enterprises, Ltd. Akemi Electric Power, Ltd.
<b>Sales and services:</b>	Topy Industries, Ltd. Topy-Rec, Ltd.

#### Net sales, operating income



## Corporate Data

## Major Subsidiaries &amp; 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.	480	Automotive and Industrial Machinery Components	70
Tojitu 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	Others	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)
Qingdao Topy Machinery Co., Ltd.	Qingdao, China	60 million yuan	Automotive and Industrial Machinery Components	95 (10)
Fujian Topy Autoparts Co., Ltd.	Fujian, China	194 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 Undercarriage (China) Co., Ltd.	Qingdao, China	491 million yuan	Automotive and Industrial Machinery Components	100
Topy Fasteners Vietnam Co., Ltd.	Jung Yen, Vietnam	6.24 million U.S. dollars	Automotive and Industrial Machinery Components	100 (80)
Tianjin Topy Machinery Co., Ltd.	Tianjin, China	103 million yuan	Automotive and Industrial Machinery Components	100
PT. Topy Palingda Manufacturing Indonesia	Jawa Barat, Indonesia	330 billion rupiah	Automotive and Industrial Machinery Components	70
PT. Topy Undercarriage Indonesia	West Java, Indonesia	300 thousand U.S. dollars	Automotive and Industrial Machinery Components	100 (30)
Topy Manufacturing Mexico S.A. DE C.V.	State of Guanajuato, Mexico	173 million pesos	Automotive and Industrial Machinery Components	75
(Unconsolidated subsidiary accounted for under the equity method) Hokuetsu Metal Co., Ltd.	Nagaoka-shi, Niigata Pref.	1,969	Steel	36.0 (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) 20.5 (0.1)

As of March 31, 2015

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. and PT. Topy Palingda Manufacturing Indonesia 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        | ¥117,231 million |
| (2) Operating income | ¥1,161 million   |
| (3) Net profit       | ¥708 million     |
| (4) Net assets       | ¥7,082 million   |
| (5) Gross assets     | ¥36,283 million  |
6. The values in parentheses under the "holding voting right or owned by" column represent indirect holding percentages.

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

Position	Name	Titles or responsibilities
President and CEO	Yasuo Fujii	Representative Director
Director, Executive Vice President	Akira Higashi	In charge of Corporate Planning, Personnel Dept. & Finance Dept.
Senior Managing Director	Yasuo Ishii	In charge of Technical Administration Dept., Business Process Innovation Dept. & Safety
Managing Director	Tadashi Kojima	In charge of Personnel Dept.
Director	Yasuo Yuuki	Outside Director
Statutory Auditor	Takeshi Mitsuma	Outside Auditor
Statutory Auditor	Tamio Kurosaki	Outside Auditor
Statutory Auditor	Masaru Yamamoto	
Statutory Auditor	Yukihiro Ogawa	
Managing Operating Officer	Norio Saito	General Manager of the Corporate Planning Dept.
Managing Operating Officer	Toshiyuki Tani	General Manager of the Science Div.
Managing Operating Officer	Akira Tanahashi	General Manager of the Steel Div., in charge of Steel Business
Managing Operating Officer	Satoshi Kumazawa	In charge of Personnel Dept."Shain-bu"
Managing Operating Officer	Hiroyuki Kinoshita	General Manager of the Undercarriage Components Div., in charge of Automotive and Industrial Machinery Components Business
Managing Operating Officer	Shinichi Kijima	General Manager of the Wheel Div., in charge of Automotive and Industrial Machinery Components Business
Operating Officer	Ichiro Takeuchi	Deputy General Manager of the Wheel Div.
Operating Officer	Tsuneo Watanabe	President of the Topy MW Manufacturing Mexico S.A. DE C.V.
Operating Officer	Kazuhisa Nakayama	Deputy General Manager of the Wheel Div.
Operating Officer	Katsuyoshi Daido	General Manager of Finance Dept.
Operating Officer	Masayuki Yamaguchi	General Manager of General Affairs Dept. & Secretary Office
Operating Officer	Kouichi Sakamoto	CEO of the Topy Undercarriage(China) Co., Ltd. & Qingdao Topy Machinery Co., Ltd.
Operating Officer	Masayoshi Takezawa	General Manager of Business Process Innovation & Promotion Dept.

As of June 26, 2015

## Corporate Data

## Consolidated Financial Statements

## ◆ Consolidated Balance Sheet (Assets)

	Millions of yen		Thousands of U.S. dollars (Note)
	2015	2014	
<b>Assets</b>			
Current assets			
Cash and deposits	¥ 22,048	¥ 17,638	\$ 183,321
Notes and accounts receivable-trade	43,988	46,073	365,744
Merchandise and finished goods	13,324	12,790	110,784
Work in process	4,418	4,835	36,734
Raw materials and supplies	9,910	8,943	82,398
Deferred tax assets	2,079	1,657	17,286
Other	5,737	6,447	47,701
Allowance for doubtful accounts	(34)	(36)	(283)
Total current assets	101,471	98,349	843,693
Non-current assets			
Property, plant and equipment			
Buildings and structures	85,547	76,107	711,291
Accumulated depreciation	(52,932)	(50,592)	(440,110)
Buildings and structures, net	32,615	25,514	271,182
Machinery, equipment and vehicles	191,503	163,403	1,592,276
Accumulated depreciation	(139,852)	(134,910)	(1,162,817)
Machinery, equipment and vehicles, net	51,651	28,493	429,459
Land	18,479	18,387	153,646
Leased assets	4,314	3,610	35,869
Accumulated depreciation	(1,199)	(817)	(9,969)
Leased assets, net	3,114	2,792	25,892
Construction in progress	4,450	24,284	37,000
Other	33,385	31,668	277,584
Accumulated depreciation	(31,290)	(29,538)	(260,165)
Other, net	2,095	2,129	17,419
Total property, plant and equipment	112,406	101,602	934,614
Intangible assets			
Other	1,417	1,270	11,782
Total intangible assets	1,417	1,270	11,782
Investments and other assets			
Investment securities	33,359	26,426	277,368
Long-term loans receivable	607	597	5,047
Deferred tax assets	1,302	2,643	10,826
Claims provable in bankruptcy, claims provable in rehabilitation and other	0	1	0
Other	1,937	1,903	16,105
Allowance for doubtful accounts	(46)	(79)	(382)
Total investments and other assets	37,161	31,492	308,980
Total non-current assets	150,985	134,365	1,255,384
<b>Total assets</b>	<b>252,456</b>	<b>232,714</b>	<b>2,099,077</b>

## ◆ Consolidated Balance Sheet (Liabilities / Net Assets)

	Millions of yen		Thousands of U.S. dollars (Note)
	2015	2014	
<b>Liabilities</b>			
Current liabilities			
Notes and accounts payable - trade	¥ 26,707	¥ 26,279	\$ 222,059
Electronically recorded obligations - operating	8,263	7,552	68,704
Short-term loans payable	21,954	22,607	182,539
Current portion of bonds	5,300	5,000	44,068
Lease obligations	403	389	3,351
Income taxes payable	1,750	1,103	14,551
Other	10,861	19,259	90,305
Total current liabilities	75,241	82,192	625,601
Non-current liabilities			
Bonds payable	23,600	18,900	196,225
Long-term loans payable	26,662	15,946	221,685
Lease obligations	2,729	2,403	22,691
Deferred tax liabilities	1,544	52	12,838
Provision for corporate officers' retirement benefits	140	98	1,164
Reserve for repairs	518	478	4,307
Net defined benefit liability	9,574	11,441	79,604
Asset retirement obligations	257	271	2,137
Liabilities from application of equity method	838	774	6,968
Other	3,409	3,937	28,345
Total non-current liabilities	69,274	54,303	575,987
<b>Total liabilities</b>	<b>144,515</b>	<b>136,495</b>	<b>1,201,588</b>
Net assets			
Shareholders' equity			
Capital stock	20,983	20,983	174,466
Capital surplus	18,824	18,824	156,515
Retained earnings	53,399	51,695	443,993
Treasury shares	(925)	(919)	(7,691)
Total shareholders' equity	92,281	90,584	767,282
Accumulated other comprehensive income			
Valuation difference on available-for-sale securities	10,399	5,447	86,464
Deferred gains or losses on hedges	(8)	(4)	(67)
Foreign currency translation adjustments	3,796	534	31,562
Remeasurements of defined benefit plans	(281)	(2,196)	(2,336)
Total accumulated other comprehensive income	13,906	3,779	115,623
Minority interests	1,753	1,855	14,576
<b>Total net assets</b>	<b>107,941</b>	<b>96,219</b>	<b>897,489</b>
<b>Total liabilities and net assets</b>	<b>252,456</b>	<b>232,714</b>	<b>2,099,077</b>

## Corporate Data

## Consolidated Financial Statements

## Consolidated Statement of Income and Comprehensive Income

	Millions of yen		Thousands of U.S. dollars (Note)
	2015	2014	
Net sales	¥ 237,677	¥ 234,682	\$ 1,976,195
Cost of sales	202,762	200,416	1,685,890
Gross profit	34,915	34,265	290,305
Selling, general and administrative expenses	28,492	28,957	236,900
Operating income	6,422	5,308	53,397
Non-operating income			
Interest income	69	45	574
Dividend income	575	489	4,781
Share of profit of entities accounted for using equity method	12	—	100
Insurance income	570	69	4,739
Other	415	506	3,451
Total non-operating income	1,643	1,111	13,661
Non-operating expenses			
Interest expenses	1,124	996	9,346
Foreign exchange losses	332	—	2,761
Share of loss of entities accounted for using equity method	—	230	—
Other	570	706	4,739
Total non-operating expenses	2,028	1,933	16,862
Ordinary income	6,037	4,485	50,195
Extraordinary income			
Gain on sales of non-current assets	16	21	133
Gain on sales of investment securities	80	436	665
Other	—	4	—
Total extraordinary income	96	461	798
Extraordinary losses			
Loss on sales of non-current assets	40	9	333
Loss on retirement of non-current assets	243	398	2,021
Loss on sales of investment securities	—	262	—
Loss on valuation of investment securities	37	—	308
Impairment loss	1,334	—	11,092
Other	1	27	8
Total extraordinary losses	1,657	697	13,777
Income before income taxes and minority interests	4,476	4,249	37,216
Income taxes-current	2,862	2,311	23,797
Income taxes-deferred	(500)	(55)	(4,157)
Total income taxes	2,361	2,256	19,631
Income before minority interests	2,115	1,992	17,585
Minority interests in income (loss)	(244)	77	(2,029)
Net income	2,360	1,914	19,623
Income before minority interests	2,115	1,992	17,585
Other comprehensive income			
Valuation difference on available-for-sale securities	4,894	1,728	40,692
Deferred gains or losses on hedges	(6)	(2)	(50)
Foreign currency translation adjustment	3,441	3,834	28,611
Remeasurements of defined benefit plans	1,907	—	15,856
Share of other comprehensive income of associates accounted for using equity method	65	13	540
Total other comprehensive income	10,301	5,573	85,649
Comprehensive income	12,416	7,566	103,234
Comprehensive income attributable to			
Comprehensive income attributable to owners of the parent	12,486	7,565	103,816
Comprehensive income attributable to minority interests	(70)	1	(582)

## Corporate Data

## Consolidated Financial Statements

## Consolidated Statement of Changes in Net Assets

	Millions of yen		Thousands of U.S. dollars (Note)
	2015	2014	
Shareholders' equity			
Capital stock			
Balance at the beginning of current period	¥ 20,983	¥ 20,983	\$ 174,466
Changes of items during the period			
Total changes of items during the period	—	—	
Balance at the end of current period	20,983	20,983	174,466
Capital surplus			
Balance at the beginning of current period	18,824	18,824	156,515
Changes of items during the period			
Disposal of treasury stock			
Total changes of items during the period		—	
Balance at the end of current period	18,824	18,824	156,515
Retained earnings			
Balance at the beginning of current period	51,695	50,255	429,825
Cumulative efforts of changes in accounting policies	53		441
Restated balance	51,749		430,274
Changes of items during the period			
Dividends from surplus	(710)	(474)	(5,903)
Net income	2,360	1,914	19,623
Total changes of items during the period	1,649	1,440	13,711
Balance at the end of current period	53,399	51,695	443,993
Treasury stock			
Balance at the beginning of current period	(919)	(866)	(7,641)
Changes of items during the period			
Purchase of treasury stock	(5)	(52)	(42)
Disposal of treasury stock			
Total changes of items during the period	(5)	(52)	(42)
Balance at the end of current period	(925)	(919)	(7,691)
Total shareholders' equity			
Balance at the beginning of current period	90,584	89,196	753,172
Cumulative efforts of changes in accounting policies	53		441
Restated balance	90,637		753,613
Changes of items during the period			
Dividends from surplus	(710)	(474)	(5,903)
Net income	2,360	1,914	19,623
Purchase of treasury stock	(5)	(52)	(42)
Disposal of treasury stock			
Total changes of items during the period	1,643	1,387	13,661
Balance at the end of current period	92,281	90,584	767,282

	Millions of yen		Thousands of U.S. dollars (Note)
	2015	2014	
Accumulated other comprehensive income			
Valuation difference on available-for-sale securities			
Balance at the beginning of current period	¥ 5,447	¥ 3,706	\$ 45,290
Changes of items during the period			
Net changes of items other than shareholders' equity	4,951	1,741	41,166
Total changes of items during the period	4,951	1,741	41,166
Balance at the end of current period	10,399	5,447	86,464
Deferred gains or losses on hedges			
Balance at the beginning of current period	(4)	(1)	(33)
Changes of items during the period			
Net changes of items other than shareholders' equity	(3)	(2)	(25)
Total changes of items during the period	(3)	(2)	(25)
Balance at the end of current period	(8)	(4)	(67)
Foreign currency translation adjustment			
Balance at the beginning of current period	534	(3,377)	4,440
Changes of items during the period			
Net changes of items other than shareholders' equity	3,262	3,911	27,122
Total changes of items during the period	3,262	3,911	27,122
Balance at the end of current period	3,796	534	31,562
Remeasurements of defined benefit plants			
Balance at the beginning of current period	(2,196)	—	(18,259)
Net changes of items other than shareholders' equity	1,915	(2,196)	15,923
Total changes of items during the period	1,915	(2,196)	15,923
Balance at the end of current period	(281)	(2,196)	(2,336)
Total accumulated other comprehensive income			
Balance at the beginning of current period	3,779	326	31,421
Changes of items during the period			
Net changes of items other than shareholders' equity	10,126	3,453	84,194
Total changes of items during the period	10,126	3,453	84,194
Balance at the end of current period	13,906	3,779	115,623
Minority interests			
Balance at the beginning of current period	1,855	1,735	15,424
Changes of items during the period			
Net changes of items other than shareholders' equity	(101)	119	(840)
Total changes of items during the period	(101)	119	(840)
Balance at the end of current period	1,753	1,855	14,576
Total net assets			
Balance at the beginning of current period	96,219	91,258	800,025
Cumulative efforts of changes in accounting policies	53		441
Restated balance	96,272		800,466
Changes of items during the period			
Dividends from surplus	(710)	(474)	(5,903)
Net income	2,360	1,914	19,623
Purchase of treasury stock	(5)	(52)	(42)
Disposal of treasury stock	10,024	—	83,346
Net changes of items other than shareholders' equity	—	3,572	—
Total changes of items during the period	11,668	4,960	97,015
Balance at the end of current period	107,941	96,219	897,489

## Corporate Data

## Consolidated Financial Statements

## Consolidated Statement of Cash Flows

	Millions of yen		Thousands of U.S. dollars (Note)
	2015	2014	
Net cash provided by (used in) operating activities			
Income before income taxes and minority interests	¥ 4,476	¥ 4,249	\$ 37,216
Depreciation	10,315	10,086	85,765
Impairment loss	1,334	—	11,092
Increase (decrease) in allowance for doubtful accounts	(36)	20	(299)
Increase (decrease) in provision for directors' retirement benefits	—	(448)	—
Increase (decrease) in provision for corporate officers' retirement benefits	41	11	341
Increase (decrease) in provision for scheduled repairs	39	(209)	324
Increase (decrease) in net defined benefit liability	1,170	945	9,728
Interest and dividends income	(644)	(535)	(5,355)
Interest expenses	1,124	996	9,346
Insurance income	(570)	(69)	(4,739)
Share of (profit) loss of entities accounted for using equity method	(12)	230	(100)
Loss on valuation of inventories	36	(9)	299
Loss (gain) on sales of short-term and long-term investment securities	(80)	(173)	(665)
Loss (gain) on valuation of short-term and long-term investment securities	37	—	308
Gain (loss) on sales and disposal of property, plant and equipment, net	268	386	2,228
Loss on valuation of golf club memberships	0	5	0
Decrease (increase) in notes and accounts receivable-trade	2,949	(2,945)	24,520
Decrease (increase) in inventories	(314)	(1,241)	(2,611)
Increase (decrease) in notes and accounts payable-trade	22	(1,218)	183
Increase/decrease in other assets/liabilities	1,576	(824)	13,104
Subtotal	21,735	9,257	180,718
Interest and dividends income received	665	552	5,529
Interest expenses paid	(1,145)	(910)	(9,520)
Proceeds from Insurance income	570	69	4,739
Income taxes paid	(2,398)	(2,099)	(19,939)
Income tax refund	11	382	92
Net cash provided by (used in) operating activities	19,440	7,251	161,636
Net cash provided (used in) investing activities			
Net decrease (increase) in time deposits	(145)	(17)	(1,206)
Purchase of property, plant and equipment	(28,870)	(19,093)	(240,043)
Proceeds from sales of property, plant and equipment	103	86	856
Purchase of investment securities	(338)	(24)	(2,810)
Proceeds from sales of investment securities	106	1,617	881
Proceeds from sales of shares of subsidiaries and associates	228	—	1,896
Payments of loans receivable	(30)	(17)	(249)
Collection of loans receivable	20	12	166
Purchase of intangible assets	(138)	(56)	(1,147)
Proceeds from sales of intangible assets	—	15	—
Other, net	(76)	(0)	(632)
Net cash provided by (used in) investing activities	(29,141)	(17,478)	(242,297)

	Millions of yen		Thousands of U.S. dollars (Note)
	2015	2014	
Net cash provided by (used in) financing activities			
Net increase (decrease) in short-term loans payable	¥ (636)	¥ (2,640)	\$ (5,288)
Proceeds from long-term loans payable	15,486	7,716	128,760
Repayment of long-term loans payable	(5,418)	(6,389)	(45,049)
Proceeds from issuance of bonds	9,928	9,927	82,548
Redemption of bonds	(5,000)	(300)	(41,573)
Increase (decrease) in deposit payable in cash	(60)	(19)	(499)
Repayments of lease obligations	(389)	(392)	(3,234)
Purchase of treasury shares	(5)	(7)	(42)
Proceeds from stock issuance to minority shareholders	107	236	890
Cash dividends paid	(713)	(475)	(5,928)
Cash dividends paid to minority shareholders	(139)	(116)	(1,156)
Net cash provided by (used in) financing activities	13,157	7,538	109,396
Effect of exchange rate change on cash and cash equivalents	791	376	6,577
Net increase (decrease) in cash and cash equivalents	4,247	(2,312)	35,312
Cash and cash equivalents at the beginning of period	17,485	19,798	145,381
Cash and cash equivalents at the end of period	21,733	17,485	180,702

## Corporate Data

## Notes to Consolidated Financial Statements

## Basic significant matters to prepare consolidated financial statement

## 1. Scope of consolidation

## (1) Consolidated subsidiary companies: 22 companies

Topy Enterprises, Ltd., Topy Marine Transport, Ltd., Topy Fasteners, Ltd., Topy-Rec, Ltd., Kyushu Wheel Kogyo, Ltd., Tojitu Co., Ltd., Autopia, Ltd., Akemi Recycle Center Ltd., Topy Precision Mfg., Inc., Sanwa Buhin Co., Ltd., Akemi Electric Power, Ltd., Topy Fasteners (Thailand), Ltd., Topy America, Inc., NE-Tojitsu Co., Ltd., Qingdao Topy Machinery Co., Ltd., Fujian Topy Autoparts Co., Ltd., Topy Undercarriage (China) Co., Ltd., Topy Fasteners Vietnam Co., Ltd., Tianjin Topy Machinery Co., Ltd., PT. Topy Palingda Manufacturing Indonesia, PT. Topy Undercarriage Indonesia and Topy MW Manufacturing Mexico S.A. DE C.V.

## (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 net income (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.

## (4) Tanagura Development Co., Ltd. has been excluded from the applicable scope by equity method due to the company sold off the Tanagura's shares.

## 3. Fiscal term of consolidated subsidiaries

The following companies settle their accounts on December 31<sup>st</sup> each year.

Topy Precision Mfg., Inc., Topy Fasteners (Thailand), Ltd., Topy America, Inc., Qingdao Topy Machinery Co., Ltd., Fujian Topy Autoparts Co., Ltd., Topy Undercarriage (China) Co., Ltd., Topy Fasteners Vietnam Co., Ltd., Tianjin Topy Machinery Co., Ltd., PT. Topy Palingda Manufacturing Indonesia, PT. Topy Undercarriage Indonesia, Topy MW Manufacturing 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) Tangible fixed assets (except for leasing 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 after April 1, 1988 (except for auxiliary facilities of building), 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 fixed assets (except for leasing 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) Leasing 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 uncollectable 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) Allowance 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) Account processing method of transition obligations and actual gain and loss

The net retirement benefit obligations at transition are amortized principally over a period of 15 years by the straight-line method based on the balance after the employees' retirement benefits trust was set up. 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).

## (Change in accounting policy)

Applicable accounting standard associated with retirement benefits

The company has adopted to apply Accounting Standard for Retirement Benefits (Corporate Accounting Standard No. 26 dated May 17, 2012), hereunder called as Retirement Benefits Accounting Standard and Accounting Standard Guideline for Retirement Benefits (Corporate Accounting Standard Application Guideline No. 25, dated March 26, 20, 2015), hereunder called as Retirement Benefits Application Guideline to our consolidated accounting term effective from the current term in ac-

cordance with the requirements expressed in Retirement Benefits Accounting Standard No. 35 main body and Retirement Benefits Application Guideline No. 67 main body. As a result, the company will review the calculation method for retirement benefits obligation and service costs and change attribution method for projected retirement benefits from the straight-line attribution method to the benefit formula method, and also change the determining method of discount percentage from the discount percentage based on the term similar to the average remaining term of employees to the method that apply single weighted average discount percentage that reflects the projected term for the retirement benefits payment and the amount for each projected term.

As for the application of the retirement benefits account standard the company will add or deduct the impacted amount resulting from the change in the calculation methods for retirement benefits obligation and service costs at the beginning of the current consolidated accounting term in accordance with the transitional processing stated in Retirement Benefits Accounting No 37.

As a result, the debt related to retirement benefits at the beginning of the current consolidated accounting term decreased by ¥84 million, retained earnings increased by ¥53 million. While, operating profit and ordinary profit before income taxes and others were decreased respectively by ¥97 million.

The effect to net asset per share and retained earnings per share for the current consolidated accounting term is negligible.

## (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 for this consolidated fiscal term are as stated below.

Hedging method: Exchange contract and currency swap

Hedging item: Foreign currency denominated credits and foreign currency forecast transaction

Hedging method: Commodity futures

Hedging item: Commodity physical transaction

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.

(Accounting Standard that has not been applied yet)

- Accounting Standard related to Corporate Mergers and Acquisitions (Corporate Accounting Standard No. 21, dated September 13, 2013)
- Accounting Standard related to Consolidated Financial Statement (Corporate Accounting Standard No. 22, dated September, 13, 2013)
- Accounting Standard related to Corporate Divestitures (Corporate Accounting Standard No. 7, dated September 13, 2013)
- Accounting Standard related to Current Net Income per Share (Corporate Accounting Standard No. 2, dated September 13, 2013)
- Application Guideline related to Corporate Mergers and Acquisitions Accounting Standard and Business Divestitures Accounting Standard (Corporate Accounting Application Guideline No. 10, dated September 13, 2013)
- Accounting Standard Application Guideline related to Current Net Profit per Share (Corporate Accounting Standard Application Guideline No. 4, dated September 13, 2013)

## 1. Outline

Enacted revisions include following:

Accounting processing of the changes in equity share of subsidiary company held by parent company, acquisition related costs, presentation of current net profit, changes from minority equity share to non-controlling equity share, provisional accounting processing.

## 2. Scheduled start of adoption

The company will adopt the said revisions from the beginning of the fiscal year ending March in 2016.

As for the provisional accounting processing, the adoption will start from the corporate mergers or acquisitions that take place after the beginning of the fiscal term ending March in 2016.

## 3. Impact by the adoption of the accounting standards in question

The company is evaluating the impact of the revised Accounting Standard related to Corporate Mergers and Acquisitions to its consolidated financial statement.

(Changes in presentation)

Consolidated Statement of Income and Comprehensive income

Insurance proceeds that has been presented as other of non-operating income until the last consolidated accounting term is presented as separate item from the current consolidated account term as it exceeded 10/100 of total non-operating income. To reflect this change we have reorganized consolidated financial statements for the preceding term.

As a result, ¥575 million, presented as other of non-operating income in the consolidated statement of income in previous consolidated account term has been reorganized and presented as insurance proceeds ¥69 million and other ¥506 million.

Consolidated Statement of Cash Flow

Up to preceding consolidated account term, insurance proceeds and amount of insurance proceeds has been included in and presented as other assets/liabilities under cash flow from operating activities, however, it was presented separately from the current consolidated accounting term due to its increased quantitative importance. To reflect this change we have reorganized consolidated financial statements for the preceding term.

As a result, (¥-824 million), presented as increase/decrease in other assets/liabilities under cash flow operating activities in the preceding consolidated account term has been reorganized and presented as insurance proceeds (¥-69 million), increase/decrease in other assets/liabilities (¥-824 million) and amount of insurance proceeds ¥69 million.

## Corporate Data

## Segment Information (2015)

(Millions of yen)

	Segment			Other Business	Total	Adjustments	Consolidated total
	Steel Products Business	Automotive and Industrial Machinery Components Business	Total				
Sales							
External sales	72,247	151,025	223,273	14,404	237,677	—	237,677
Intra-segment sales and transfer	18,253	—	18,253	—	18,253	(18,253)	—
Total	90,500	151,025	241,526	14,404	255,931	(18,253)	237,677
Segment income	3,381	6,919	10,300	418	10,719	(4,297)	6,422
Segment assets	88,298	113,992	202,291	22,354	224,645	27,811	252,456
Other items							
Depreciation and amortization	3,187	6,112	9,300	935	10,235	79	10,315
Increase in tangible and intangible assets	10,047	10,078	20,125	203	20,329	45	20,374

(Thousands of U.S. dollars)

	Segment			Other Business	Total	Adjustments	Consolidated total
	Steel Products Business	Automotive and Industrial Machinery Components Business	Total				
Sales							
External sales	600,707	1,255,716	1,856,431	119,764	1,976,195	—	1,976,195
Intra-segment sales and transfer	151,767	—	151,767	—	151,767	(151,767)	—
Total	752,474	1,255,716	2,008,198	119,764	2,127,970	(151,767)	1,976,195
Segment income	28,112	57,529	85,641	3,476	89,124	(35,728)	53,397
Segment assets	734,165	947,801	1,681,974	185,865	1,867,839	231,238	2,099,077
Other items							
Depreciation and amortization	26,499	50,819	77,326	7,774	85,100	657	85,765
Increase in tangible and intangible assets	83,537	83,795	167,332	1,688	169,028	374	169,402

Note: Dollar amounts are converted at the rate of ¥120.27 to U.S. 1 dollar  
(Year ended March 31, 2015)

## Consolidated Financial Statement for the Past 10 Years

(Millions of yen)

Fiscal year	2006	2007	2008	2009
Net sales	270,447	285,058	296,629	290,333
Operating income	17,089	13,173	12,888	6,686
Ordinary profit	16,768	13,866	11,784	6,010
Net income (loss)	7,976	7,826	6,366	2,384
Comprehensive income	—	—	—	—
Net assets	78,698	84,269	83,217	80,942
Total net assets	243,558	252,888	231,887	202,995
Net assets per share (yen)	358.82	379.03	371.40	334.16
Net income per share (loss) (yen)	36.12	35.60	28.90	10.39
Dividends per share (yen)	6.0	6.0	8.0	5.0
Equity ratio (%)	32.3	33.0	35.3	39.6
Return on equity (%)	11.3	9.4	7.7	2.9
Price/earnings ratio	14.3	13.3	9.8	13.9
Net cash provided by (used in) operating activities	14,807	13,999	9,405	21,547
Net cash provided by (used in) investing activities	(10,728)	(3,862)	(8,447)	(15,908)
Net cash provided by (used in) financing activities	(3,141)	(8,217)	(4,266)	(287)
Cash and cash equivalents at the end of current period	12,975	15,942	13,130	18,293
No. of employees [temporary employees] (persons)	4,137 [683]	4,107 [712]	4,133 [556]	4,125 [471]

(Millions of yen)

	2010	2011	2012	2013	2014	2015
Net sales	196,848	221,413	240,534	226,912	234,682	237,677
Operating income	355	7,006	10,554	6,990	5,308	6,422
Ordinary profit	626	5,241	7,304	6,234	4,485	6,037
Net income (loss)	(1,032)	2,072	3,918	3,409	1,914	2,360
Comprehensive income	—	(340)	4,459	8,222	7,566	12,416
Net assets	81,884	80,165	83,096	91,258	96,219	107,941
Total net assets	201,138	203,956	212,828	208,781	232,714	252,456
Net assets per share (yen)	337.53	335.16	347.37	377.47	398.39	448.36
Net income per share (loss) (yen)	(4.30)	8.64	16.52	14.38	8.08	9.96
Dividends per share (yen)	2.0	4.0	4.0	4.0	2.0	4.0
Equity ratio (%)	40.3	39.0	38.7	42.9	40.5	42.1
Return on equity (%)	(1.3)	2.6	4.8	4.0	2.1	2.4
Price/earnings ratio	—	25.2	15.6	15.3	22.5	28.0
Net cash provided by (used in) operating activities	12,010	6,236	16,010	16,770	7,251	19,440
Net cash provided by (used in) investing activities	(7,507)	(3,681)	(7,703)	(14,770)	(17,478)	(29,141)
Net cash provided by (used in) financing activities	(2,236)	(1,952)	(4,983)	(4,997)	7,538	13,157
Cash and cash equivalents at the end of current period	20,547	18,741	22,124	19,798	17,485	21,733
No. of employees [temporary employees] (persons)	4,242 [422]	4,151 [432]	4,135 [428]	4,374 [491]	4,515 [538]	4,596 [573]

(Year ended March 2015)



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