

TOPY Report 2014



“Creating Satisfaction in Life” – The essence of our job

The Topy Industries Group is widely involved in various scenes of our lives and social activities.

It is our mission to establish new values that lead to “Creating Satisfaction in Life” through a wide range of business activities from making steel material—the foundation of society—to producing automobile and industrial machinery components, generating and distributing electric power, and sports and leisure businesses.

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

We have a flexible world-wide manufacturing network.

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

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

Take an updated look of the Topy Industries Group as we continue to work on future challenges.



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

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Editorial Policy

Basic Policy

Topy Report 2014 has been prepared to provide all stakeholders with information on the involvements 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 fiscal year (FY) 2013 and involvements with environmental and social responsibility; the second part

consists mainly of financial information. This report has been integrated with the annual report that had been published until FY2010.

This report has been prepared with reference to Sustainability Reporting Guidelines 2006 of ISO 26000: 2010 GRI and Environment Reporting Guidelines 2012 of the Environment, Labor, Health and Welfare Ministry.

Reporting Scope

This report covers the companies listed as an affiliated company of the Topy Industries Group (consolidated basis), but a part of the activities and data represents Topy Industries alone. Activities where the scope has not been specified refer, in principle, to Topy Industries alone. When there is a necessity to specify the applicable scope, activities by Topy Industries alone are expressed by Topy Industries in the headline or within the sentences, and activities by individual Group companies are identified by the name of the Group company involved.

Reporting Period

Covers mainly FY2013 (April 1, 2013 to March 31, 2014), but includes some activities that occurred after April 1, 2014.

Date of Issue

November 2014

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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



We provide high value-added products to global markets through our strong-suit of “integrated production from raw materials to finished products.”

The Topy Industries Group is engaged in versatile business activities including steel products, automobile and construction machinery components, power generation, distribution, and recycling, and is expanding its business on a global scale.

The utmost strength of our business is derived from our integrated production system from raw materials to finished products. Steel products produced by the Steel Division are used as raw materials in the Wheel Division and the Undercarriage Components Division to create high value-added products based on our ingenious technology. The synergy effect of this is well reflected in our highly reliable products that respond precisely to the various needs of material characteristics and design. At the same time, this integrated production system offers advantages to satisfy our customers' value demands and ensures efficient delivery of products through optimum production system.

While we work to achieve further “Growth” by proactive and global expansion of our business, we are also making “Change”

such as strengthening our core technology and dynamic cost reductions by reducing environmental burdens in order to further improve corporate value through “Strong Offense and Solid Defense.”

It is our belief that further efforts to improve corporate value through our core business is indispensable for us to realize a richer, more livable and sustainable society as well as the future growth of the Topy Industries Group.

We are determined to create new values with solid technology, propel firmly our global growth strategy by taking full advantage of our inherent strengths of integrated production system to improve our corporate value through various business activities, and to contribute to the realization of a sustainable society.

We respond to the changes in global management environment with agility and flexibility by the steady implementation of our medium term management plan, “Growth & Change 2015.”

For the business environment during FY2013, domestic economy made a modest recovery due to the correction of the yen exchange rate and increase in public investments coupled with rise in consumer spending under governmental economic

stimulant policies. As for the world economy, a mild recovery was seen in the U.S. market while growth in China and other emerging countries were stagnant, and the world economy as a whole stayed weak in recovery. As such, the business environment surrounding the Topy Industries Group in the global market place grew increasingly severe.

Under such circumstances, the Topy Industries Group has been proceeding with “Growth & Change 2015 (G&C 2015),” a medium term consolidated management plan focusing on the basic policy to achieve “Growth” in the global market and to promote “Change” to realize a high earning corporate structure.

In FY2014, an advanced steelmaking mill is scheduled to commence operation. The plant is designed to establish overwhelming cost competitiveness in the domestic electric furnace industry. The electric furnace mill operation in general consumes a large volume of electric energy but our new steelmaking plant is equipped with advanced facilities of efficient energy saving technology and a furnace of greater capacity enabling us to operate the furnace with low rate electricity applicable at night and on holidays. This will not only greatly contribute to reducing the electricity cost, which is inevitably expected to rise in the future, but will also ensure the highest level of savings in electricity and energy in the industry. At the same time, we expect to be able to see an encouraging achievement of “Change” to higher corporate earning structure as well as reduction in environmental burden by effective utilization of limited energy resources.

In overseas markets, in addition to business with Japanese companies, we plan to seek business expansion opportunities with foreign-owned companies to promote solid “Growth” in the global framework. In addition to the truck wheel manufacturing plant in Indonesia, a passenger car wheel manufacturing plant in Mexico is scheduled to commence production. Both plants are business development models supported by various manufacturing technologies and know-how that have been nurtured in Japan.

With respect to the strengthening of core technology, both Topy Industries and the group companies overseas are positively involved in making their own proposals on technology and developments helping the acceleration of business growth of the Topy Industries Group as a united body.

The pictures we have drawn under “Growth” and “Change” in the medium term management plan are steadily advancing towards realization.

In order to respond to the changes in the global market with agility and flexibility, it is essential for us to utilize the overall strengths of the group companies that have expanded global manufacturing and sales bases. At the same time, we need to develop human resources with adequate abilities for global operations and further reinforce corporate structure to explore our future.



We fulfill our corporate social responsibility through our business activities

CSR initiatives are one of the top priority issues for the Topy Industries Group. The Topy Industries Group Corporate Basic Philosophy states “Win the trust and respect of society through the continuance and development of the Topy Industries Group and the execution of one's duty as a public institution.” It is our basic CSR strategy that we contribute to the realization of a sustainable society based on this philosophy and through the execution of our core business activities.

For example, the automobile industry demand products that have paid due consideration to the environment such as downsizing, improvement of fuel efficiency and other enhancements. The Wheel Division has developed wheels that

combine corrugated rims incorporating Topy's unique rolling technology and discs formed through ECOD process, and have succeeded in a 15% reduction in wheel weight compared to conventional wheels (see page 41). This is a typical development example of environment conscious products that improve fuel efficiency. Another example is our energy saving promotion activities, shortened as the “Enekatsu 2020” (Energy Saving Initiatives, launched in FY2013 and ending in FY2020) (see page 11). Under this slogan, all Topy Industries Group companies are involved in reducing its energy index for effective countermeasures against anticipated increase of future electricity costs. The activities have already generated tangible results so far. These are typical activities that respond to the needs of society.

We are committed to fulfilling our social responsibility as a business institution by enhancing the corporate value of the Topy Industries Group as well as the common interest shared with our shareholders by promoting CSR initiatives through our core business activities.



We seek co-existence and co-prosperity with society to win the trust and respect of society

In April 2009, the Topy Industries Group enacted a corporate code of conduct under the title “To win the trust and respect of society” which we are continuing for social contribution while abiding compliance and enhancing transparency of management.

The Topy Industries Group places adequate considerations to the environment as one of the most important issues of management and has tackled the major themes of “Conservation of the Global Environment,” “Harmonious Relationship with the Environment” and “Harmonious Relationship with Local Communities.” In 1999 we obtained ISO 14001 certification, the international standard for environmental management systems. Transitions to the 2004 version were completed at all production sites by the end of 2005. We are committed to developing new environmentally sound technology and products while working on reducing environmental burden through company-wide management.

As for social contribution initiatives, each factory conduct contribution activities for the local communities and we further promote communication with the local communities by providing a guided plant tour for elementary and middle school students. In addition, we are promoting positive association with overseas associates across the group which includes accepting technical trainees from overseas to foster human resources needed for our global operations.

“The Danger Simulation Hall,” or “Dojo,” is a practical training program introduced for company employees based on the belief that the safety of our employees should take precedence over all other issues. This is a part of our program that we are driving forward to nurture human resources capable of undertaking multiple jobs.

Our global supply chain structure is highly evaluated for the superior capability to respond to the needs for high quality products and cost reductions from customers. This year we have again received several awards from major construction machinery manufacturers and domestic carmakers which is proof of our continued level of high customer satisfaction. The Topy Industries Group is committed to developing its presence as the “World's Top Class Integrated Wheel Manufacturer” and also in establishing its position in the global market as the “Comprehensive Supplier of Construction Machinery Undercarriage Components.” Topy Report 2014 provides our business results as well as our environmental and social contribution initiatives for FY2013. We appreciate your continued support and understanding for the Topy Industries Group toward the future.

Corporate Profile

Corporate Profile

Company name: Topy Industries, Limited

Foundation: October 1921

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

President and CEO: Yasuo Fujii

Paid in capital: ¥20,983 million

No. of employees: 1,873 (non-consolidated)
4,515 (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: ¥234,700 million (consolidated)

Ordinary profit: ¥4,500 million (consolidated)



Outside view of Head Office



R&D center, Topy Industries, Limited

Brief History

1921	Miya Steelworks (predecessor of Toto Steel Mfg., Co., Ltd.) was founded	1985	Topy Corporation (current Topy America, Inc.) was founded
1922	Miya Steelworks succeeded in hot-rolling of steel sashes	1987	Dunlop-Topy Wheel Ltd. (a joint venture company) was founded (U.K.) Succeeded in the practical application of high quality synthetic mica for cosmetic use
1926	Tokyo Shearing Co., Ltd. (predecessor of Toto Steel Mfg., Co., Ltd.) was founded	1988	Concluded a technical assistance agreement with PT. Pakoakuina (Indonesia)
1930	Teikoku Hatsujo Seisakusho (predecessor of Japan Motor Wheel Co., Ltd.) commenced production of prototype steel wheels for automobiles	1989	A plant for undercarriage components for construction equipment commenced operation at Toyohashi Factory
1934	Tokyo Sharin Seisakusho Co., Ltd. (predecessor of Japan Motor Wheel Co., Ltd.) was founded	1990	Akemi Plant of Toyokawa Factory commenced operation
1941	Tokyo Sharin Seisakusho and Abe Tekkosho Co., Ltd. merged to create 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 established	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 established	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	2002	Qingdao Topy Shantui Machinery Co., Ltd. (current Qingdao Topy Machinery Co., Ltd.) was founded
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 create Topy Industries, Ltd.	2004	Hamura Plant of Ayase Factory commenced operation
1969	Topy International, Inc. (current Topy America, Inc.) was founded	2007	Topy America, Inc. was established by merging Topy International, Inc., Topy Corporation and Topy International U.C.A. Inc. Head Office moved to Osaki, Shinagawa-ku, Tokyo
1972	Technology Research Center (current R&D center) was opened at Toyohashi Factory	2008	Science Division was established
1977	Sales of synthetic mica started	2011	Topy Undercarriage (China) Co., Ltd. was founded
1980	Concluded a technical assistance agreement with PT. Inkoasku (Indonesia)	2012	Tianjin Topy Machinery Co., Ltd. was founded
1982	Concluded a technical assistance agreement with PT. Palingda Nasional (Indonesia) Developed heavy- and medium-duty truck wheels for tubeless tires at Ayase Factory Super-Giant Off-the-road Rim (SGOR®) vehicle wheels were developed	2013	PT. Topy Palingda Manufacturing Indonesia was founded PT. Topy Undercarriage Indonesia was founded Topy MW Manufacturing Mexico S.A. DE C.V. was founded

Office and Factory Locations



- **Head Office**
1-2-2 Osaki, Shinagawa-ku, Tokyo 141-8634
TEL: (03) 3493-0777 FAX: (03) 3493-0200

● **Toyohashi Factory**
1 Akemi-cho, Toyohashi-shi, Aichi 441-8510
TEL: (0532) 25-1111 FAX: (0532) 25-0354
- **Toyokawa Factory**
3-30 Honohara, Toyokawa-shi, Aichi 442-8506
TEL: (0533) 86-5121 FAX: (0533) 89-1309

● **Akemi Plant**
5-29 Akemi-cho, Toyohashi-shi, Aichi 441-8074
TEL: (0532) 23-3191 FAX: (0532) 23-3194

● **Kurate Plant**
765-1 Aza-Iwagouchi, Oaza-Muroki, Kurate-machi, Kurate-gun, Fukuoka 807-1307
TEL: (0949) 42-8051 FAX: (0949) 42-8048
- **Ayase Factory**
2-3-1 Ogami, Ayase-shi, Kanagawa 252-1104
TEL: (0467) 78-1111 FAX: (0467) 76-7302

● **Hamura Plant**
3-5-10 Nagaoka, Mizuho-cho, Nishitama-gun, Tokyo 190-1232
TEL: (042) 579-5871 FAX: (042) 579-5874

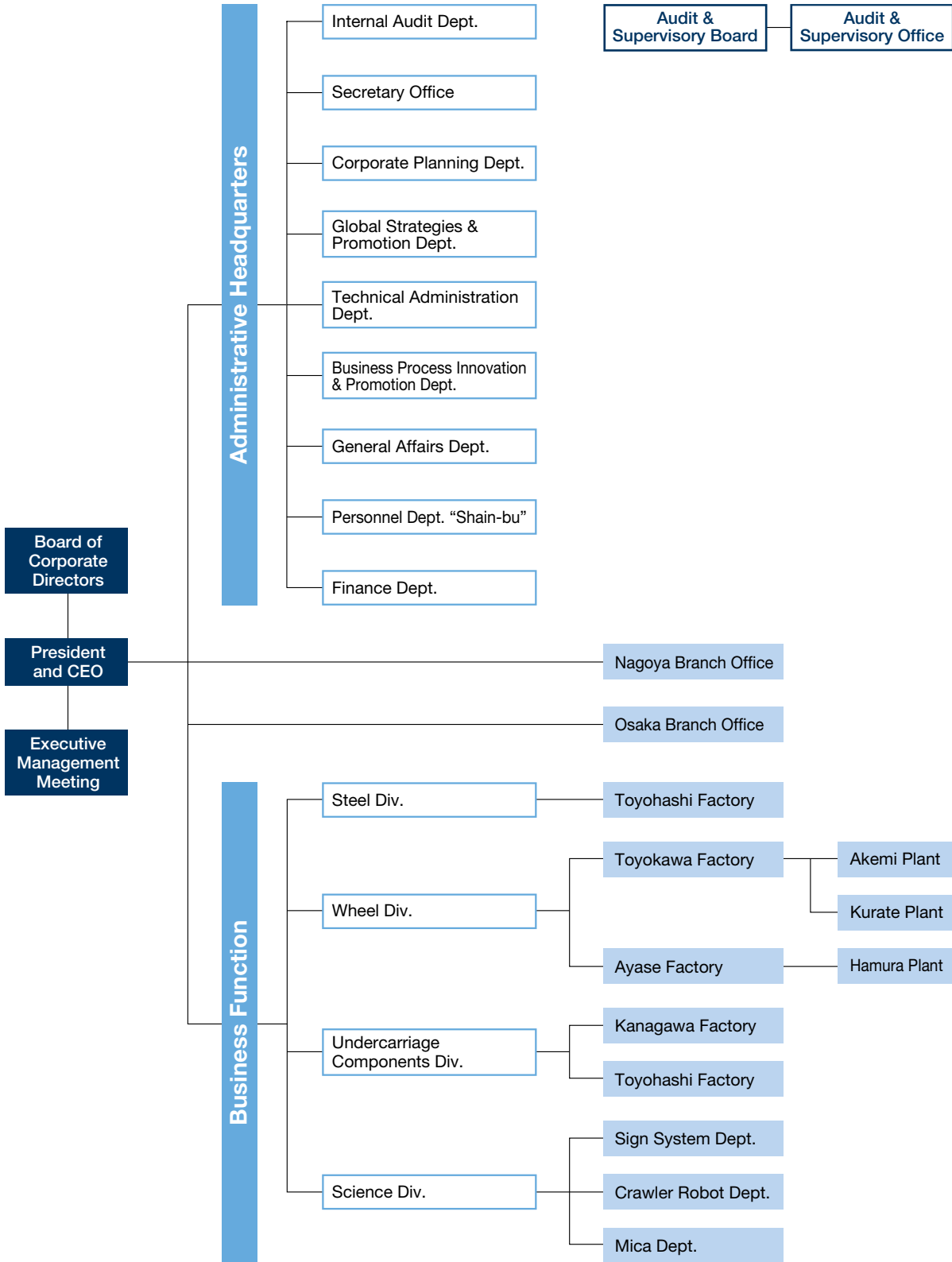
● **Kanagawa Factory**
830 Yabata, Chigasaki-shi, Kanagawa 253-8650
TEL: (0467) 82-1171 FAX: (0467) 58-3566
- **Nagoya Branch Office**
2-15-22 Nishiki, Naka-ku, Nagoya-shi, Aichi 460-0003
TEL: (052) 201-6051 FAX: (052) 231-2692

● **Osaka Branch Office**
4-4-9 Koraihashi, Chuo-ku, Osaka-shi, Osaka 541-0043
TEL: (06) 6220-1250 FAX: (06) 6220-1273

● **R&D center**
1 Akemi-cho, Toyohashi-shi, Aichi 441-8510
TEL: (0532) 25-5354 FAX: (0532) 25-2384

Corporate Profile

Organization



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



President and CEO

Yasuo Fujii



**Director and
Vice President**

Akira Higashi



**Director and
Vice President**

Takashi Arai



Managing Director

Yasuto Ishi



**Audit & Supervisory
Board Member**

Takeshi Mitsuma



**Audit & Supervisor
Board Member**

Tamio Kurosak



Audit & Supervision
Board Member

Masaru Yamamoto



**Audit & Supervisory
Board Member**

Mamoru Oto

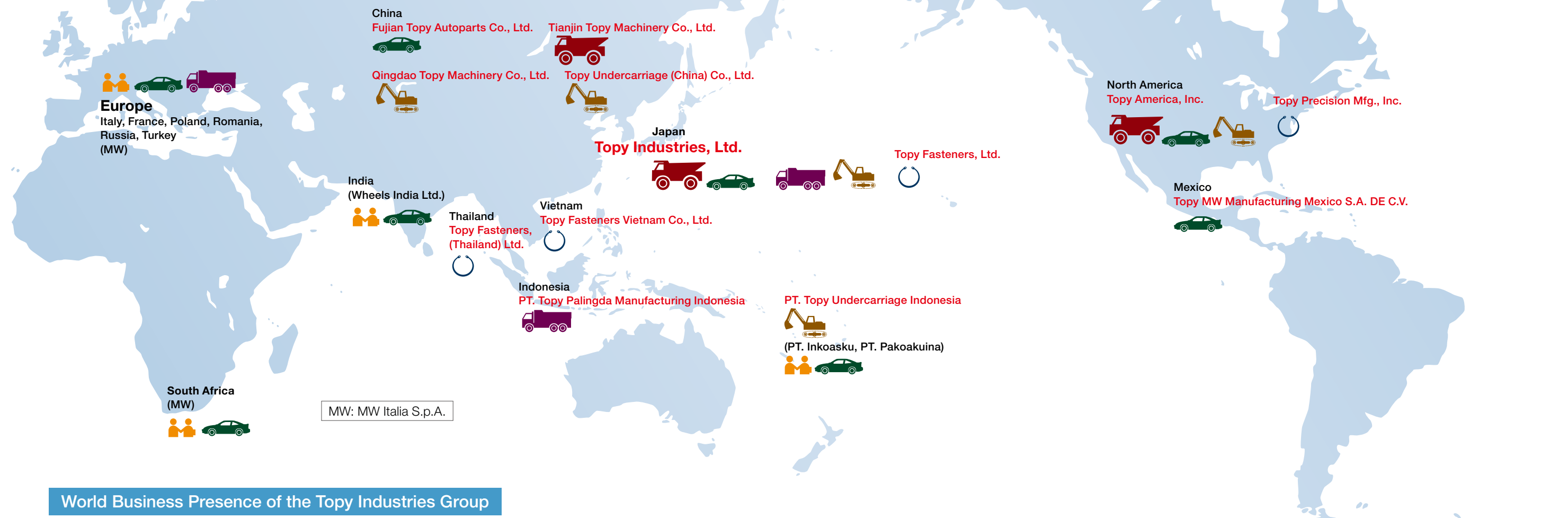
Audit & Supervisory Board Members Takeshi Mitsuma and Tamio Kurosaki are outside statutory auditors.

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 is scheduled to commence production from April 2015 to meet increasing demand in North and South Americas.

Production and Sales Base / Product Category

	Undercarriage components for construction machinery		Wheels and rims for off-road vehicles including SGOR®
	Wheels for trucks and buses		Industrial fasteners
	Wheels for passenger cars		Alliance partner

–Special Report–

Energy Saving Initiatives 2020: “Enekatsu 2020”

Company-wide energy saving initiatives to reduce energy consumption and contribute to the conservation of global environment

Reduction of CO₂ emissions by promoting energy saving is a critical theme for every corporation to prevent global warming. In addition, the structural change in the supply of electricity after the Great East Japan Earthquake in March 2011 inevitably requires our continued efforts to reduce the amount of electricity consumption. In order to cope with these two pressing company issues, the Topy Industries Group has embarked upon “Energy Saving” initiatives named “Enekatsu 2020” with the participation of all employees. The following are brief descriptions of the initiatives and its updated achievements.

Working together to aggressively drive energy saving campaigns

Since the Great East Japan Earthquake in March 2011, and with the onset of the accident at Fukushima No. 1 Power Plant, it became extremely difficult for other Japanese nuclear power plants to resume operation. This compelled the need for drastic changes in the Japanese energy policies, especially in the field of electricity. In recent years, each regional electric power company except Okinawa has increased the ratio of using thermal power generation. The increase in fuel cost due to the transition from nuclear power to thermal power has been shifted onto electricity prices and rates have been raised. The hike in the electricity price imposes a huge negative impact on our corporate earnings as our plants consume large volume of electricity.

In addition to the matter of electricity, we have to face the ongoing issues of global warming against which the world has been tackling as one of the top priority issues to be solved. We must exert continued efforts to reduce CO₂ emissions.

Under such circumstances we realize the importance of all our group companies being united in the promotion of “Energy Saving.” We have launched an energy saving campaign named “Enekatsu” for the period of FY2013 to FY2020, in order to work out effective measures for the reduction of energy index and hike in electricity costs. The campaign includes all company employees from not only production related departments but also non-production departments such as those at the head office, branch offices, and administrative sections.

We will ensure the success of this campaign through active efforts of all employees for the continued existence and growth of the company.

Managing Director
Technology, Safety, Quality, Environment, R&D,
New Business Development,
Business Process Innovation & Promotion

Yasuhito Ishii



Escalating electricity cost leading to management risk

Although the total electricity consumption at Topy Industries, Ltd. in FY2012 remained almost at the same level as FY2011, electricity cost is increasing considerably. Attributable causes of the cost increase are due to the following factors.

- ① Rise in fuel costs due to increased operation of thermal power plants (including surcharge)
- ② Rise in electricity contract price with electric power companies
- ③ Charge imposed on recyclable energy Feed-in Tariff system (buy out costs at consumers' expense)
- ④ Taxes added to oil and coal tax in conjunction with the introduction of environmental tax

Charge increase on recyclable energy and environmental tax is already legislated and additional burdens from increase in electricity costs are definite. This is a huge management risk factor on us as Topy Industries consumes a large volume of electricity.

The objective of “Enekatsu 2020” is that all Topy Industries Group companies contribute to the conservation of global environments and at the same time suppress future management risk factors by reducing energy consumption.

Outline of Enekatsu 2020

Objective	Reduce energy index and establish viable measures against increase in electricity costs.
Action period	FY2013 to FY2020 (8 years)
Action scope	Starting at Topy Industries, Ltd. (head office, branch offices, factories, studio and etc.) in FY2013 and expansion to group companies of Topy Industries, Ltd. (in the form of a competition) in FY2014.
Organizing body and promotion contact office	General coordination.....Technical Administration Dept. Factory.....Energy Saving Working Group (Top of department or section in charge of energy saving) Head office and branch offices..General Affairs Dept.
Deployment method	[Deployment 1] Promote energy saving (reduction in energy index) through company-wide reduction campaign (competition) [Deployment 2] Encourage introduction of energy saving facilities as a fundamental measure of reduction (measures against electricity cost increase)

–Special Report– Energy Saving Initiatives 2020: “Enekatsu 2020”

“Enekatsu 2020” has already started to produce tangible results.

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 FY2013

In FY2013 Kyushu Wheel Kogyo, Ltd., Topy Fasteners Ltd., and Hokuetsu Metal Co., Ltd. in addition to the four factories at Topy Industries, Ltd. (Toyohashi, Toyokawa, Kanagawa, and Ayase) participated in the competition. Kanagawa Factory won the Topy Energy Saving Award by a wide margin with a reduction percentage of 25.7%.

- 1st Place Kanagawa Factory (Reduction percentage 25.7%)
- 2nd Place Ayase Factory (Reduction percentage 7.8%)
- 3rd Place Toyokawa Factory (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.

Administrative Offices

- 1st The Administrative Office of Toyokawa Factory (Reduction percentage 28.9%, 1st place in overall points)
- 2nd Osaka Branch Office (reduction percentage 17.5%)
- 3rd The Administrative Office of Kanagawa Factory (reduction percentage 8.8%)

The Administrative Office of Toyokawa Factory, Osaka branch office and the Administrative Office of Kanagawa Factory awarded for FY2013.

A total of 27 work units including the head office and factories (administrative office: 7 work units, factory: 20 work units) participated in the competition. The grand award went to the Administrative Office of Toyokawa Factory which achieved a reduction percentage of 28.9%. This year, additional awards were given to Osaka branch office (2nd place) and the Administrative Office of Kanagawa Factory (3rd place) for their steady efforts towards reduction.

Factory units

- 1st The Deformed Bar Production Mill of Toyohashi Factory (reduction percentage 25.8%)
- 2nd The Technology Center (reduction percent 21.2%)
- 3rd The Mica Department (reduction percentage 20.7%)

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.

The Maintenance Group of the Undercarriage Plant at Toyohashi Factory receives the award for FY2013

A total of 6 themes on energy saving proposals were nominated during FY2013 from our factories. The Maintenance Group of the Undercarriage Plant at Toyohashi Factory which worked on the “reduction of plant power consumption” won the award through achievements in an average reduction of 168,047 kWh per month through improvements on the reheating furnace, compressors, water circulating pumps and related items.

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.

An industry-leading steelmaking plant with cutting-edge technologies in energy savings will begin operation in 2014

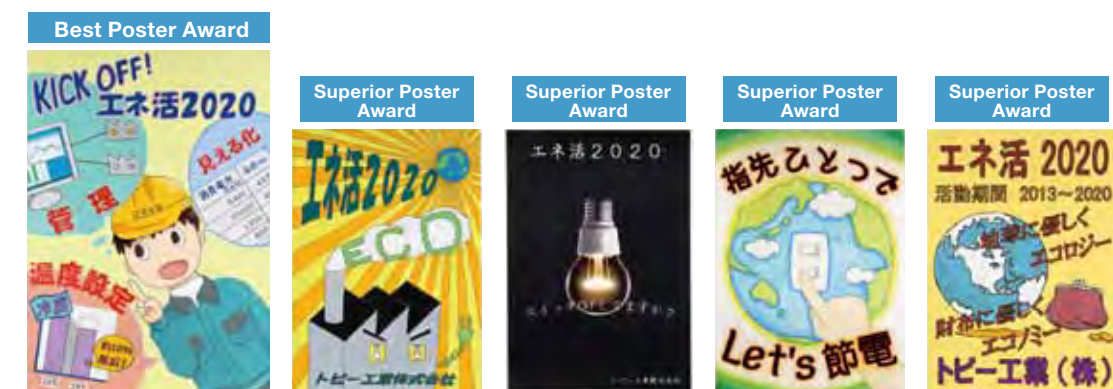
The construction of a new steelmaking plant started in 2012. This investment for equipment rationalization will directly lead to company-wide energy savings. The plant will undergo a series of dry runs and will start operation during FY2014. The plant is equipped with environmentally-friendly cutting-edge facilities such as a highly efficient electric furnace, a scrap yard with the roof, and a continuous casting machine capable of holding the energy consumption rate to the lowest level in the industry. Beside the positive effect in reducing electricity consumption the plant also plays a core role for “Enekatsu 2020” with respect to the drastic reduction of CO₂ emissions volume.



The steelmaking plant under construction at Toyohashi Factory

Poster award for the “Enekatsu 2020”

The “Enekatsu 2020” campaign has been implemented involving all employees. The company solicited posters from employees as part of raising awareness on energy saving activities and received a large number of submissions. The following are award-winning posters.



The Topy Industries Group is determined to promote “Energy Saving Action 2020” for a sustainable future with the commitment of each employee.

Corporate Governance

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

Basic Approach

The Topy Industries Group pledges to fulfill its CSR in accordance with the Group 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 considers the strengthening and enhancement of corporate governance as one of its most important management issues. In order to earn the trust of our shareholders and all stakeholders we will comply with applicable laws and regulations and their spirit, as well as the Group Code of Conduct, and improve management transparency.

Outline of the Corporate Governance System

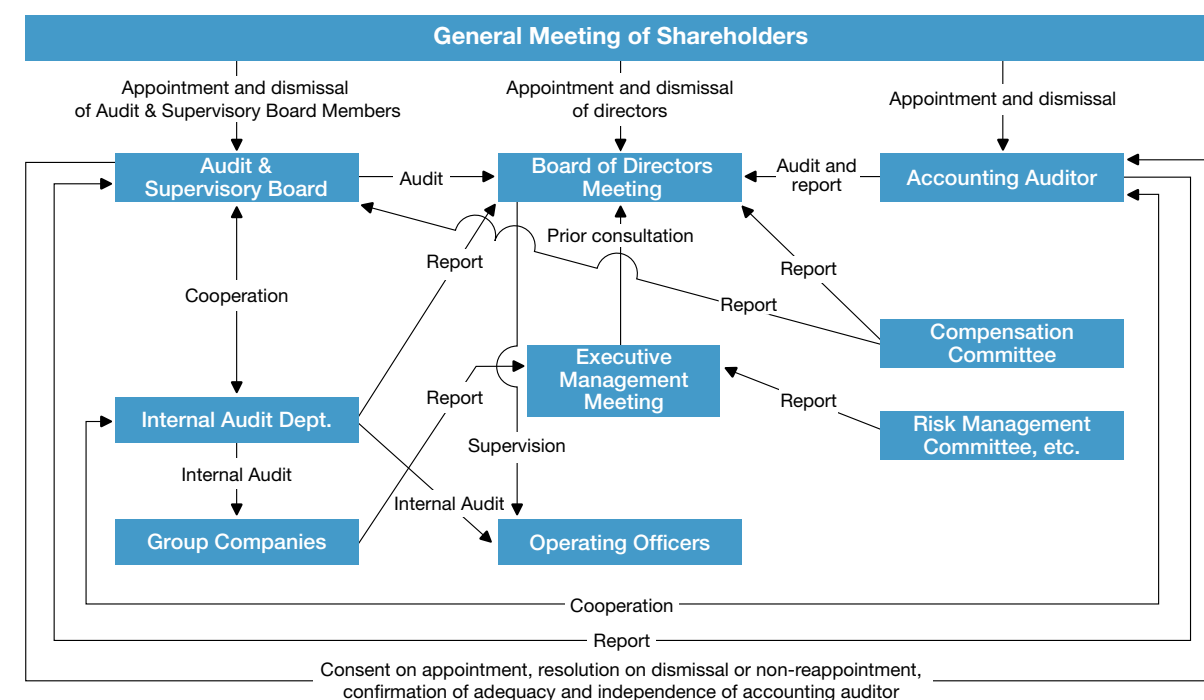
As illustrated below, we have an Audit & Supervisory Board, which functions as one of the key bodies of corporate governance. We have divided management functions into management decision-making functions and operating functions, and adopted an operating officers system to vitalize and improve the efficiency of management.

The Board of Directors Meeting is convened (once a month in principle and extraordinary meetings as needed) to resolve important issues of the company including management basic policy in addition to the matters required by applicable laws and regulations. In order to ensure efficient deliberation at the Board of Directors Meeting, the Executive Management Meeting comprised of

directors and a number of designated members is held (once a week in principle), where such matters that require the resolution at the Board of Directors Meeting will be deliberated in advance. The deliberation also includes the execution, planning and implementation of specific business policies, thus supporting appropriate management judgments.

Furthermore, in order to respond quickly to changes in the business environment, the term of the directors and operative officers is set to one year. The Audit & Supervisory Board is constituted of two external statutory auditors and two internal auditors. All are full-time auditors, and are carrying out fair and neutral audits.

Corporate Governance System



Strengthening of Corporate Governance

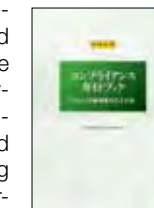
Improvement of Risk Management and Compliance

The Risk Management Committee has been set up to extract, classify and make visible the underlying risks in the Topy Industries Group, to centralize information on high-risk matters, and for PDCA execution. The members of the Risk Management Committee are mainly general managers at the head office.

In addition, we have established an Internal Audit Department, which is under the direct control of the corporate president and currently operated by 11 staff, in order to strengthen risk management including internal control.

In order to strengthen compliance, Topy Industries has worked on implementing various undertakings such as setting up a contact office for whistle-blowers, publishing the Compliance Guide Book and Anti-Trust Law Manual, and formulating the Topy Industries Group Basic Philosophy and Group Code of Conduct.

In addition, in April, 2012, we launched the “Topy Industry Group Basic Corporate Ethics Consultation Office,” the “Topy Industries Group Compliance Hot Line,” a whistle-blower system applicable to all companies of the Topy Industries Group, and distributed the revised version of the Compliance Guide Book to all employees of Group companies in Japan. Effective from March 2013, we also launched the “Employee Ethics Seminar: Fostering personnel to support compliance” targeting all staff members of the Topy Industries Group.



Compliance Guide Book

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 (www.topy.co.jp).



Website: Shareholders and Investors Information



Website: Top Page

Information Tools Addressed to Stakeholders



Topy Report 2014

Corporate Profile

Corporate Profile DVD

Financial Statement

Financial Results Brief

To Our Shareholders

Quarterly Report

Medium Term Consolidated Management Plan “Growth & Change 2015”

A dynamic management plan is steadily moving forward toward the realization of “Growth” and “Change” in the future.

Now we are approaching the medium point of “Growth & Change 2015” (G&C2015), the medium term consolidated management plan started in FY2012 with the firm determination to realize “Growth” and “Change” on a global scale.

While harsh business environments continue, we are surely proceeding with our management plan designed to expand demand from emerging countries and reinforcing our business foundation in the domestic market. It is important for us to steadily address our priority themes and build our strength against future challenges. The Topy Industries Group is working hard to establish a strong corporate structure that can weather drastic changes in the business environment. The following is a status report of 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

1 Expansion of Overseas Business (Quantitative Growth)

- 1) Maintain and expand global market share
- 2) Strengthen global supply system

2 Fortification of Domestic Business Foundation (Qualitative Change)

- 1) Fundamental improvement in production costs by installing advanced steelmaking facilities
- 2) Productivity improvement changes in manufacturing domain and further development of cost reduction activities
- 3) Development and sales expansion of strategic and high value-added products

3 Enhancement of Management

- 1) Change business administration processes
- 2) Promote global enhancement of Group management
- 3) Reinforce technology strength to compete in the global field
- 4) Refine risk management system



The steelmaking plant under construction at Toyohashi Factory



Topy MW Manufacturing Mexico S.A. DE C.V. (image after completion)

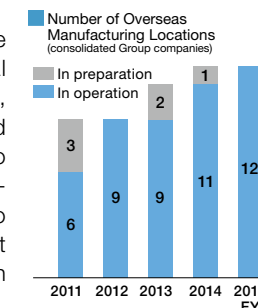
Progress of Priority Themes

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®) 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. [see page 25](#)
- 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. [see page 23](#)
- 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 25](#)
- 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. [see page 23](#)

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 businesses including the modernization of steelmaking facilities. We are committed to the further improvement of mother factory functions needed to back up the expansion of overseas businesses by capitalizing on our inherent competitive strengths nurtured in product design and production technologies.

Current Progress

- Construction of new steelmaking facilities at Toyohashi Factory in full swing
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 construction is progressing steadily toward full swing operation scheduled in April 2015. (Toyohashi city, Aichi prefecture) [see page 21](#)
- 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 27 and 28](#)
- 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

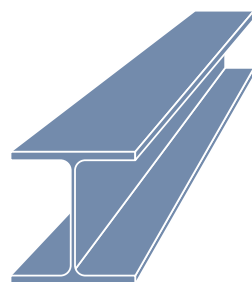
- Business process reforms
We have established an intranet system and renewed our website.
- Instillation of risk management system
As part of strengthening our corporate governance, we are working on the promotion of strengthening our risk management system and compliance. [see page 16](#)

Business Development

Topy Industries Group at a Glance

▼ Business Segment

Steel Business



The Topy Industries' raw material business since its foundation

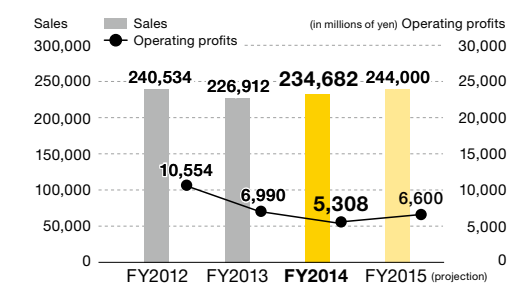
Topy's steel business possesses unique manufacturing technologies for special sections, is able to respond to diverse specification requirements, and has a flexible production system for high-mix, low-volume production. These technologies enable the in-house supply of raw materials to the automotive 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

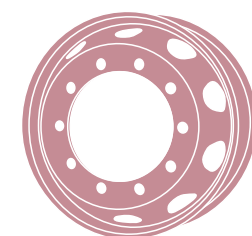


- General steel sections
- Deformed bars
- Extra-thick, extra-wide flat bars
- Mast rail sections for forklifts
- Universal mill plates with grooves

Sales, Operating Profits and Projections



Automobile 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.

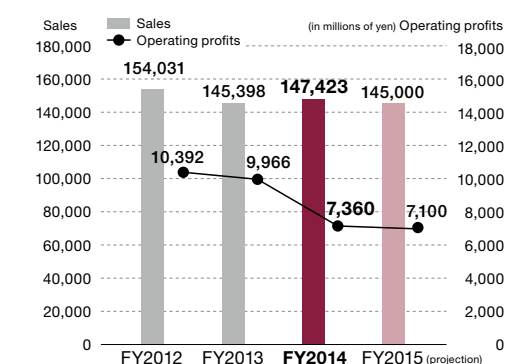
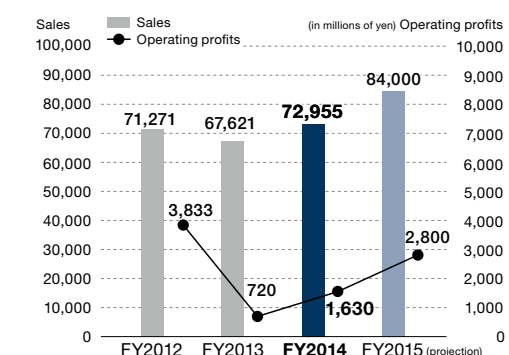


- Steel and aluminum wheels for passenger cars
- Steel wheels for commercial trucks and buses
- Steel wheels and rims for construction and industrial machinery
- Ultra-large diameter wheels (SGOR®) for mining dump trucks
- Industrial spring steel fasteners
- Shoes
- Track shoes
- Cutting edges
- Links
- Rollers

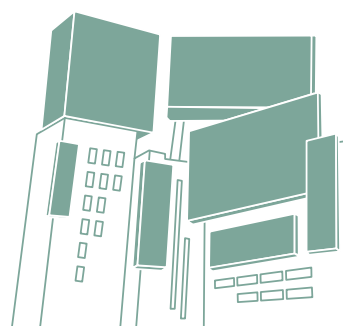
Undercarriage Components Division

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.



Other Business

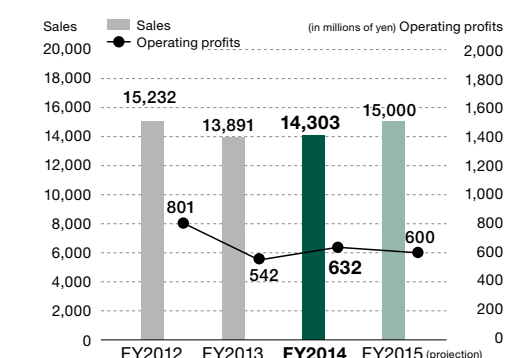


New earning power

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 focused on three fields: the Sign System Department which provides indoor and outdoor billboards to customers including Tokyo Metro Co., Ltd. (Eidan Subway lines); the 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 Unit 2. Other business includes social contribution through electric power generation, and sports and leisure-related businesses.



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



Steel Business



The steelmaking plant under construction at Toyohashi Factory

TOPY Highlights FY2013

February 2014

The building of the new steelmaking plant completed

The construction of the building to house the new steelmaking plant at Toyohashi Factory has been completed. The cutting-edge steelmaking plant emerged with its impressive outlook, scheduled to commence hot runs in April 2015 and is expected to achieve an overwhelmingly low energy consumption rate with the aid of advanced equipment such as the 200 ton capacity electric furnace with a scrap preheating device and other technological features. This also enables us to establish a self-sufficient supply of semi-finished materials for subsequent rolling operations and ensures improved product cost competitiveness. The new plant has taken special safety consideration against earthquakes, tsunamis and other natural disasters offering high reliability of our supply chain. As the new plant has such a huge impact for the company, it will constitute a core factory for "strengthening of domestic business foundation," one of the priority themes among the medium term consolidated management plan "Growth & Change 2015."

March 2014

Installation starts for an environmentally-friendly electric furnace and continuous casting equipment at the new steelmaking plant

The new steelmaking plant has adopted a highly efficient, and environmentally-friendly electric furnace. This system will enable us to cut the power consumption rate to a minimum level, ensuring drastic reduction in power costs and CO₂ emissions volume. The new continuous casting equipment is designed to function for both blooms for shapes (rectangular section) and billets for deformed bars (square section) contributing to improved production efficiency. This will enable the achievement of a competitive steelmaking cost while still maintaining high quality. The installation of the entire steelmaking plant is expected to be completed by the summer of 2014.

We aim to become the industry-leading company with the highest level of competitive edge in the domestic market by solidly proceeding with the construction of the new steelmaking facilities

● Message from the Division General Manager

We will exert our greatest efforts to successfully launch the new steelmaking plant in order to realize productivity and power saving performance of top levels in the industry.

FY2014 is going to be an extremely important year for the Steel Division as we are going to start operation of the new steelmaking plant.

The capital investment made here is a part of the company's rational investment in facilities, and includes a scrap yard, an electric furnace, a secondary refining furnace, as well as continuous casting equipment. This is a large scale investment in 44 years and is equivalent to the second rationalization investment plan of Toyohashi Factory back in 1971. By the introduction of these cutting-edge facilities, we aim to achieve the minimum unit in power consumption rate in the industry, high productivity, realization of a flexible product mix of blooms and billets by the continuous casting equipment.

As General Manager of the Steel Division, I am determined to stand at the forefront of this project and put all my energy to the success and realization of this project.



Akira Tanahashi

Operating Officer in Charge of Steel Business
General Manager, Steel Division

● Business Overview

The Japanese steel industry during FY2013 saw a recovery in the demand from the manufacturing sector centering on automobile production in addition to the buoyant construction demand which resulted in crude steel production volume surpassing that of the previous year. As for the electric furnace industry, the demand turned upward from the latter half of the term and the crude steel production volume in this sector exceeded that of the previous year showing a sign of improvement. Under such circumstances, the Steel Segment worked on thorough cost reduction and improvement in establishing sound pricing amid the increase in scrap metal price and electric power costs. As a result, we achieved an increase in both sales and profits on year-on-year basis.

● Business Strategy and Future Prospects

We aim to become the industry-leading company with the highest level of competitive edge in the domestic market by capitalizing on our original technology for special profile sections. Our top priority is the certain implementation of construction project for the cutting-edge steelmaking facilities with test runs scheduled in FY2014. Taking advantage of the full scale production of the new plant starting in April 2015, we plan to achieve a complete self-sufficient supply of materials for rolling and strengthen overall competitiveness while realizing overwhelming low power consumption rate, improved productivity and quality, and reduction in environmental costs. In addition, we continue to develop efficiency through united efforts of the group companies and improve earnings in order to reduce overall production costs from procurement of raw materials to delivery of finished products.

Domestic Business

We estimate the steel demand in the domestic market to remain solid amidst the temporary fall in metal scrap prices as they are in an adjustment stage.

We will exert efforts to increase the sales of shape steel for domestic market and some export items as the demand for special sections for ultra-large diameter wheels for mining dump trucks being consumed at the Wheel Division remains slow. In the meantime, we aggressively continue to carry out cost reduction initiatives in view of the anticipated increase in the electric power costs and fuel costs.

Overseas Business

In the overseas markets, especially in China, the supply capacity continues to increase at a much faster speed than the demand and further increase in supply capacity is being planned in the Asian region. This surplus supply is expected to create a pressure pulling the market downward for a longer period. Furthermore, we are concerned that the expected increase in electricity, energy costs and other costs will lead to the loss of competitiveness for the domestic electric furnace mills and will offset the benefits from the weak yen.

Business Development

Automobile and Industrial Machinery Components Business

Wheel Division



October 2013

Topy MW Manufacturing Mexico S.A. DE C.V. established for the production and sales of steel wheels

In October 2013 we established a joint venture company with MW Italia S.p.A. to manufacture steel wheels for passenger cars and light trucks in Mexico and commenced plant construction from January 2014. The new company plans to steadily acquire the demand in Mexico taking advantage of manufacturing locally and joins Topy's global production system to supply steel wheels together with plants in Japan, the U.S. and China. MW Italia supplies steel wheels to major European automobile companies. We will reinforce our business foundation to European-capital carmakers through the comprehensive strategic alliance with MW Italia.

April 2014

PT. Topy Palingda Manufacturing Indonesia commences operation

Production and sales of steel wheels for trucks and buses has started at PT. Palingda Manufacturing Indonesia in April 2014. The new company plans to expand the steel wheel business for trucks and buses in the local market by responding swiftly to the demand and customer needs in the ASEAN region. With the operation of this production and sales site, we are further solidifying our supply chain foundation in the ASEAN region.



Expand production and sales bases in the ASEAN, and North and South American markets

Catch demand in emerging countries without delay as the world's top-class integrated wheel manufacturer

● Message from the Division General Manager

Toward solid growth as a global company

The Wheel Division has established new manufacturing bases in Indonesia and Mexico to reinforce corporate business foundations. Also, aggressive development of overseas business is sought through the strengthening of strategic alliances with overseas partners.

To realize these objectives, we strive to foster our unique and exclusive technology and reinforce product lines by "strengthening manufacturing competitiveness" that reflect customer and market needs, and by "developing human resources" to support it. We continue to solidify our progress toward the changes so that we may be highly evaluated as a global company by our valued customers.



Norio Saito

Managing Operating Officer
General Manager, Wheel Division
In charge of Automobile and Industrial
Machinery Components Business
(Excluding construction machinery
undercarriage components)

● Business Overview

The automobile industry during FY2013 received the benefit of a surge due to last minute demand before the scheduled increase in consumption tax. This resulted in the domestic production of automobiles outnumbering that of the previous year. However, the construction equipment industry faced tough business environment as global demand for mining equipment continued to be weak.

Under such circumstances, our sales of wheels for passenger cars and trucks registered a solid record while that of wheels for construction and mining equipment centering on ultra-large diameter wheels for mining dump trucks remained low.

● Business Strategy and Future Prospects

We will enhance our presence as the world's top-class integrated wheel manufacturer and work on overall cost reductions in order to build a strong corporate structure that ensures sound earnings even under difficult business environments. We will also work toward establishing a global optimum production system by reinforcing offshore production systems and effective alliances with overseas partners.

Domestic Business

As for the Japanese automobile industry during FY2014, although there was a negative rebound from last minute demand surge before the consumption tax increase, with the aid of a series of new models introduced by each car manufacturer, the demand is expected to stay solid especially during the latter semester. However, demand for ultra-large diameter wheels for mining dump trucks is expected to stay weak and a tough business environment will continue.

Under such circumstance, we will exert our efforts to reduce production costs by applying all improvement initiatives, expanding sales of high value-added products across the whole product line including wheels for passenger cars, trucks and construction equipment in order to fulfill qualitative changes and secure earnings.

Overseas Business

In order to achieve a balanced corporate earning structure of global supply system in line with the expansion of overseas manufacturing bases by Japanese carmakers and expansion into emerging countries with high demand, we are working to expand overseas base and to secure production base through technical and capital alliances.

In April 2014, we started the production and sales of wheels for buses and trucks in Indonesia to further solidify our supply foundation in South East Asia.

In Mexico, the construction of the joint venture company plant was launched in January 2014. The joint venture company, Topy MW Manufacturing Mexico S.A. DE C.V. will produce steel wheels for passenger cars and light trucks to respond to increasing demand in North and South American markets.

We are building a production system that will enable us to quickly detect demand from emerging countries.

Business Development

Automobile and Industrial Machinery Components Business

Undercarriage Components Division



TOPY Highlights FY2013

October 2012

Topy Undercarriage (China) Ltd. commences operation

Topy Undercarriage (China) Ltd. has been established as an addition to Qingdao Topy Machinery Co., Ltd., to meet the demand from customers in an efficient and prompt way as China has become an important market for undercarriage components of hydraulic excavators. The new factory commenced its operation in October 2012. This has raised our local procurement percentage of major components to 70% enabling us to improve competitiveness of our undercarriage business.



Track shoe product line

April 2014

Topy Undercarriage Indonesia starts operation

There had been increasing requests from our customers for a local outlet in Indonesia due to increase in demand for tracks and undercarriage components for construction machinery. In response to such requests, the Undercarriage Components Division established a new company to provide customer attentive services close to our customers in order to expand the undercarriage components business for construction machinery in the ASEAN region. The new company is positioned as a strategic overseas sales base and plays the role of a sales outlet for ASEAN, South Asian as well as Oceania markets where demand for construction machinery are expected to grow in the future. This will further solidify business foundation of the Topy Industries Group in these regions.

While worldwide market is at a standstill, we strive to receive more new orders from customers and raise our market share by capitalizing on our global network to the fullest extent...

● Message from the Division General Manager

We work to contribute to the expansion of the world construction machinery market through our globally expanding business.

Currently, the Japanese yen has retreated to 100 yen per 1 U.S. dollar after hitting a super-appreciation phase but tangible effects for undercarriage component manufacturers will require some more time. Against the backdrop of the super-appreciated yen, globalization of construction machinery market has advanced rapidly. This unprecedented high speed of globalization is temporarily slowing down but global expansion is expected to continue in the future.

The undercarriage components business of Topy Industries has steadily grown benefited by our competitive edge in having an in-house steelmaking and hot-rolling line which helped us achieve the world's highest level of productivity. However, the business field has dramatically changed as overseas market started expanding under advancing appreciation of the Japanese yen.

Our overseas business expansion started when we embarked on the sales and assembly of undercarriage tracks in the U.S. in the 1990s. We established a plant in China over ten years ago to process components and assemble undercarriage tracks, and added a second plant in China by the end of 2012 to meet the potential needs of the Chinese market. In addition to these manufacturing bases, we founded a company for sales and distribution of our products in Indonesia in September 2013 and commenced its operation from April 2014.

We cannot survive global competition unless each operation base has sufficient competitive strength. Wherever the business operation is located, Key Factor for Success (KFS) is to have productivity and design capabilities that out-win our competitors. We have two mother plants in Japan equipped with high productivity and design capabilities. They are Kanagawa Factory and the Production Department at Toyohashi Factory.

Technical staff is working daily in the development of new technology. The design staff is working deep in the jungle to find specifications most suitable to the local job site environments where the equipment is in operation. The cost analysis staff is sweating on cost down themes. The chief or leaders of the workplace are diligently educating local operators, and the number of Japanese staff taking their spouse along on their overseas jobs is increasing. These activities of each individual and the understanding of their families constitute the base of KFC.

It is no exaggeration to say that the Undercarriage Components Division itself is already a global unit. As long as urbanization development continues in the world our professional spirit will never fade away. We continue to deliver our products to every location in the world and contribute to expanding the construction machinery market.



Atsuo Mochizuki

Managing Operating Officer
General Manager, Undercarriage
Components Division
In Charge of Automobile and Industrial
Machinery Components Business
(Excluding wheels)

● Business Overview

As for the construction machinery industry, which is the major field of the Undercarriage Components Division, domestic demand stayed solid with the aid of demand from the restoration activities of the Great East Japan Earthquake and the last minute demand surge before tightening of CO₂ emissions regulation. However, the business as a whole faced tough environment due to weak worldwide demand for mining machinery and slowdown in growth in South East Asian markets.

Under such circumstance, we continued to address every possible improvement measures but business was heavily affected by intensified competition of undercarriage components for construction machinery.

● Business Strategy and Future Prospects

We will establish our position as a global "comprehensive undercarriage components manufacturer of construction machinery" and press forward for further cost reduction to secure earnings even under harsh business environments. We will also strengthen our production base overseas as well as strategic alliances with overseas partners to build an optimum production system in the global perspective.

Domestic Business

We foresee a tough business environment in the domestic market for FY2014 mainly due to the negative effects of CO₂ emissions regulations and increased consumption tax. We anticipate a decrease in sales volume and are concerned with substantial impact from falling sales unit price. This comes from the excessive competition among competitors where the total supply capacity of these undercarriage components manufacturers is about two times larger than the world demand for construction machinery. We are in the midst of a survival game and we have to tackle the impending issues to strengthen our competitiveness.

Overseas Business

Investment in infrastructures in China is expected to increase in the future as the world urbanization develops and demand for construction machinery grows in the long run.

Currently, the Southeast Asian market is slow due to stagnating commodity prices and depreciation of local currencies. It will take some time to see a recovery. We are in a tough business environment but we see a positive sign in the gradual recovery in operating rates at mining machinery at local sites, and the business is projected to grow looking at the long-term as more infrastructure developments are still definite requisites in those regions such as in China.

We see a solid business development in the North American market supported by demand from housing construction and energy related development projects. The European market, however, seems to remain slow in demand for construction machinery under the slow economy that reflects the lingering unstable financial positions.

Under such circumstance, we work to increase our market share including Topy Undercarriage Indonesia, which started operation in 2014, and receive more new orders by making use of our global network (Japan, China, North America and Indonesia). Outlook for FY2014 is tough but we will proceed with overall structural improvements of the undercarriage components business segment and address the achievement of our targets projected in the consolidated medium term management plan as market recovery is projected from FY2015 onward.

Other Business

Taking on bold challenges to develop new businesses as new earning sources and enhance the corporate value of the Topy Industries Group

TOPY Highlights
FY2013



April 2013

The crawler robot wins “1st Manufacturing Award” from the Toyohashi Chamber of Commerce and Industry

Toyohashi Factory won the “1st Manufacturing Award” from the Toyohashi Chamber of Commerce and Industry for the development and practical use of crawler robots designed as a disaster probe and for inspection of narrow spaces. Our contribution to vitalizing local industries through alliances with local parts manufacturers and processing companies associated with the development and manufacture of the robots were highly evaluated by the organization along with its superior performances.

January 2014

Topy's crawler robot at 2014 International CES

The Science Division presented the crawler robot “Survey Runner™” in the “2014 International CES (Consumer Electronics Show)” at Las Vegas in January 2014.

The robot performed demonstrations ascending and descending stairs of a prepared simulated workplace, and presented the technologies of Topy Industries, Ltd. We plan to continue participating in other shows in the U.S. which is a leading country in the development of robotics in order to disseminate and develop service robots.

Business Overview

This segment includes a variety of business activities such as wholesale electric utility or IPP (Independent Power Producer) services, indoor and outdoor sign systems, manufacture and sales of synthetic mica used in cosmetics, development and sale of crawler robots, civil engineering and construction business, real estate leasing such as Topy-Rec Plaza (Minami-Suna, Koto Ward, Tokyo), and operation of the sports club OSSO.

Other Business

Science Business

The Science Division consists of the Sign System Department for indoor and outdoor sign systems, the Mica Department for the manufacture of cosmetic ingredients, and the Crawler Robot Department for the manufacture of robots. Topy's crawler robot, the Survey Runner® verified its superior maneuverability at Fukushima Daiichi Nuclear Power Station Unit 2.

Electric Power Wholesale Business (Akemi Electric Power, Limited)

Akemi Electric Power, Limited has been supplying power to Chubu Electric Power Co., Inc. since April 2000. The plant is equipped with facilities that pay maximum consideration to harmony with the surrounding environment and is being operated with the highest level of generating efficiency. Since its establishment, the company has maintained safe operation and is committed to ensuring a stable power output.

Real Estate Leasing and Sports Facility Management Business (Topy-Rec, Ltd.)

Topy-Rec, Ltd. operates its business focusing on two major areas, real estate leasing and sports facility management in the Greater Tokyo area. The sports club OSSO; the shopping center Topy-Rec Plaza; and the Kameido Sports Center are all located in Koto Ward, Tokyo and are directly run by, managed or trusted to the management of the company. Commercial facilities and a swimming club at Ayase City, Kanagawa are also under the direct management of Topy-Rec, Ltd.

Message from the Division General Manager

Aiming to establish an “engaging” relationship among each employee for cooperation toward our organization and customers

Recently, we often hear the word “engagement” which, in the field of system development, is translated as “an employee's attachment to the company” and is drawing our attention. When looking deeper into the meaning, it also means the “relationship contributing to the mutual growth of individuals and the organization working unanimously and interactively.”

This can be thought to be the “importance of self-motivated planning and originality by understanding one's role in the company and by acting flexibly to changes beyond one's role based on one's own judgment and not from stereotypical orders made by one's superior.”

The Science Division is targeting the “Improvement in planning and strategic awareness through practice” as one of our issues to tackle.

To proceed with one's own judgment does not mean one can do whatever they want, but means to think of what they can do for one's organization and customers, and for that purpose interactive cooperation becomes necessary in the organization.

“If you work on your job with certain affection, your customers will feel the same towards Topy's products.” We are determined to implement our business activities with these words in mind.



Toshiyuki Tani
Operating Officer
General Manager,
Science Division

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 Idler rim developed from rolling technologies for special sections

The Steel Division, with cooperation from the Undercarriage Components Division has succeeded in developing the “Idler Rim.”

The “Idler Rim” is a driving wheel for undercarriage track shoes of construction machinery. By making best use of Topy's excellent rolling technologies the lead time for development from designing to line production has been shortened by three months.



Deformed steel section
for Idler Rim

Idler

2 Large Window Wheels offers greater design capabilities

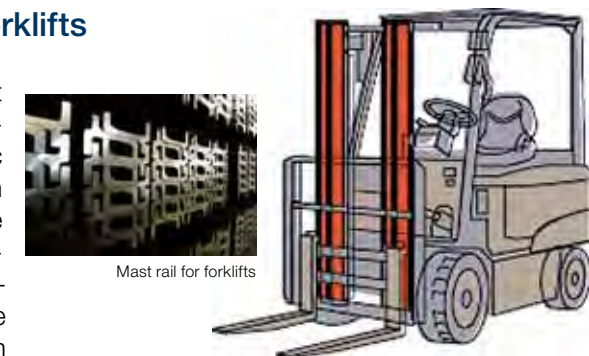
“Large Window Wheels” developed by the Wheel Division feature improved design capabilities while maintaining cost competitiveness. Topy's patented idea allows the attachment of a variety of decoration covers on the disc face of the wheel creating it more fashionable while maintaining the required structural strength and rigidity despite its large dressing windows. Mass production and delivery to major carmakers has started from August 2013.



Large Window Wheel®

3 Development of mast for forklifts

Topy Industries, Ltd. has become the first manufacturer that succeeded in the development of masts from a domestic electric furnace. All masts, until now, had been manufactured from a blast furnace. We have started delivery of these masts to all domestic forklift manufacturers. The required quality for straightness is extremely high for these products; however, with the implementation of precision cutting and detailed inspection equipment, we are able to supply a stable volume of 2,000 tons per month.



Mast rail for forklifts

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.

2 Company growing with employees (Tianjin Topy Machinery Co., Ltd.)



Tianjin Topy Machinery, established in 2012, produces rim components for ultra-large diameter wheels for mining dump trucks which are exported to Ayase Factory in Japan. Most of the local staff

are in their 20s and are growing along with the growth of business.

Tianjin is the third largest city in China after Shanghai and Beijing, and is the center of economic activities in the northern coast of China. The Tianjin Port is the largest integrated trading port in the northern China that has the largest container berth in China. Working in such advantageous environments the company is determined to grow together with its employees in order to become an indispensable company to realize a globalization of the Topy Industries Group.

3 Strengthen the integrated local production system for undercarriage (Topy Undercarriage (China) Co., Ltd.)

Established in September 2011, the Topy Undercarriage (China) held an inauguration ceremony in April 2013 inviting many guests including customers, government agencies, and local Japanese companies. There are a number of competitors in China for undercarriage components and the business environment for the company is getting tough. In order to strengthen the strongest advantage of Topy, our integrated production system for undercarriage tracks, an assembly line was transferred from Qingdao Topy Machinery in October 2013 to concentrate downstream operations.

The company is working to become a world top class undercarriage manufacturer supported by intermingling technologies and knowhow nurtured at the Undercarriage Components Division in Japan and production technologies developed in locally.



1 Supporting the stable operation of customers (Topy America, Inc.)

Topy America is a complex production site in North America for steel wheels for passenger cars, ultra-large diameter rims for mining dump trucks and undercarriage components for construction machinery. The undercarriage components business delivers OEMs with high quality track shoes, rollers and idlers on a just-in-time basis, thus supporting the stable assembly operations of customers.



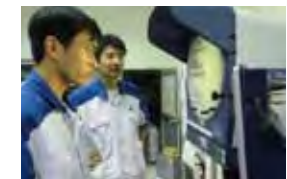
5 Celebrating the 25th anniversary (Topy Precision Mfg., Inc.)



Topy Precision Mfg. was established in Illinois, U.S.A. in October 1988 as the first offshore plant of Topy Fasteners, Ltd. The 25th anniversary celebration party took place in July 2013 aboard a cruising boat in Lake Michigan with over 100 guests including the families of associates. Over wonderful meal and drinks everybody enjoyed fireworks, dancing and a relaxing atmosphere. The company has survived several difficult times in the past. All the associates who participated in the party vowed their determination to take up and overcome the challenges ahead of them so that they may again enjoy the next anniversary party in 5 or 10 years.

6 Young workforce supports globalization of fasteners (Topy Fasteners Vietnam Co., Ltd.)

Established in October 2011 as the first company of Topy Industries Group in Vietnam, the company operates with a complete production line for industrial fasteners including presses, heat treatment, polishing, and surface treatment. Currently, the company supplies leaf springs and pressed parts to local customers mainly for two-wheeled vehicles and exports parts for four-wheeled vehicles to Japan, U.S.A. and China. By taking advantage of the young, industrious workforce and favorable power costs, the company has a vision to supply parts for local four-wheeled vehicle manufacturers in the near future.



7 3rd Presentation Session of Overseas Group Companies



The 3rd Presentation Session of Overseas Group Companies was convened on February 26, 2014 in Tokyo with presenters from Topy Fasteners Vietnam Co., Ltd., Topy Undercarriage (China) Co., Ltd., Fujian Topy Autoparts Co., Ltd. and Topy Industries, Ltd.

Valuable information available only through local on-going operations was introduced by the presenters. The presentation was transmitted live to each factory via TV broadcast using our internal teleconference system and this valuable information was shared with a total of over 250 viewers of Topy Industries.

4 Wins at the Qingdao Japanese Speech Contest (Qingdao Topy Machinery Co., Ltd.)

Four associates including Yu Xiaoli of Qingdao Topy Machinery participated in the adult class of the "China Qingdao City Japanese Speech Contest sponsored by Yamaguchi Bank June 29, 2013. A total 25 speakers presented their speech under the common themes of "About being rich in spirit," and "My Social Contribution."

The speakers including Chinese staff working at Japanese companies and adults learning Japanese competed in their daily achievements of the Japanese language. Through careful judgment of each speech, Yu Xiaoli won the contest with flying colors. The proficiency levels of Japanese of all participants from Qingdao Topy Machinery were high and they were given an encouraging compliment of "you speak Japanese as if you have lived in Japan for long time."



8 Sales outlet opens for business expansion (Topy Undercarriage Indonesia)

The opening ceremony of Topy Undercarriage Indonesia was held on February 20, 2014 welcoming over 50 guests of customers, corporate officers and staff of Topy Industries. Yasuo Fujii, the President of Topy Industries, Ltd. expressed his aspiration in "taking the opening of Topy Undercarriage Indonesia as an opportunity for the Topy Industries Group to reinforce its business foundation in Southeast Asia and at the same time exert efforts to win the trust from all our stakeholders." Topy Undercarriage Indonesia works to expand the undercarriage business for construction machinery in the Southeast Asia region through the sales from the new outlet and by offering individualized services.



9 Hanger improvement achieves zero defects and zero workers (Fujian Topy Autoparts Co., Ltd.)

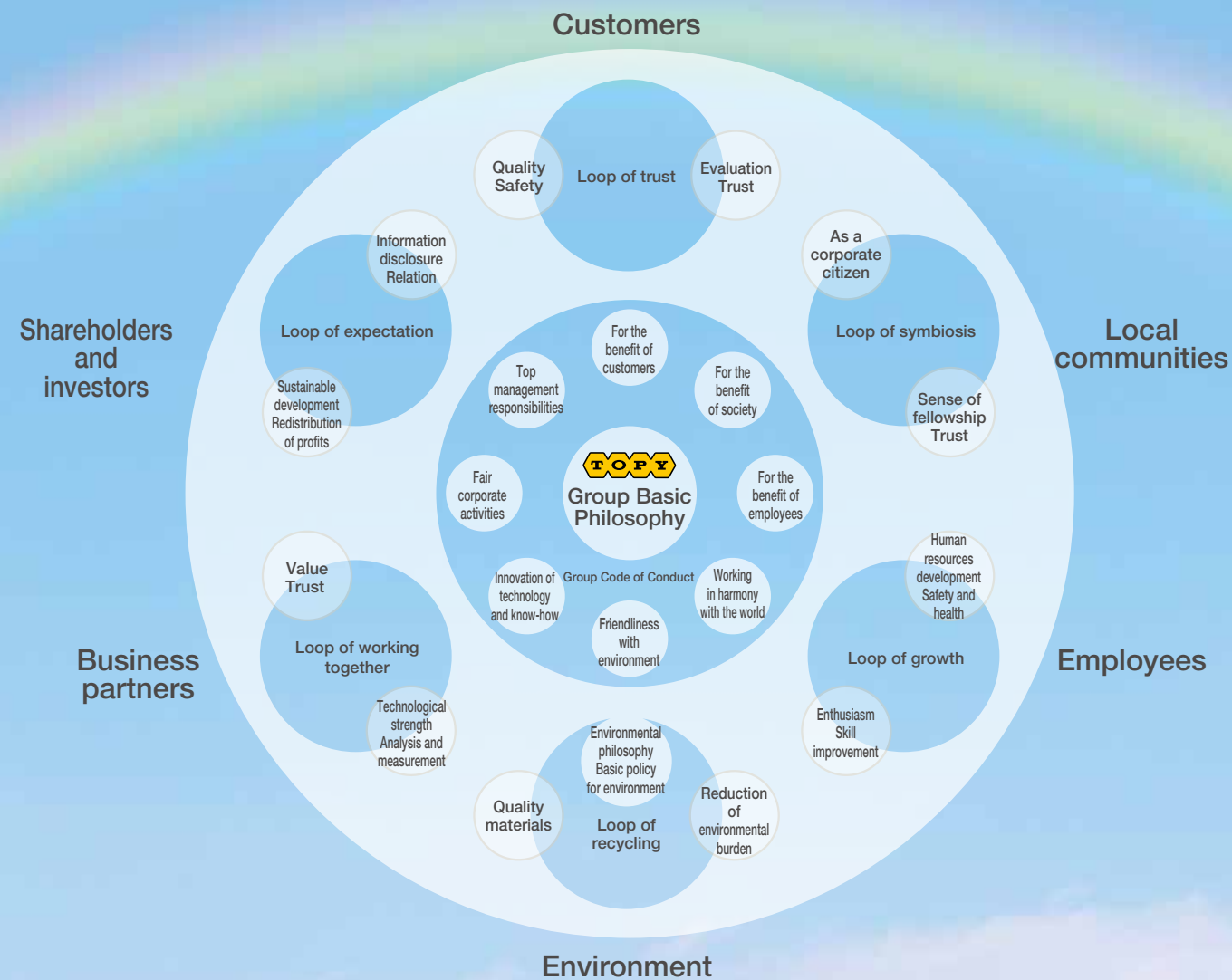
Fujian Topy Autoparts Co., Ltd. produces steel wheels for passenger cars. Wheels are put on the exclusive hangers before undergoing electro deposition (ED) coating and shipped to customers. Recently the company has started to receive improvement requests from customers regarding the coated surface where the wheels (work) and the hangers are in contact. To solve this problem associates launched an improvement activity for their JK (Voluntary Improvement Activity) theme. After much trial and error, the production process in question was carefully monitored by all JK members and it was found that the vibration of the work on the hanger was the cause.

By improving the stability of the work that travels through the ED process, the defect percentage dropped dramatically and satisfactory results were obtained at a much higher level than projected. The successful achievement is attributable to the cooperation and idea of all participants to JK.



CSR of the Topy Industries Group

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



A loop of "Expectation" with shareholders and investors

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

A loop of "Working together" with business partners

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

A loop of "Trust" with customers

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

A loop of "Recycling" for the environment

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

A loop of "Symbiosis" with local communities

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

A loop of "Growth" with employees

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

Responsible behaviors by each corporate employee based on a commonly shared philosophy; this is the basic stance that the Topy Industries Group advocates for CSR

Since the international standard ISO 26000 has been enacted as a guideline for social responsibility, the notion that every organization should fulfill its social responsibility is spreading world-wide for the sustainable development of society. It is important for us to realize that continuous CSR initiatives are necessary in view of the fact that business entities are absolutely vital for economic development, but at the same time, their business activities pose a huge impact to society and the environment. The Topy Industries Group desires to be a corporation that continues to earn trust while maintaining a global perspective as a company performing world-wide business, by adequately responding to the expectations of stakeholders at large including business partners, consumers, shareholders, investors, local communities and employees.

Going forward, we will focus not only on the immediate profit but integrate various aspects of economy, environment and society to seize business developments in order to contribute in creating a sustainable society.

In April 2009, we formulated the Group Basic Philosophy and Group Code of Conduct as the basis of CSR activities. So far, we have hosted a total of 27 sessions to explain the Group Basic Philosophy and the Code of Conduct to share common awareness in the corporation regarding



Takashi Arai

Director and Vice President
In charge of General Affairs and
Legal Matters, Science Division,
Chubu Region Business

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

Recently, many scandals 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 company 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.



CSR Activities

– CSR Highlights –

Close-up of the “Shain-bu”* Personnel Development of Each Individual

We are developing human resources to support the future of the Topy Industries Group with a variety of systems.

Employees are valuable assets for the Topy Industries Group. Each individual employee supports our global business expansion and the manufacture of high quality products that satisfy customer needs. It is the role of the Shain-bu to deem those valuable human resources as human assets and support developing the potential of each personnel to his/her maximum and to create comfortable workplaces. The following is a report on the activities of the Shain-bu.

Our job is to create a workplace where employees are respected

Our job is to support personnel development through one's job and to create safe and healthy working environments. The Shain-bu at Topy is a department for the employees, placing each employee at the center of our job. This is different from “Jinji-bu,” or human resource departments, generally used at other Japanese corpora-

tions. As such, the Shain-bu at Topy is working to create a workplace that respects the diversity, character and personality of each individual amidst the attentions toward the versatility of employment, safety and health management as part of the corporate social responsibilities.

The Shain-bu at Topy Industries is evolving with the times

The Shain-bu has been constantly working on the introduction of personnel development that meets the needs of the times. In 1974, we introduced a professional senior staff system, very unique at the time that included a thesis essay and an interview. Until then, the nomination for promotion had generally been decided based on seniority. In 2000, we started to apply a promotion accreditation test system based on the accumulated personnel evaluation points in order to solicit an early promotion of personnel and to find their potentials. Fostering of personnel with adequate skills and experiences for international business and recruiting capable personnel are essential for the Topy Industries, Ltd. to grow as a global corporation. The Shain-bu continues to build workplace environments that each individual can exert their possibilities to the fullest extent.

Satoshi Kumazawa

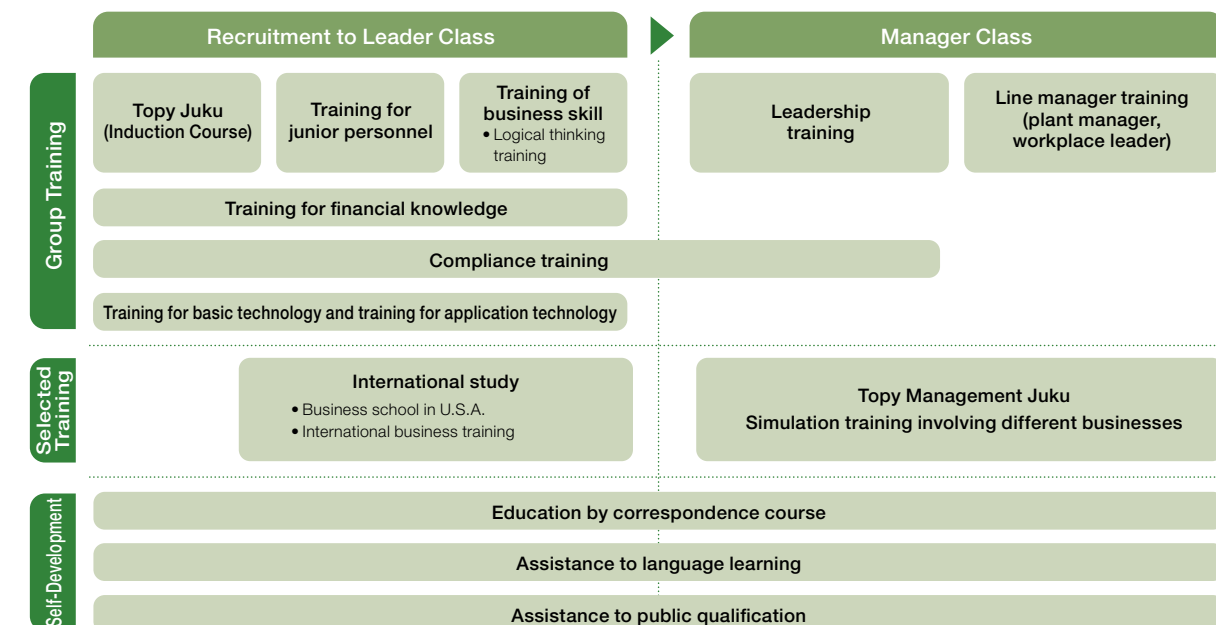
Operating Officer and General Manager of Personnel Department



* Shain-bu: “Shain” means employees, and “bu” means department. At Topy Industries, the “Shain-bu” is used to show how we value and cherish our employees by including the word “Shain” in the department name.

Personnel development map at Topy Industries, Ltd.

Versatile personnel development plan to foster personnel growth



Induction education (training for newly recruited personnel)

Topy Juku

Induction training is provided for newly recruited personnel for the first four months of their employment.

In the first month, personnel learn about the company's organization, manners and basics required as a business person.

In the next three months, personnel experience hands-on, on-the-job training at manufacturing workplace at one of the four factories under the guidance of senior personnel.

Training is provided for all recruited personnel irrespective of job classification (engineering/office-related work).

Development of global personnel

Develop personnel able to work flexibly both in and out of the country

The program is targeting the development of personnel working globally for the improvement of English communication skills and practical skills to adapt to different cultures, general presentation and negotiation skills.

Overseas trainee system

After taking English communication improvement programs and business skill training classes at overseas colleges, the personnel learn practical ways to handle jobs and effective communication through training at overseas locations of the Topy Industries Group.



Development of personnel with professional capabilities

Hierarchical training

Training is organized to develop future leaders taking into account of the number of years after being recruited. In addition to the program to improve communication skills and logical thinking, opportunities are provided to review their roles expected from others and assist employee to grow both in skill and mind.

Financial training

Among the various business trainings we are especially focusing on financial training. This training provides the participants with materials to learn cost awareness and financial analysis so that they may make use of such knowledge when making proposals on cost reductions and decision making based on financial analysis.

Self-development assistance

To facilitate employees acquiring knowledge and information not only on their specialty but also on other fields of interests, a financial aid is provided so that they can receive correspondence courses or go to language schools as an opportunity for self-development to enhance their desire for learning.

Personnel development by job rotation

Purpose of job rotation

We execute periodic and scheduled transfer of personnel. In principle, one will stay in the same department (job) for a maximum of five years. This will enable us to achieve the following effects:

- 1) Growth and vitalization of the organization
- 2) Sharing of knowledge and information possessed by individuals and its effective use
- 3) Fostering personnel with high adaptability to environmental changes (management strategy)

Personnel image to target

We need personnel who are not merely generalists or specialists but “professionals who can grasp the essence of changes and show their strength at their job.” We see the first 15 years of employment as a personnel rotation period and plan to enhance employee's capabilities by letting them experience multiple jobs according to a basic career plan and nurture personnel with a versatile point of view.

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

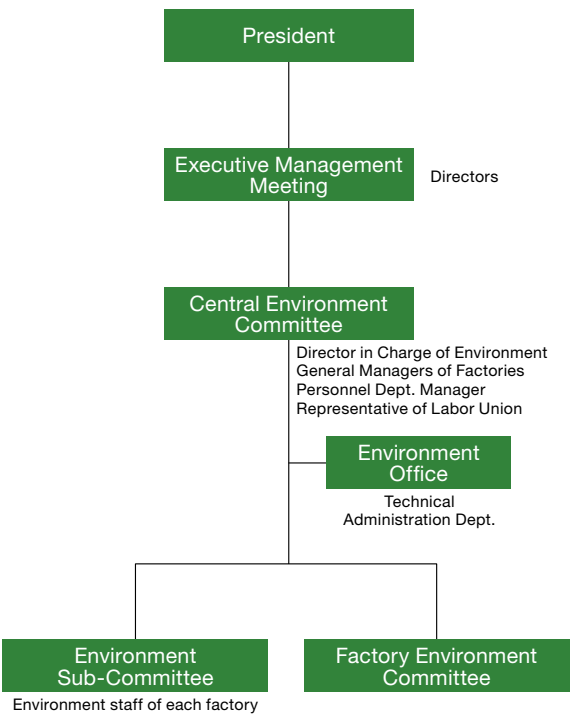
Topy will remain mindful of its impact on local environments and implement measures in accordance with the needs of local communities.

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.

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



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

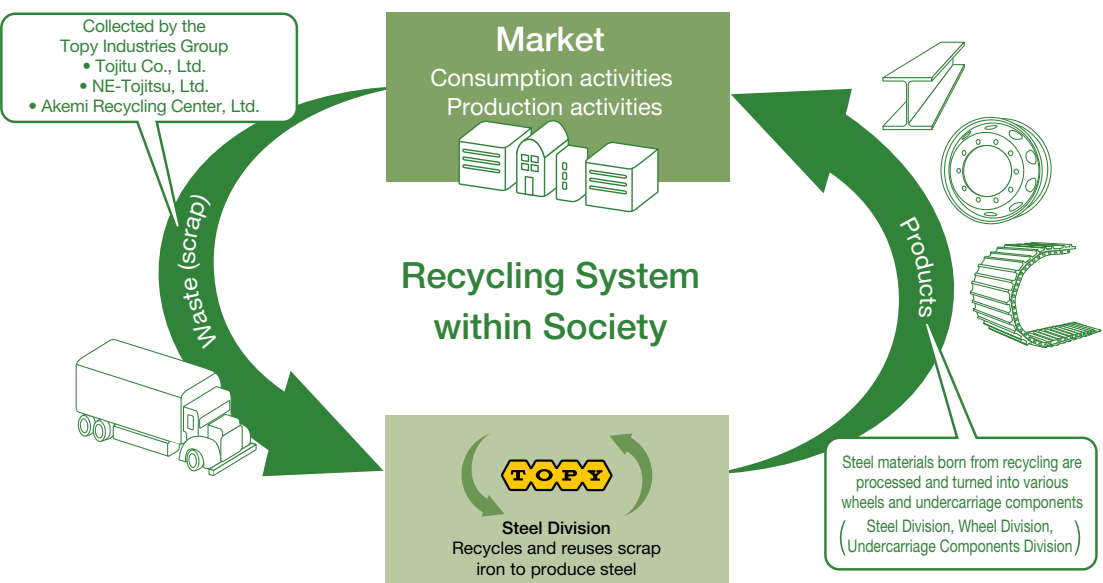
Recycling [Topy Industries, Ltd.]

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-

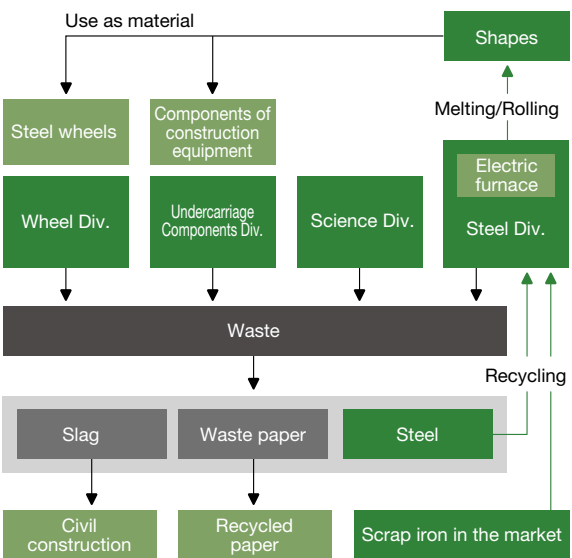
pany assigned to carry out a vital role in the production activities within the recycling system of society. Furthermore, we have implemented an original recycling system within our production flow for the reuse of resources.



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.

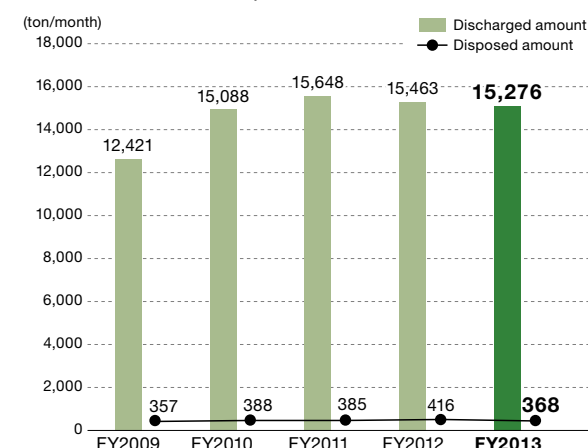
As seen in the graph, the amount of discharged industrial waste in FY2013 decreased slightly compared to the previous term. The industrial waste discharge dropped in FY2009 following the decline in the global economy which started to worsen from the latter half of FY2008, but quickly turned upwards after FY2010 in reflection of the recovery in production.

Meanwhile, the ultimate amount of disposed industrial waste marked 368 tons in FY2013, an 11% decrease compared to the previous term, as a result of our dedicated efforts on 3Rs (Reduce, Reuse, Recycle) with especial focus on recycling. We will continue to promote recycling and reduce the ultimate disposal amount to curb the impact of production increases in the future through the expansion and improvement of 3R activities.

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.

Transition of Discharged and Ultimate Amount of Industrial Waste Disposal



(As seen in the graph, the amount of discharged industrial waste in FY2013 dropped slightly.)

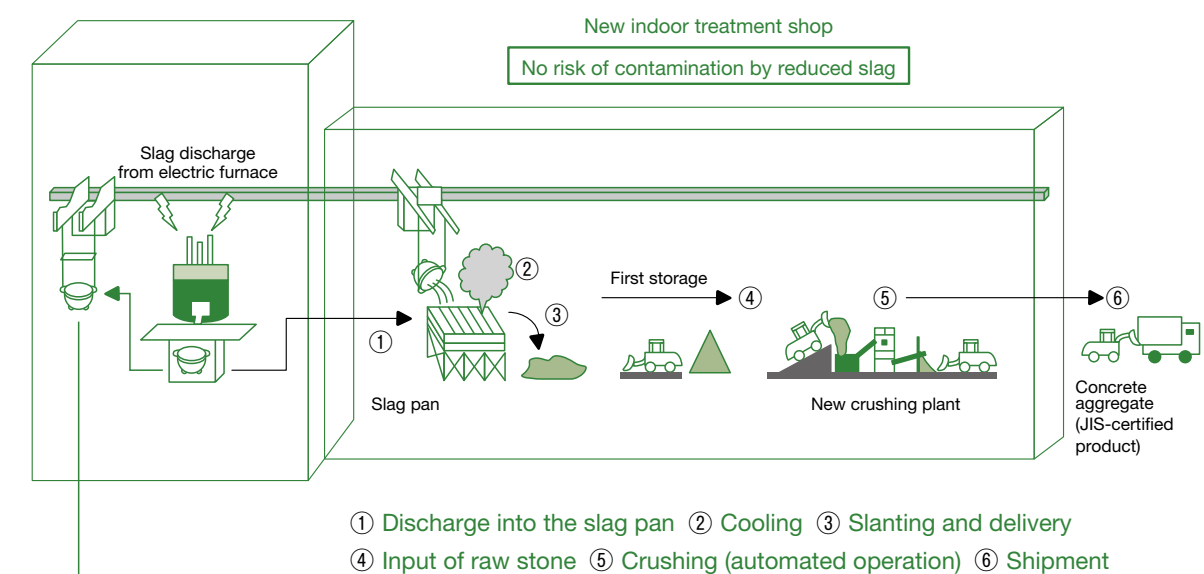
Obtained revised JIS Certification for Oxidized Slag

In April 2013, Toyohashi Factory of the Steel Division obtained JIS A 5011-4: A slag aggregate for concrete-category No.4: electric furnace oxidized slag aggregate. This became possible as the factory established a recycling system that completely separates oxidized slag and reduced slag generated during the steelmaking process in the electric furnaces, which are then treated and processed by introducing slag cooling and crushing equipment. In addition, the factory acquired in December 2013 another certificate for Revised JIS A 5011-4 and started to produce and sell concrete aggregate materials made using oxidized slag from the electric furnace.

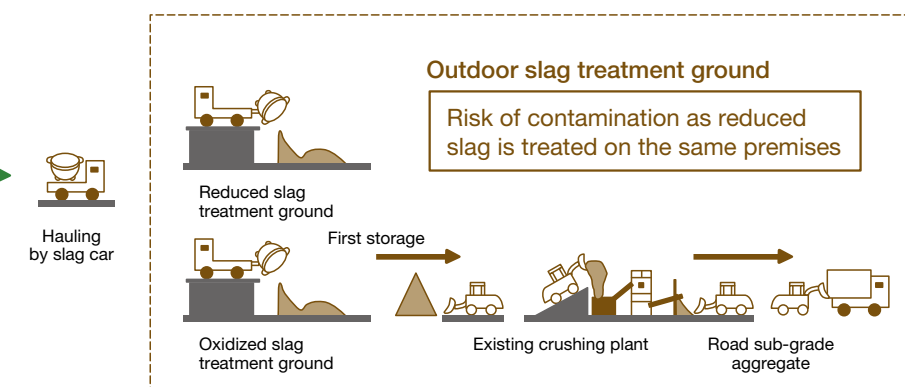
Oxidized slag aggregate is heavier in specific gravity than natural materials such as sand and gravel that have been used as concrete aggregate materials and so we expect slag to be used for heavy concrete aggregate such as wave dissipation blocks. The sales expansion of oxidized slag aggregate for concrete 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.

New Slag Treatment Flow

New slag treatment for JIS certification



Conventional treatment



Environmental Activities

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

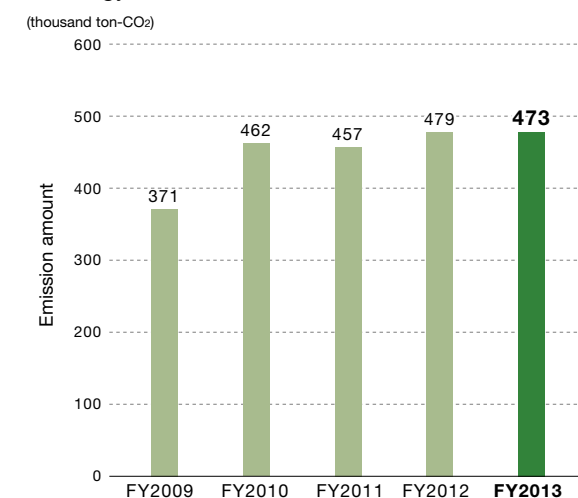
Reduction of CO₂ emissions

At each factory of Topy Industries, Ltd. improvement activities are in place according to the products and production facilities involved toward achieving targets based on Keidanren's (Japan Business Federation) "Voluntary Action Plan on the Environment." In FY2012, the total amount of CO₂ emissions at Topy's facilities was 479 thousand tons, maintaining the target level below that of FY1990. However, this reflected a large decline in production due to the deteriorating global economy from the latter part of FY2008, and CO₂ emissions show signs of a slight increase 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 CO₂ 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 CO₂ 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 m² with an estimated generation power of some 46,000 kWh per year. For testing purpose three different panels (single-crystal panel, multi-crystal panel and CIS panel) were installed at the same time to compare generation power and characteristics. For another experimental purpose beside the solar facility, we laid oxidized slag aggregates produced in-house on the ground of the pilot facility to check the effectiveness of oxidized slag aggregates as a suppressor against weeds including its effects to the pilot equipment and power generation itself. We are undertaking these attempts as part of our contributions to the global environmental conservation activities.



Pilot solar power generation facility at Toyohashi Factory

Chemical Substance Management [Topy Industries, Ltd.]

Emission management of materials under the PRTR law

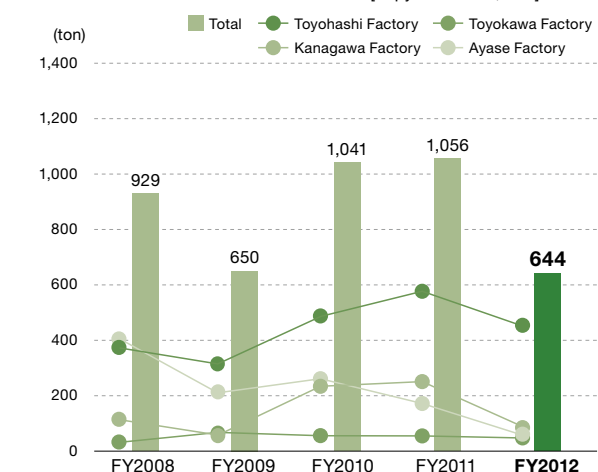
In accordance with the PRTR Law (the Pollutant Release and Transfer Register Act (the Act on Confirmation etc. of Release Amounts of Specific Chemical Substances in the Environment and Promotion of Improvements to the Management Thereof), business entities that handle chemical substances are obliged 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 CO₂ emissions and discharge of general industrial wastes do likewise.

PRTR total emission amounts turned to a decline temporarily due to the global economic slump triggered by the world economic crisis in 2009. However, both total emission amounts and transfer amounts started to rise in FY2011 along with the recovery trend of the global economy. As for FY2012, the total emission amount

and transfer amount dropped about 40% compared to the previous term due to decreased VOC (volatile organic compound).

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



(The measuring results of emission amount and transfer amount for FY2013 will be posted in Topy Report 2015)

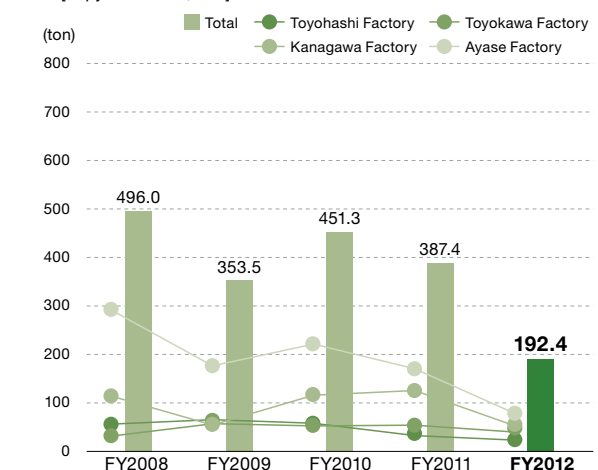
Initiatives on air pollution prevention

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.

Currently facilities that emit VOC (painting and curing facilities) are in operation at Topy's four major factories. We are conducting a thorough check from a production technology standpoint for voluntary measurement and reduction in concentration of VOC, in order to actively address the prevention of air pollution. Based on the results of this check, we are building a suitable voluntary approach and are proceeding with specific measures for the achievement of our reduction target. The emission amount in FY2011 shows an increase compared to that of FY2009 when it hit a minimum, but again shows signs of decrease compared to the previous term.

As additional information, the VOC emission amount in FY2012, though not listed here, almost halved compared to FY2011, due to a substantial decrease at Ayase Factory (emission gas treatment facilities commissioned for the painting line) and Toyohashi Factory (consumption for bridge painting reduced as a pre-liquidation measure of Nippon Steel Topy Bridge Co., Ltd.).

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



(The measuring results of emission amount and transfer amount for FY2013 will be posted in Topy Report 2015)

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.

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 wheel-making technologies. The ECOD discs are formed through cold spinning (rocking die forming) of a tube made of steel plate, enabling thinner and lighter discs without compromising the required strength.



Non-chrome pre-treatment of aluminum wheel painting

An industry first for chromium-free processing

Surface treatment of aluminum alloy wheels has long been developed with a focus on long-term corrosion resistance and anti-discoloring, and treatment with chromium was thought to be vital for anti-corrosion properties. However, in view of European environmental regulations,

Japanese automobile manufacturers have turned their attention to surface treatments that avoid the use of heavy metals such as chromium. Topy has spent substantial time on the study and technological development of alternative materials to replace chromium, and has succeeded in a chromium-free process for the first time in the industry.



LED sign for Tokyo Metro saves electricity consumption and burned-out waste tubes



The M sign mark board at the entrance gates of Tokyo Metro stations has been replaced from a circular type sign board with fluorescent tubes with a cube type board equipped with Topy's LED. The cube type sign can be seen from four directions and is easy to recognize from a distant place while the circular type has only two faces visible from front and rear directions. Lighting source has been changed from standard fluorescent tubes for the circular sign to the straight LED lamps that help lower electricity consumption in addition to the advantage of relieving environmental burden by reducing waste from burned out bulbs.

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

Environment basic policy

Toyohashi Factory engages in recycling activity by processed metal production using metal scrap and related natural resources and nonmetal mineral production. On the other hand, it is aware that its business uses large amounts of energy and requires environmental burden. With this in mind, Toyohashi Factory will carry out initiatives to conserve, sustain, and improve the natural environment surrounding the factory and Mikawa Bay. Such initiatives are not confined to in-house activities but are extended to broader environmental conservation activities and communication such as participating in local conservation movements in order to build a symbiotic relationship with local communities.

Action guideline

1. Continuous improvement of environmental management system to raise overall environmental performance.
2. Contribute to realizing a low carbon emission society through the efficient use of energy, the utilization of optimum technology, streamlining production processes, transportation efficiency and other improvements.
3. Work toward reducing waste through activities such as reining in waste generation, utilization of resources, expanding recycling.
4. Work toward decreasing environmental burden 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 of the 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

Strictly comply with applicable legal and related requirements associated with the environment and promote building a symbiotic relationship with the local community.

Reduction of environmental burden

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.

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.

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 (CO₂) 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 energy saving, resource saving, 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 environment 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 burden. In addition, exercise regular emergency drill in anticipation of environmental issues.

CSR Activities

Social Responsibility

Relationship with Customers [Topy Industries, Ltd.]

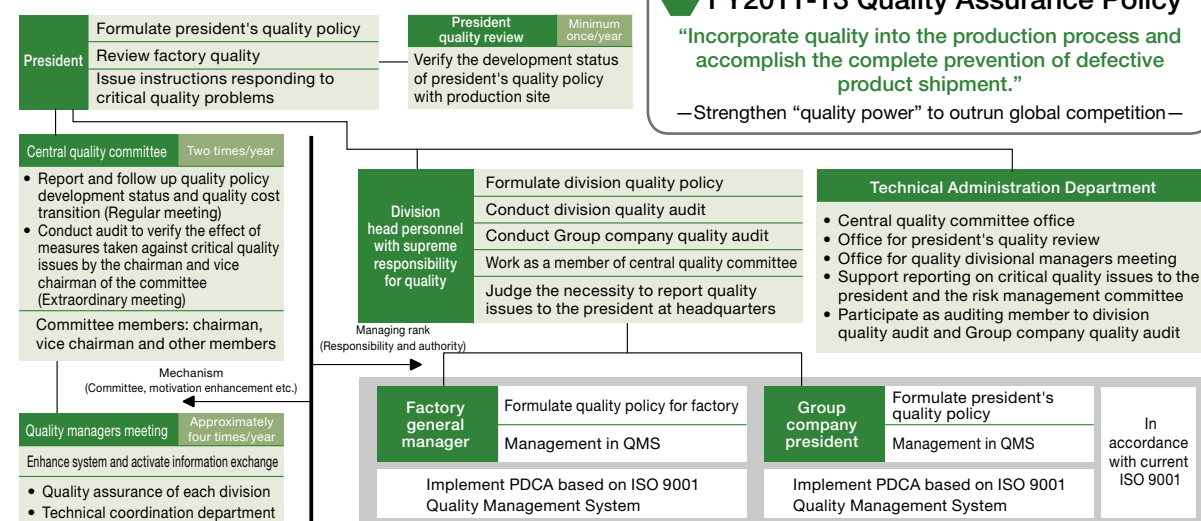
– Customer Satisfaction and Quality Management –

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



FY2011-13 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—

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 therefore, 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, and these groups engage in improvements beginning with quality and extending to issues such as costs, productivity, safety, and environmental preservation.

On December 7, 2013 the 25th Topy Industries Group Small Group Activity Presentation Convention took place with a total of 13 participating circles; 5 circles from Topy Industries and 8 circles from the Topy Industries Group companies. The Welding Circle from Toyokawa Factory won the best prize for their presentation on "Challenge for zero short shipments attributable to the responsibilities of No. 1 line."



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.

long-term consolidated management plans. This management plan session can be watched via streaming from our website for shareholders/investors, "IR library."



March 2014, explanation session for financial results

Participants of FY2013 Explanation Session

Date Held	Content	Participants
Nov. 20, 2013	2 nd quarter financial results	22
May 23, 2014	12-month financial results	29

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.

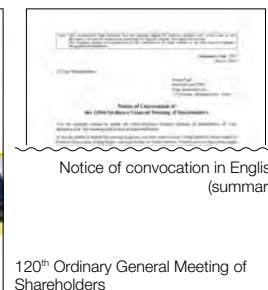
Our basic policy regarding profit distribution is to return profits to shareholders in proportion to the consolidated business results while building up retained earnings for future business development and strengthening our corporate structure. Retained earnings will be allocated to investment into 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 Corporate Law."

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

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

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



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

We believe that the opportunity for our top executives to directly explain our management plan and financial results helps us earn the trust of our investors. Such sessions are held after financial results are disclosed at the end of the second quarter and at the end of the fiscal year for analysts and institutional investors. The president himself presents our financial results as well as our medium to

Social Responsibility

Relationship with Local Communities

– Contributions to Society –

TOPY CUP U.S. – Japan Intercollegiate Golf Tournament

The Topy Cup is a sports event that started in 1983 as U.S. Japan Goodwill Intercollegiate Golf Tournament where top student golfers selected from Japanese and U.S. colleges compete. The Topy Industries Group has participated in the management of the event since 1989 and became a main sponsor in 1993 under the new name of “Topy Cup U.S. – Japan Intercollegiate Golf Tournament.” The Topy Cup marked its 30th anniversary in 2013.

The Topy Cup has played a positive role in promoting exchange between the students of both countries through sports and has earned wide recognition as a regular event. The Topy Cup in 2013 was held at Tanagura Country Club for three days from September 10 to September 12 and exciting plays every day made the event very memorable.



TOPY CUP U.S. – Japan Intercollegiate Golf Tournament



The Poster of the 30th Anniversary of Topy Cup

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.

During FY2013 two cleanings events were conducted, the first on May 30 with 70 participants; the second on November 8 with 60 participants. The participants were divided into four groups: the shoreline in front of the guard station, the area outside of the South gate, the shore line of the North Wharf, and the East shoreline, and cleaned those areas for about one hour, collecting a large quantity of driftwood, plastic bottles and other objects.



Environmental conservation activity

Toyohashi team wins indoor fire hydrant competition [Topy Industries, Ltd.]



The 1st prize for indoor fire hydrant category

Our positive involvement in fire prevention is highly acclaimed from the local community. The in-house fire-fighting team of Toyohashi Factory participated in the 47th Toyohashi City Firefighters Hose Watering Contest that took place on the compound of Topy's Toyohashi Factory at Akemi-cho, Toyohashi city on November 2, 2013.

Topy's team won the first prize in the category of indoor fire hydrant, advancing from the third place last year.

Factory tour for middle school students [Topy Industries, Ltd.]

On November 14, 2013, Kanagawa Factory welcomed 2 teachers and 40 students from Takinosawa Middle School in Fujisawa City for a factory tour.

This was the first factory tour for middle school students conducted by the factory. The factory plans to organize similar plant tours in the future inviting more students to Topy's factory so that the students can learn more about our contributions to local communities as well as the operations at Kanagawa Factory.



Takinosawa Middle School Students visiting Kanagawa Factory

Factory tour for elementary school students [Topy Industries, Ltd.]

Ayase Factory offers plant tours for nearby elementary schools. On January 16, 2014, 3rd grade students from Ryouhoku Elementary School visited the factory. The students voiced their joy mixed with surprise from the forklift trucks moving around the shop floor, the impressive SGOR® wheels for mining dump trucks, the vast area of the factory, the number of industrial robots working at various places, and everything they saw. There was a letter from a pupil posted in the School Newspaper saying that he would like to work at Topy when he grows up.

The factory continues to offer plant tours as part of communication improvement with local communities.



Ryouhoku Elementary School students visiting Ayase Factory

Technical Trainees from Indonesia [Topy Industries, Ltd.]

A total of 10 technical trainees from Indonesia visited Ayase Factory on November 27, 2013. They were the first technical trainees that Ayase Factory accepted. This is a part of the education program that gives them the opportunity to learn the skills and basics of manufacturing in Japan and to develop personnel who can contribute to the manufacturing industry of their home country. We were impressed with the trainees' burning enthusiasm, strong motivation and positive attitude to learn as much as they could.



Technical trainees from Indonesia

Swim Club Ayase receives award from the Ayase Fire Prevention Association [Topy-Rec, Ltd.]

On May 10, 2013 Topy-Rec Swim Club Ayase was awarded a superior business operation site by the Ayase Fire Prevention Association as a high evaluation of its fire prevention management system and promotion of fire prevention. The Swim Club Ayase realizes the importance of the role of each staff in the management of fire prevention and pursues routine training and thorough implementation of preventive actions with agility and calmness.



Award ceremony

A green curtain project [Topy Industries, Ltd.]

On May 9, 2013 a kickoff event for the “Green Curtain Project 2013,” a national campaign for the prevention of global warming by the Ministry of Environment took place at the Osaki Elementary School of Toyohashi City. Toyohashi Factory of Topy Industries participated in the event as a representative of local companies. In the event, the pupils of the Osaki Elementary School planted young passion fruit trees to make a green curtain as a measure to reduce CO₂ and conserve electricity consumption during the summer.



A green curtain project

A virtual plant tour on our home page [Topy Industries, Ltd.]

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

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 2013 through December 2013)

Factory	Total working hours	No. of accidents	Frequency	Severity
Kanagawa	458,145	1	2.18	0.01
Ayase	935,323	0	0.00	0.00
Toyohashi	1,485,006	3	2.02	0.05
Toyokawa	926,336	1	1.08	0.00
Total	3,804,810	5	1.31	0.02

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,” opened in July 2013 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

Emergency Evacuation Drill

On June 11, 2013, a disaster prevention evacuation drill took place at Toyokawa Factory assuming a mega earthquake has hit the Tokai area. The drill used a new evacuation routes that detour dangerous places and vehicle transportation through all the roads within the factory premise were prohibited. This made the drill more tense and real.

In addition to the standard drill, the Topy Team Q5, members who have trained life-saving skills such as first-aid treatment and AED handling performed practical activities such as carrying an injured person on a stretcher and stopping bleeds.

The factory will continue drills of high quality and content to reduce damage from disasters.



Evacuation drill

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 FY2013, 16 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 –

Crane Sling Work Competition

On September 8, 2013, the Crane Sling Work Competition organized to improve safety awareness by competing in the skills trained through routine operation took place at Ayase Factory. Operators representing each workplace performed their best skills and the best prize went to the Ultra-large Wheel Workplace at the Construction Wheel Plant. The factory plans to continue this competition contest next year and onward.



Sling Work Competition



Award certificate

Topy wins the Excellent Prize from the Iron and Steel Institute of Japan

The 82nd convention for the Electric Furnace Section, a research section in the Iron and Steel Institute of Japan, took place at Osaka on November 22 and 23, 2013 with a total of 60 participants from 19 sites of 10 companies and delivered 14 presentations under the theme of "Improvement of Refractory Materials."

The speaker representing Topy's Toyohashi Factory presented his report "Durability Improvement Measures on Ladle Refractory Materials at Topy Industries" and received the excellent award. The presentation was highly evaluated by the judges for the proposed measures yielding substantial results in operations.

Recreational activities for improved communication

At each factory of Topy Industries, Ltd. various events and recreational activities are organized to promote transaction and communication among employees and with the residents of the local community. Different events are held depending on the season, including a resort tour to a well-known theme park, cherry-picking, a Christmas party, and a beer-tasting party. The anniversary event of Kanagawa Factory took place in Chinatown in October, where a Chinese lion dance was performed adding a joyous flavor to the event. At Ayase Factory the voluntary members of the recreation group served Chinese dumplings and pork soup to the associates of the factory to deepen familiarity among them.



Award ceremony

Initiatives on FY2013 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 following slogans have been selected out of a large number of submissions and awarded for the FY2013 contest.

Posters for National Safety Week



Best Poster Award



Honorable Mention Award



Honorable Mention Award



Honorable Mention Award



Honorable Mention Award



Honorable Mention Award

Posters for National Labor and Health Week



Best Poster Award



Honorable Mention Award



Honorable Mention Award



Honorable Mention Award

Prestigious awards from Caterpillar Inc.

Caterpillar Inc. presents certificates for SQEP (Supplier Quality Excellence Process) to its suppliers as a method to evaluate suppliers' performance with respect to quality, cost, delivery and other items based on an original evaluation criteria and awards suppliers who excelled in these overall requirements.

The Wheel Division won the platinum level of SQEP award, the highest level of this award, for two consecutive years. We received the plaque of certification from Caterpillar Inc. at Ayase Factory on June 19, 2014. The Wheel Division will continue to enhance its presence as the world top-class integrated wheel manufacturer.

Also, the Undercarriage Components Division was given the silver level of SQEP award and an awarding ceremony for the plaque of certification was conducted at Kanagawa Factory on March 28, 2014 with guests

from Caterpillar Inc. The Undercarriage Components Division takes this award as a springboard to obtain a higher level of the award in the future in order to respond to the expectation from valued customers.



Award ceremony



SQEP Certification plaque

Corporate Data

Annual Report Fact Book

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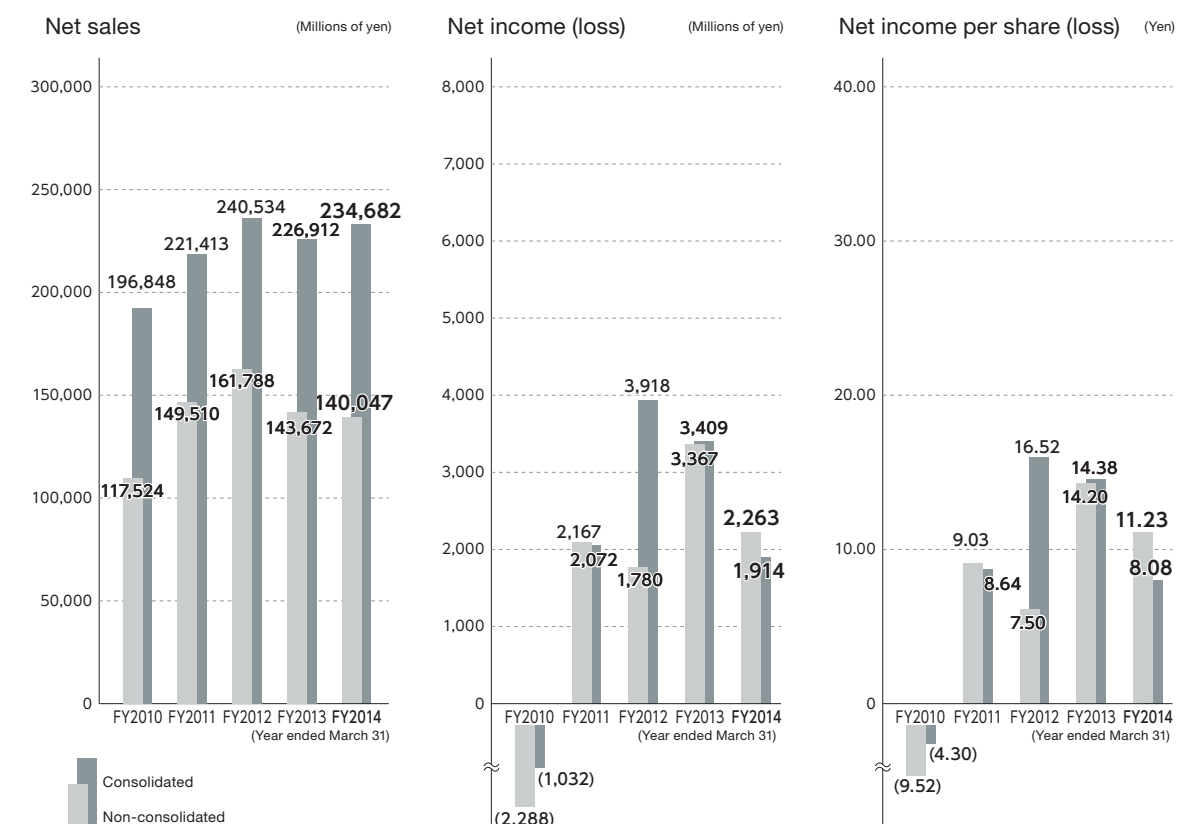
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Financial Highlights

Consolidated	Millions of yen		Thousands of U.S. dollars (Note)
	2014	2013	
Net sales	¥ 234,682	¥ 226,912	\$ 2,280,237
Net income	1,914	3,409	18,597
Total assets	232,714	208,781	2,261,115
Net income per share (in yen and U.S. dollars)	8.08	14.38	0.079
Non-Consolidated	Millions of yen		Thousands of U.S. dollars (Note)
	2014	2013	
Net sales	140,047	143,672	1,360,736
Net income	2,663	3,367	25,874
Total assets	176,395	159,946	1,713,904
Net income per share	11.23	14.2	0.109
Cash dividend applicable to the period (in yen and U.S. dollars)	2.00	4.00	0.019

Note: Dollar amounts are converted at the rate of ¥102.92 to U.S. 1 dollar (Year ended March 31, 2014)

Five-year Trends in Sales and Profits



Corporate Data

Analysis of Operation Results and Financial Performance by Management

Business overview

Despite a gentle recovery in the U.S. and signs of the economy picking up in Europe, the global economy during this consolidated accounting year continued to show a weak recovery due to slowdown in growth in China and other developing countries. The Japanese economy showed a gentle recovery supported by the retreatment of the yen, increase in public investments, rise in personal spending and capital investments.

Under such conditions, the Topy Industries Group has implemented its medium term consolidated management plan "Growth & Change 2015" with the basic principle being global "Growth" and "Change" to achieve a high-profitable structure. As one part of the plan, the construction of the plant has begun at TOPY MW MANUFACTURING MEXICO S.A DE C.V. (State of Guanajuato, Mexico) a subsidiary for the manufacturer of passenger car steel wheels in response to the demand increase in North and South America. Also, TOPY UNDERCARRIAGE INDONESIA (West Java, Indonesia) opened a subsidiary for the sales of undercarriage components of construction machinery. The new company seeks to catch increasing demand in the replacement market in the ASEAN region. Furthermore, the Topy Industries Group has continued its efforts to improve corporate value by establishing a production structure that can quickly respond to demand, improving productivity etc. for further cost performance improvements.

As a result, for Topy Industries Group during this consolidated accounting year, net sales increased by 3.4% to ¥234,682 million. However, operating income declined by 24.1% to ¥5,308 million due to a noticeable drop in sales volume of ultra-large diameter wheels used at mining sites and the escalation in competition of undercarriage components for construction machinery, ordinary income declined by 28.1% to ¥4,485 million, and net income declined by 43.8% to ¥1,914 million.

Dividend

The basic policy regarding profit allocation at the company is to return profit to our shareholders appropriately according to consolidated business results, 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. Profit return index based on consolidated business earnings are targeted at consolidated payout ratio of 25%. However, decisions are made with careful consideration for stable and continuous dividend.

In view of the circumstance for stable and continuous payout, end of the year dividend for this consolidated accounting year is scheduled to be ¥2 per share.

Outlook for the future and issues to be solved

With regard to the outlook of economic environment from here onward, there is hope for gradual recovery as a result of government economic policies. However, the rebound of the last minute demand before the tax raise, cutback of credit expansion in the U.S., the unclear trend of the economy in China and other developing countries leave concern, and all of which leave us to believe the business environment surrounding the Topy Industries Group will continue to be extremely harsh.

Under such management conditions, and in promoting the new 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 in order to establish a business structure strong enough to weather dramatically changing environments. The Topy Industries Group will continue to pursue consecutive profit and seek further progress by exerting its competitive strengths of "integrated manufacture from raw material to product" as defined by the corporate message "One-piece Cycle".

As for the projection of our business for next term, we will continue to improve sales prices, make further efforts to reduce cost and we are projecting consolidated net sales of ¥244,000 million, operating income of ¥6,600 million, and ordinary income of ¥5,700 million and net income should improve to ¥3,600 million.

Topy Industries, Ltd.
President and CEO

Y. Fujii

Business by Segment

Steel Business

Business results

In the steel industry, steel demand for construction use stayed solid, demands for other manufacturing sectors centering on automobiles showed a recovery, and the volume of crude steel production outnumbered that of last year. As for the electric furnace mill industry, demand turned upward from the second semester and annual crude steel production by this sector also exceeded the level of the previous term showing a general sign of improvement.

Under such conditions, and despite the negative effects from price increase of metal scrap and electricity costs, the Topy Industries Group has exerted all its efforts for achievement of thorough cost reduction and improvements in sales prices. As a result, net sales increased by 7.9% to ¥72,955 million, and operating income improved by 126.3% to ¥1,630 million from the previous term.

Issue to be addressed

We aim to become a leading company in the industry by focusing on our distinctive special section steel, reinforced with the highest levels of cost competitiveness in the domestic market.

We will strengthen our competitive edge in costs by ensuring the construction of the new steelmaking facility that will start test operation this year, and full operation in April 2015. This facility will enable us to achieve an overwhelmingly low electric power consumption rate,

realize improved productivity and quality, and reduce environmental cost, as well as establishing self-support of material source allowing use of both blooms and billets. Furthermore, we drive with the united efforts of all group companies to improve overall efficiency throughout the entire processes from procurement of raw materials for steelmaking to delivery of the finished products so that we can solidify our earning structure.

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.

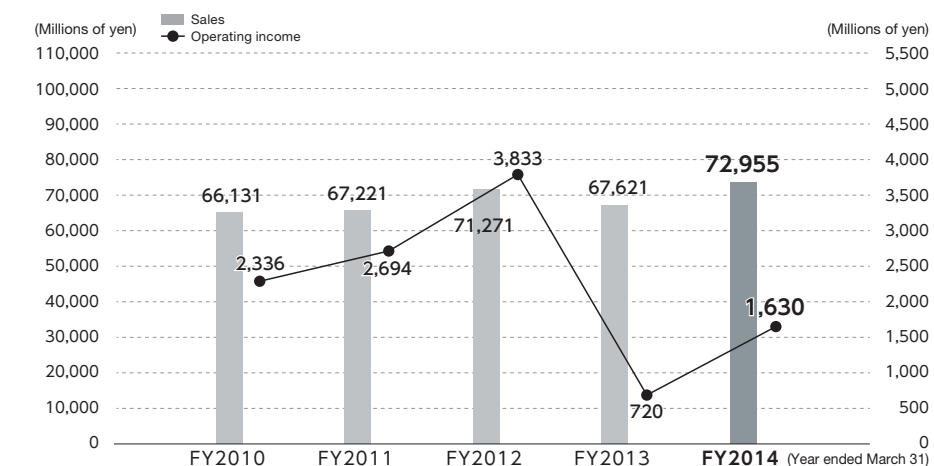
Ongoing achievements include orders received for new shapes, reduction in power intensity rate on conventional products, development of technology on industrial wastes and recycling of resources.

We spent 22 million on these R&D activities.

Companies included in this business segment

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

Net sales, operating income



Additional Data

Corporate Data

Business by Segment

Automobile & Construction Machinery Components Business

Business results

In the automobile industry, sales of passenger cars decreased as the subsidy for eco-friendly cars ended, however, last minute demand before the tax raise pushed domestic production to the level exceeding that of last year. On the contrary, the business environment surrounding the construction machinery industry remained severe as the world demand for mining equipment continued to be sluggish and the Southeast Asian markets growth decelerated, while in the domestic market the industry saw steady demand from the post-earthquake recovery and last minute demand before implementation of the new emission regulation.

Under such conditions, the Topy Industries Group was able to secure steady demand of wheels for trucks and passenger cars, posting solid sales of those wheels. With effect of continued improvement activities net sales for this period slightly increased by 1.4% to ¥147,423 million, but operating income declined by 26.2% to ¥7,360 million mainly due to a significant decrease in the sales volume of ultra-large wheels used at mining operations across the world and escalation in competition of undercarriage components for construction equipment.

Issues to be addressed

We will continue to further solidify our presence as the “World’s Top Class Integrated Wheel Manufacturer” and proceed to establish our position as the “Comprehensive Undercarriage Components Manufacturer in the Construction Machinery Industry”. In the meantime, we will carry on with efforts in cost reduction to secure earnings even under challenging business conditions. Also, we will exert our efforts to build an optimum global production

system by expanding overseas manufacturing sites and strengthening strategic alliance with our global business partners.

Research and development activities

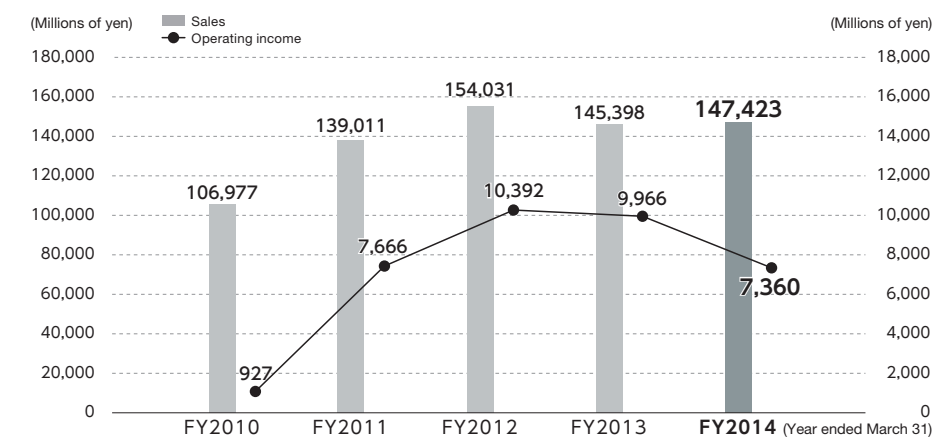
We are involved in weight saving, quality improvements, cost reduction, speed up of development time and development of new products.

Ongoing achievements related to steel and aluminum wheels include improvement in the accuracy of analysis and evaluation technology, development and commercial production of new products, cost reduction and quality improvement of conventional products, and the achievements related to construction and mining equipment components include cost reduction in forging process of ultra-large diameter wheels, quality improvements and cost reduction in heat treatment processes of rollers and shoes for hydraulic excavators.

We spent ¥665 million on these R&D activities.

Companies included in this segment	
Manufacturing:	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.
Sales and Services:	Topy Enterprises, Ltd. Autopia Ltd.

Net sales, operating income



Other Business

Business by Segment

The 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 lease such as “Topy-Rec Plaza” (Minami Suna, Koto-ku, Tokyo), and operation of sports club “OSSO”. Net sales resulted at ¥14,303 million, and operating income was ¥632 million.

Issues to be addressed

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

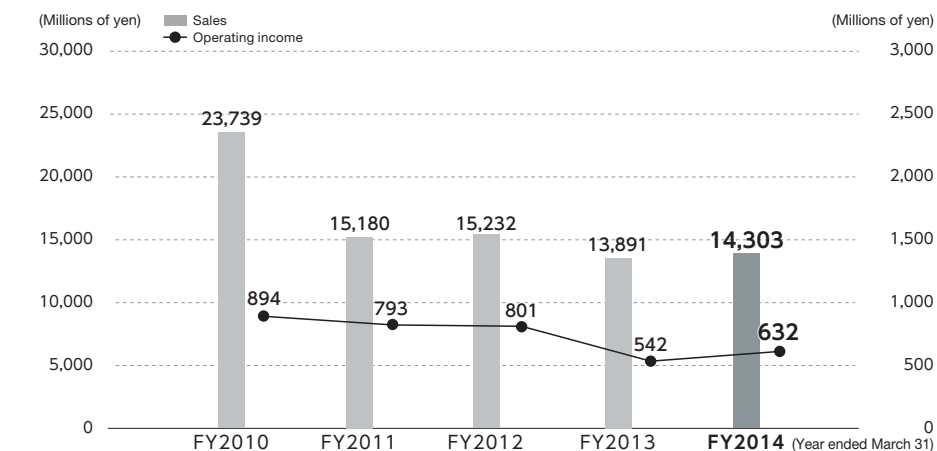
Research and development activities

We work on positive promotion of university-industry cooperation in new areas. The Science Division is involved in the developments of ultra-thin and weight conscious LED signs, new products using high gross synthetic mica as well as crawler robots. The Technical Center and the Technology Development Promotion Center are involved in the development of basic element technology related to the business of each operating division.

We spent ¥831 million on these R&D activities.

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

Net sales, operating income



Additional Data

Corporate Data

Major Subsidiaries & Affiliates [Topy Industries, Ltd.]

Company name	Head office location	Capital (millions of yen)	Business segment	Holding voting right or owned by (%)
(Consolidated Subsidiaries) Topy Enterprises, Ltd.	Shinagawa-ku, Tokyo	480	Steel, Automotive and Industrial Machinery Components, Other	100
Topy Marine Transport, Ltd.	Toyohashi-shi, Aichi Pref.	225	Steel	100
Topy Fasteners, Ltd.	Matsumoto-shi, Nagano Pref.	310	Automotive and Industrial Machinery Components	100
Topy-Rec, Ltd.	Koto-ku, Tokyo	300	Others	100
Kyushu Wheel Kogyo, Ltd.	Miyako-gun, Fukuoka Pref.	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	120 million pesos	Automotive and Industrial Machinery Components	75
(Unconsolidated subsidiary accounted for under the equity method) Tanagura Development Co., Ltd.	Higashi Shirakawa-gun, Fukushima Pref.	200	Others	100
(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, 2014

Notes:
1. Respective business segments are listed in the "business segment" column (excluding other affiliated companies).
2. 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.
3. 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.
4. Hokuetsu Metal Co., Ltd. and Nippon Steel & Sumitomo Metal Corporation issue an official financial statement separately.
5. 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 ¥122,419 million
(2) Operating income ¥1,477 million
(3) Net profit ¥908 million
(4) Net assets ¥6,619 million
(5) Gross assets ¥41,413 million
6. The values in parentheses under the "holding voting right or owned by" column represent indirect holding percentages.

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

Position		Name	Titles or responsibilities
Directors	President and CEO	Yasuo Fujii	
	Director, Vice President	Akira Higashi	Corporate Planning, Affiliated Companies, Overseas Business Planning, Finance, Personnel, Labor Relations
	Director, Vice President	Takashi Arai	General Affairs, Legal Matters, Science Division, Chubu Region Business
	Managing Director	Yasuhiro Ishii	Technology, Safety, Quality, Environment, R&D, New Business Development, Business Process Innovation & Promotion
Audit & Supervisory Board Members	Standing Statutory Auditor	Takeshi Mitsuma	
	Standing Statutory Auditor	Tamio Kurosaki	
	Standing Statutory Auditor	Masaru Yamamoto	
	Standing Statutory Auditor	Mamoru Oto	
Operating Officers	Managing Operating Officer	Atsuo Mochizuki	Automobile & Industrial Machinery Components, General Manager of the Undercarriage Components Division
	Managing Operating Officer	Norio Saito	Automobile & Industrial Machinery Components, General Manager of the Wheel Division
	Managing Operating Officer	Tadashi Kojima	General Manager of the Internal Audit Dept.
	Operating Officer	Toshiyuki Tani	General Manager of the Science Division
	Operating Officer	Akira Tanahashi	Steel Business, General Manager of the Steel Division, General Manager of Toyohashi Factory
	Operating Officer	Satoshi Kumazawa	Personnel, Labor Relations, Safety, General Manager of the Personnel Dept.
	Operating Officer	Shinichi Kijima	Corporate Planning, Affiliated Companies, Overseas Business Planning, General Manager of the Corporate Planning Dept. and the Global Strategies & Promotion Dept.
	Operating Officer	Ichiro Takeuchi	Deputy General Manager of the Wheel Division
	Operating Officer	Hiroyuki Kinoshita	General Manager of the Undercarriage Components Division, General Manager of Kanagawa Factory
	Operating Officer	Tsuneo Watanabe	Deputy General Manager of the Wheel Division, General Manager of Toyokawa Factory
	Operating Officer	Kazuhisa Nakayama	Deputy General Manager of the Wheel Division, General Manager of Ayase Factory
	Operating Officer	Katsuyoshi Daido	Finance, General Manager of the Finance Dept.
	Operating Officer	Masayuki Yamaguchi	General Affairs, Legal Matters, General Manager of the General Affairs Dept. and the Secretary Office

As of June 26, 2014

Additional Data

Corporate Data

Consolidated Financial Statements

◆ Consolidated Balance Sheet (Assets)

	Millions of yen		Thousands of U.S. dollars (Note)
	2014	2013	
Assets			
Current assets			
Cash and deposits	¥ 17,638	¥ 19,914	\$ 171,376
Notes and accounts receivable-trade	46,073	42,251	447,658
Merchandise and finished goods	12,790	12,353	124,271
Work in process	4,835	3,862	46,978
Raw materials and supplies	8,943	7,870	86,893
Deferred tax assets	1,657	1,862	16,100
Other	6,447	5,877	62,641
Allowance for doubtful accounts	(36)	(38)	(350)
Total current assets	98,349	93,954	955,587
Noncurrent assets			
Property, plant and equipment			
Buildings and structures	76,107	74,101	739,477
Accumulated depreciation	(50,592)	(48,651)	(491,566)
Buildings and structures, net	25,514	25,449	247,901
Machinery, equipment and vehicles	163,403	159,794	1,587,670
Accumulated depreciation	(134,910)	(130,533)	(1,310,824)
Machinery, equipment and vehicles, net	28,493	29,260	276,846
Land	18,387	17,618	178,653
Lease assets	3,610	3,610	35,076
Accumulated depreciation	(817)	(425)	(7,938)
Lease assets, net	2,792	3,184	27,128
Construction in progress	24,284	6,212	235,950
Other	31,668	29,927	307,695
Accumulated depreciation	(29,538)	(28,039)	(287,000)
Other, net	2,129	1,887	20,686
Total property, plant and equipment	101,602	83,614	987,194
Intangible assets			
Other	1,270	1,164	12,340
Total intangible assets	1,270	1,164	12,340
Investments and other assets			
Investment securities	26,426	25,566	256,763
Long-term loans receivable	597	595	5,801
Deferred tax assets	2,643	2,024	25,680
Claims provable in bankruptcy, claims provable in rehabilitation and other	1	1	10
Other	1,903	1,915	18,490
Allowance for doubtful accounts	(79)	(55)	(768)
Total investments and other assets	31,492	30,048	305,985
Total noncurrent assets	134,365	114,827	1,305,529
Total assets	232,714	208,781	2,261,115

◆ Consolidated Balance Sheet (Liabilities / Net Assets)

	Millions of yen		Thousands of U.S. dollars (Note)
	2014	2013	
Liabilities			
Current liabilities			
Notes and accounts payable - trade	¥ 26,279	¥ 33,630	\$ 255,334
Electronically recorded obligations - operating	7,552	—	73,377
Short-term loans payable	22,607	24,697	219,656
Current portion of bonds	5,000	300	48,581
Lease obligations	389	392	3,780
Income taxes payable	1,103	730	10,717
Asset retirement obligations	—	3	—
Other	19,259	12,863	187,126
Total current liabilities	82,192	72,617	798,601
Non-current liabilities			
Bonds payable	18,900	13,900	183,638
Long-term loans payable	15,946	14,637	154,936
Lease obligations	2,403	2,793	23,348
Deferred tax liabilities	52	2	505
Provision for retirement benefits	—	7,127	—
Net defined benefit liability	11,441	—	111,164
Provision for directors' retirement benefits	—	448	—
Provision for corporate officers' retirement benefits	98	86	952
Reserve for repairs	478	687	4,644
Asset retirement obligations	271	274	2,633
Liabilities from application of equity method	774	903	7,520
Other	3,937	4,043	38,253
Total noncurrent liabilities	54,303	44,905	527,623
Total liabilities	136,495	117,522	1,326,224
Net assets			
Shareholders' equity			
Capital stock	20,983	20,983	203,877
Capital surplus	18,824	18,824	182,899
Retained earnings	51,695	50,255	502,283
Treasury shares	(919)	(866)	(8,929)
Total shareholders' equity	90,584	89,196	880,140
Accumulated other comprehensive income			
Valuation difference on available-for-sale securities	5,447	3,706	52,925
Deferred gains or losses on hedges	(4)	(1)	(39)
Foreign currency translation adjustment	534	(3,377)	5,188
Remeasurements of defined benefit plans	(2,196)	—	(21,337)
Total accumulated other comprehensive income	3,779	326	36,718
Minority interests	1,855	1,735	18,024
Total net assets	96,219	91,258	934,891
Total liabilities and net assets	232,714	208,781	2,261,115

Additional Data

Corporate Data

Consolidated Financial Statements

◆ Consolidated Statement of Income and Comprehensive Income

	Millions of yen		Thousands of U.S. dollars (Note)
	2014	2013	
Net sales	¥ 234,682	¥ 226,912	\$ 2,280,237
Cost of sales	200,416	191,916	1,947,299
Gross profit	34,265	34,995	332,928
Selling, general and administrative expenses	28,957	28,005	281,354
Operating income	5,308	6,990	51,574
Non-operating income			
Interest income	45	35	437
Dividends income	489	341	4,751
Share of profit of entities accounted for using equity method	—	220	—
Other	575	369	5,587
Total non-operating income	1,111	966	10,795
Non-operating expenses			
Interest expenses	996	884	9,677
Foreign exchange losses	—	386	—
Share of loss of entities accounted for using equity method	230	—	2,235
Other	706	451	6,860
Total non-operating expenses	1,933	1,722	18,782
Ordinary income	4,485	6,234	43,578
Extraordinary income			
Gain on sales of non-current assets	21	182	204
Gain on sales of investment securities	436	2	4,236
Other	4	17	39
Total extraordinary income	461	202	4,479
Extraordinary losses			
Loss on sales of non-current assets	9	26	87
Loss on retirement of non-current assets	398	352	3,867
Loss on sales of investment securities	262	3	2,546
Loss on valuation of investment securities	—	199	—
Other	27	12	262
Total extraordinary losses	697	594	6,772
Income before income taxes and minority interests	4,249	5,842	41,284
Income taxes-current	2,311	2,404	22,454
Income taxes-deferred	(55)	(48)	(534)
Total income taxes	2,256	2,355	21,920
Income before minority interests	1,992	3,486	19,355
Minority interests in income	77	77	748
Net income	1,914	3,409	18,597
Income before minority interests	1,992	3,486	19,355
Other comprehensive income			
Valuation difference on available-for-sale securities	1,728	2,442	16,790
Deferred gains or losses on hedges	(2)	0	(19)
Foreign currency translation adjustment	3,834	2,244	37,252
Share of other comprehensive income of associates accounted for using equity method	13	48	126
Total other comprehensive income	5,573	4,735	54,149
Comprehensive income	7,566	8,222	73,513
Comprehensive income attributable to			
Comprehensive income attributable to owners of the parent	7,565	8,085	73,504
Comprehensive income attributable to minority interests	1	137	10

Additional Data

Corporate Data

Consolidated Financial Statements

◆ Consolidated Statement of Changes in Net Assets

	Millions of yen		Thousands of U.S. dollars (Note)
	2014	2013	
Shareholders' equity			
Capital stock			
Balance at the beginning of current period	¥ 20,983	¥ 20,983	\$ 203,877
Changes of items during the period			
Total changes of items during the period	—	—	—
Balance at the end of current period	20,983	20,983	203,877
Capital surplus			
Balance at the beginning of current period	18,824	18,824	182,899
Changes of items during the period			
Disposal of treasury stock		(0)	(0)
Total changes of items during the period	—	(0)	(0)
Balance at the end of current period	18,824	18,824	182,899
Retained earnings			
Balance at the beginning of current period	50,255	47,794	488,292
Changes of items during the period			
Dividends from surplus	(474)	(948)	(4,606)
Net income	1,914	3,409	18,597
Total changes of items during the period	1,440	2,460	13,991
Balance at the end of current period	51,695	50,255	502,283
Treasury stock			
Balance at the beginning of current period	(866)	(863)	(8,414)
Changes of items during the period			
Purchase of treasury stock	(52)	(3)	(505)
Disposal of treasury stock		0	—
Total changes of items during the period	(52)	(3)	(505)
Balance at the end of current period	(919)	(866)	(8,929)
Total shareholders' equity			
Balance at the beginning of current period	89,196	86,739	866,654
Changes of items during the period			
Dividends from surplus	(474)	(948)	(4,606)
Net income	1,914	3,409	18,597
Purchase of treasury stock	(52)	(3)	(505)
Disposal of treasury stock		0	—
Total changes of items during the period	1,387	2,457	13,476
Balance at the end of current period	90,584	89,196	880,140

	Millions of yen		Thousands of U.S. dollars (Note)
	2014	2013	
Accumulated other comprehensive income			
Valuation difference on available-for-sale securities			
Balance at the beginning of current period	¥ 3,706	¥ 1,216	\$ 36,009
Changes of items during the period			
Net changes of items other than shareholders' equity	1,741	2,489	16,916
Total changes of items during the period	1,741	2,489	16,916
Balance at the end of current period	5,447	3,706	52,925
Deferred gains or losses on hedges			
Balance at the beginning of current period	(1)	(2)	(10)
Changes of items during the period			
Net changes of items other than shareholders' equity	(2)	0	(19)
Total changes of items during the period	(2)	0	(19)
Balance at the end of current period	(4)	(1)	(39)
Foreign currency translation adjustment			
Balance at the beginning of current period	(3,377)	(5,563)	(32,812)
Changes of items during the period			
Net changes of items other than shareholders' equity	3,911	2,185	38,000
Total changes of items during the period	3,911	2,185	38,000
Balance at the end of current period	534	(3,377)	5,188
Total accumulated other comprehensive income			
Balance at the beginning of current period	—	—	—
Net changes of items other than shareholders' equity	(2,196)	—	(21,337)
Total changes of items during the period	(2,196)	—	(21,337)
Balance at the end of current period	(2,196)	—	(21,337)
Total accumulated other comprehensive income			
Balance at the beginning of current period	326	(4,349)	3,168
Changes of items during the period			
Net changes of items other than shareholders' equity	3,453	4,675	33,550
Total changes of items during the period	3,453	4,675	33,550
Balance at the end of current period	3,779	326	36,718
Minority interests			
Balance at the beginning of current period	1,735	706	16,858
Changes of items during the period			
Net changes of items other than shareholders' equity	119	1,028	1,156
Total changes of items during the period	119	1,028	1,156
Balance at the end of current period	1,855	1,735	18,024
Total net assets			
Balance at the beginning of current period	91,258	83,096	886,689
Changes of items during the period			
Dividends from surplus	(474)	(948)	(4,606)
Net income	1,914	3,409	18,597
Purchase of treasury stock	(52)	(3)	(505)
Disposal of treasury stock	—	0	—
Net changes of items other than shareholders' equity	3,572	5,704	34,707
Total changes of items during the period	4,960	8,162	48,193
Balance at the end of current period	96,219	91,258	934,891

Additional Data

Corporate Data

Consolidated Financial Statements

Consolidated Statement of Cash Flows

	Millions of yen		Thousands of U.S. dollars (Note)
	2014	2013	
Cash flows from operating activities			
Income before income taxes and minority interests	¥ 4,249	¥ 5,842	\$ 41,284
Depreciation	10,086	8,957	97,998
Increase (decrease) in allowance for doubtful accounts	20	(15)	194
Increase (decrease) in provision for retirement benefits	—	654	—
Increase (decrease) in provision for directors' retirement benefits	(448)	(375)	(4,353)
Increase (decrease) in provision for corporate officers' retirement benefits	11	14	107
Increase (decrease) in provision for scheduled repairs	(209)	214	(2,031)
Increase (decrease) in net defined benefit liability	945	—	9,182
Interest and dividends income	(535)	(376)	(5,198)
Interest expenses	996	884	9,677
Foreign exchange losses (gains)	—	1	—
Share of (profit) loss of entities accounted for using equity method	230	(220)	2,235
Loss on valuation of inventories	(9)	(84)	(87)
Loss (gain) on sales of short-term and long-term investment securities	(173)	0	(1,681)
Loss (gain) on valuation of short-term and long-term investment securities	—	199	—
Gain (loss) on sales and disposal of property, plant and equipment, net	386	196	3,750
Loss on valuation of golf club memberships	5	7	49
Decrease (increase) in notes and accounts receivable-trade	(2,945)	15,191	(28,614)
Decrease (increase) in inventories	(1,241)	2,512	(12,058)
Increase (decrease) in notes and accounts payable-trade	(1,218)	(11,591)	(11,834)
Increase/decrease in other assets/liabilities	(824)	(901)	(8,006)
Subtotal	9,326	21,112	90,614
Interest and dividends income received	552	421	5,363
Interest expenses paid	(910)	(913)	(8,842)
Proceeds from subsidy income	—	417	—
Income taxes paid	(2,099)	(4,317)	(20,394)
Income tax refund	382	49	3,712
Net cash provided by (used in) operating activities	7,251	16,770	70,453
Cash flows from investing activities			
Net decrease (increase) in time deposits	(17)	0	(165)
Purchase of property, plant and equipment	(19,093)	(15,015)	(185,513)
Proceeds from sales of property, plant and equipment	86	349	836
Purchase of investment securities	(24)	(60)	(233)
Proceeds from sales of investment securities	1,617	4	15,711
Payments of loans receivable	(17)	(17)	(165)
Collection of loans receivable	12	16	117
Purchase of intangible assets	(56)	(87)	(544)
Proceeds from sales of intangible assets	15	0	146
Change in operative other assets	—	39	—
Other, net	(0)	—	0
Net cash provided by (used in) investing activities	(17,478)	(14,770)	(169,821)

	Millions of yen		Thousands of U.S. dollars (Note)
	2014	2013	
Cash flows from financing activities			
Net increase (decrease) in short-term loans payable	¥ (2,640)	¥ 753	\$ (25,651)
Proceeds from long-term loans payable	7,716	2,300	74,971
Repayment of long-term loans payable	(6,389)	(7,745)	(62,077)
Proceeds from issuance of bonds	9,927	287	96,454
Redemption of bonds	(300)	(300)	(2,915)
Increase (decrease) in deposit payable in cash	(19)	30	(185)
Repayments of lease obligations	(392)	(264)	(3,809)
Proceeds from disposal of treasury shares	—	0	—
Purchase of treasury shares	(7)	(3)	(68)
Proceeds from stock issuance to minority shareholders	236	1,001	2,293
Cash dividends paid	(475)	(945)	(4,615)
Cash dividends paid to minority shareholders	(116)	(110)	(1,127)
Net cash provided by (used in) financing activities	7,538	(4,997)	73,241
Effect of exchange rate change on cash and cash equivalents	376	670	3,653
Net increase (decrease) in cash and cash equivalents	(2,312)	(2,326)	(22,464)
Cash and cash equivalents at beginning of period	19,798	22,124	192,363
Cash and cash equivalents at end of period	17,485	19,798	169,889

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.

PT. Topy Undercarriage Indonesia and Topy MW Manufacturing Mexico S.A. DE C.V. are included in the scope of consolidation as they were established during this consolidated fiscal term.

(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) Nonconsolidated subsidiary by the equity method: 1 company

Tanagura Development Co., Ltd.

(2) Nonconsolidated affiliated companies by the equity method: 2 companies

Hokuetsu Metal Co., Ltd.

Nippon Steel Topy Bridge Co., Ltd.

(3) A major company among non-consolidated subsidiaries and affiliated companies to which the equity method is inapplicable

Topy Agency, Ltd.

(4) 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.

(5) For these companies to which the equity method is applied, and having a different account settling day from the consolidated settling day, financial statements prepared for their fiscal terms are used.

3. Fiscal term of consolidated subsidiaries

The following companies settle their accounts on December 31st 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

Primary by 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 (expect 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.

(Additional information)

Abolition of retirement benefits provision for directors and auditors of subsidiaries

At the regular General Stockholders Meetings in June 2013, the domestic consolidated subsidiaries of the Company respectively resolved as part of an overall review of their directors' and statutory auditors' remuneration standards that the current system for the directors' and auditors' retirement benefits allowance be abolished and instead, a one-time payment be made (payment at the time of retirement). Following this resolution for abolishment, the Company has reversed 312 million yen from the directors' and auditors' retirement benefits allowance during this fiscal term and posted it as an unpaid account due to the abolition included under other items of current and fixed liabilities. In the meantime, the retirement benefits standards remains in effect for the operating officers of the Company and the Company has posted the necessary amount of benefits payments at the end of fiscal term as allowance for operating officers' retirement benefits in order to prepare for the payment of their retirement benefits.

(4) Changes in accounting concerning payment for employees' retirement benefits

a) Attribution method for projected retirement benefits

In calculating retirement benefits obligations, the straight-line attribution method 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)

Application of accounting standard, etc. for retirement benefits

Effective from the current consolidated accounting term, the Company applied the "Accounting Standard for Retirement Benefits" (Corporate Accounting Standard No. 26, May 15, 2012), hereinafter referred to as Retirement Benefits Accounting Standard, and the "Application Guidance on Accounting Standard for Retirement Benefits" (Accounting Standard Application Guidance No. 25, May 17, 2012), hereinafter referred to as Retirement Benefits Application Guidance. (With the exception of the requirements of the text under clause 35 of the Retirement Benefits Accounting Standard and the text under clause 67 of the Retirement Benefits Application Guidance) A change in the system in which the amount after pension assets are deducted from retirement obligations is considered as benefits liabilities and the un-disposed amount in transition obligations and actual gain or loss are posted as the liabilities of retirement benefits. The application of the Retirement Benefits Accounting Standard is implemented under transitional treatment according to clause 37 of the Retirement Benefits Account Standard, and, at the end of the current consolidated fiscal term, the amount affected by this change is added or subtracted by the accumulated adjustment amount in connection with retirement benefits of accumulated comprehensive profit.

As a result, the Company posted a liability of 1,441 million yen for

retirement benefits at the end of the current fiscal term, while other accumulated comprehensive profit decreased by 2,196 million yen and minority shareholders' equity reduced by 1 million yen. In the meantime, the book value per share decreased by 9.28 yen.

(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.

Corporate Data

Segment Information (2014)

	Segment			Other Business	Total	Adjustments	Consolidated total
	Steel Products Business	Automotive and Industrial Machinery Components Business	Total				
Sales							
External sales	72,955	147,423	220,378	14,303	234,682	—	234,682
Intra-segment sales and transfer	19,655	—	19,655	—	19,655	(19,655)	—
Total	92,610	147,423	240,034	14,303	254,338	(19,655)	234,682
Segment income	1,630	7,360	8,991	632	9,624	(4,316)	5,308
Segment assets	82,791	103,490	186,281	24,344	210,626	22,088	232,714
Other items							
Depreciation and amortization	3,102	5,846	8,949	1,045	9,995	90	10,086
Increase in tangible and intangible assets	16,652	8,554	25,207	218	25,425	33	25,458

(Millions of yen)

	Segment			Other Business	Total	Adjustments	Consolidated total
	Steel Products Business	Automotive and Industrial Machinery Components Business	Total				
Sales							
External sales	708,852	1,432,404	2,141,255	138,972	2,280,237	—	2,280,237
Intra-segment sales and transfer	190,974	—	190,974	—	190,974	(190,974)	—
Total	899,825	1,432,404	2,332,239	138,972	2,471,220	(190,974)	2,280,237
Segment income	15,838	71,512	87,359	6,141	93,510	(41,935)	51,574
Segment assets	804,421	1,005,538	1,809,959	236,533	2,046,502	214,613	2,261,115
Other items							
Depreciation and amortization	30,140	56,801	86,951	10,154	97,114	874	97,998
Increase in tangible and intangible assets	161,796	83,113	244,918	2,118	247,037	321	247,357

(Thousands of U.S. dollars)

Note: Dollar amounts are converted at the rate of ¥102.92 to U.S. 1 dollar
(Year ended March 31, 2014)

Consolidated Financial Statement for the Past 10 Years

Fiscal year	2005	2006	2007	2008
Net sales	261,205	270,447	285,058	296,629
Operating income	19,334	17,089	13,173	12,888
Ordinary profit	17,797	16,768	13,866	11,784
Net income (loss)	7,500	7,976	7,826	6,366
Comprehensive income	—	—	—	—
Net assets	62,430	78,698	84,269	83,217
Total net assets	236,624	243,558	252,888	231,887
Net assets per share (yen)	284.52	358.82	379.03	371.40
Net income per share (loss) (yen)	33.93	36.12	35.60	28.90
Dividends per share (yen)	5.0	6.0	6.0	8.0
Equity ratio (%)	26.4	32.3	33.0	35.3
Return on equity (%)	12.7	11.3	9.4	7.7
Price/earnings ratio	12.4	14.3	13.3	9.8
Net cash provided by (used in) operating activities	19,685	14,807	13,999	9,405
Net cash provided by (used in) investing activities	(8,826)	(10,728)	(3,862)	(8,447)
Net cash provided by (used in) financing activities	(11,158)	(3,141)	(8,217)	(4,266)
Cash and cash equivalents at the end of current period	14,563	12,975	15,942	13,130
No. of employees [temporary employees] (persons)	4,392 [638]	4,137 [683]	4,107 [712]	4,133 [556]

(Millions of yen)

2009	2010	2011	2012	2013	2014
290,333	196,848	221,413	240,534	226,912	234,682
6,686	355	7,006	10,554	6,990	5,308
6,010	626	5,241	7,304	6,234	4,485
2,384	(1,032)	2,072	3,918	3,409	1,914
—	—	(340)	4,459	8,222	7,566
80,942	81,884	80,165	83,096	91,258	96,219
202,995	201,138	203,956	212,828	208,781	232,714
334.16	337.53	335.16	347.37	377.47	398.39
10.39	(4.30)	8.64	16.52	14.38	8.08
5.0	2.0	4.0	4.0	4.0	2.0
39.6	40.3	39.0	38.7	42.9	40.5
2.9	(1.3)	2.6	4.8	4.0	2.1
13.9	—	25.2	15.6	15.3	22.5
21,547	12,010	6,236	16,010	16,770	7,251
(15,908)	(7,507)	(3,681)	(7,703)	(14,770)	(17,478)
(287)	(2,236)	(1,952)	(4,983)	(4,997)	7,538
18,293	20,547	18,741	22,124	19,798	17,485
4,125 [471]	4,242 [422]	4,151 [432]	4,135 [428]	4,374 [491]	4,515 [538]

(Year ended March 2014)



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