

TOPY Report 2013



“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.

Contents

Contents/Editorial Policy	1
Top Message	3
Company Profile and Strategy	
Company Profile	5
CSR Management	9
Medium Term Consolidated Management Plan	11
Business Development	
Topy at a Glance	13
Steel Business	15
Automobile & Industrial Machinery Components Business	17
Other Business	21
New Products & Technologies	22
CSR Activities	
CSR of the Topy Industries Group	23
Hands-on Learning at the Danger Simulation Dojo	25
Environmental Activities	
Environmental Management	27
Recycling	28
Initiatives on Waste Reduction	29
Initiatives on the Prevention of Global Warming	31
Chemical Substance Management	32
Development of Environmentally Friendly Products	33
Basic Environment Policy of Each Factory	34
Social Responsibility	
Customer Satisfaction, Quality Management and JK Activity	35
Involvement with Shareholders and Stakeholders	36
Contributions to Society	37
Global Social Contribution Initiatives	39
Creating a Safe and Comfortable Workplace Environment	40
Additional Data	
Corporate Data	43
Annual Report	45
Segment Information	61

Editorial Policy

Basic Policy

Topy Report 2013 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) 2012 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 FY2012 (April 1, 2012 to March 31, 2013), but includes some activities that occurred after April 1, 2013.

Date of Issue

December 2013

Inquiries Regarding this Report

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141-8634
Art Village Osaki Central Tower 1-2-2 Osaki, Shinagawa-ku, Tokyo, Japan

Top Message



Through our corporate message “*One-piece Cycle*” we take on challenges to create new values that contribute to the environment and society.

Topy Industries, Ltd.
President and CEO

Y. Fujii

As an integrated manufacturer of products from steel materials to the undercarriage components of automobiles and construction machinery, Topy continues to provide high value-added products on a world-wide scale.

The Topy Industries Group is engaged in a broad range of businesses including raw materials, components for automobile and construction equipment, power generation, distribution and recycling among others with Topy Industries, Limited, a global and comprehensive undercarriage manufacturer of automobile and construction machinery at its core.

Our biggest strength stems from the integrated production system of raw material to finished products. The Steel Division produces steels which are used as raw materials by the Wheel Division and the Undercarriage Components Division to be processed into finished products. The three divisions work closely to produce a synergy effect, enabling detailed response to diverse needs for specific material characteristics, designs and costs.



The technologies and added values born from this integrated production system ensure superior competitiveness in the marketplace. Furthermore, our acquired know-how for raw material manufacturing enables us to assess the

optimum material for our products at various locations across the world. Hence we are able to produce reliable products of the same quality as those produced in Japan.

Capitalizing on these strengths, we are delivering quality products through our optimum production system in response to the values asked of us by our customers at various locations around the world. The Topy Industries Group can respond to consistent needs from raw materials to finished products on a world-wide basis in a functional way.

Our stance to contribute in making society more livable and comfortable by applying our “integrated production system from raw materials to finished products” is well reflected in our corporate message, “One-piece Cycle”. By sharing and coordinating know-how cultivated in a wide range of business fields, we will take initiatives in creating new values through various business activities.

Growth & Change 2015: to achieve global scale growth and a highly profitable corporate structure.

The business environment for the fiscal year ended March 31, 2013 underwent slow transitions. While promising signs of an upturn were seen from expectations regarding the economic policies of the new cabinet, negative factors loomed over the world economy, due to economic growth slowdown in China and developing countries, and the Japanese economy did not achieve full swing recovery. We believe the business environment for FY2013 ending March 2014 will continue to be difficult as overseas economic environments remain nebulous.

Under such circumstances, the Topy Industries Group has instituted and launched a medium term consolidated management plan “Growth & Change 2015” (G&C2015) with a basic policy designed to achieve global-scale growth and change to a highly profitable corporate structure. Under this plan, we aim to expand businesses in overseas

markets while simultaneously strengthening the corporate earning structure in the domestic market. We will be aggressive in establishing new strategic overseas locations where we can expect solid business growth, while fortifying domestic manufacturing systems including the construction of new steelmaking facilities. We will steadily follow the implementation of G&C2015 to maximize corporate value.

Topy Industries Group CSR initiatives: fulfill corporate social responsibility through business activities.

The Topy Group considers CSR initiatives to be part of routine business activities. In accordance with the stipulation of 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,” we will contribute to the development of society by delivering high quality and cost competitive products to satisfy customers and users. The Steel Division of Topy Industries, Ltd., which supplies raw materials to other in-house divisions, reuses scrap metal mainly collected by Group companies as recycled resources. Here, our business itself is a CSR initiative contributing toward the conservation of the global environment.

Through CSR initiatives we will strive to enhance the corporate value of the Topy Industries Group as well as the common interest shared with our shareholders.

As a good corporate citizen, we will carry on initiatives to make contributions to the environment and society.

The Topy Industries Group positions adequate considerations to the environment as a basic stance of its management and has proceeded with environmental management along important themes such as “Conservation of the Global Environment”, “Harmonization with the Environment”, and “Harmonious Relationships 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 technologies and products while working on reducing environmental burden through company-wide management.

We are also positively involved in social contribution initiatives. For example, we are a sponsor of the TOPY CUP U.S.-Japan Intercollegiate Golf Tournament, which promotes the improvement of student players’ performance levels and mutual friendship between the two countries. In April 2009, the Topy Industries Group established its Corporate Code of Conduct titled “Win the Trust and Respect of Society”. We are committed in complying with applicable laws and regulations as well as their spirit in all our business conduct and fulfilling our social responsibility as a public institution while enhancing management transparency. We appreciate your continued support and understanding of the Topy Industries Group toward the future.



Company Profile

Company 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:	1,943 (non-consolidated) 4,374 (consolidated)
No. of issued shares:	240,775,103 shares
No. of consolidated subsidiary companies:	20 companies
No. of equity-based affiliated companies:	2 companies
Net sales:	¥226,912 million (consolidated)
Ordinary profit:	¥6,200 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
1922	Miya Steelworks succeeded in hot-rolling of steel sashes
1926	Tokyo Shearing Co., Ltd. (predecessor of Toto Steel Mfg., Co., Ltd.) was founded
1930	Teikoku Hatsujo Seisakusho (predecessor of Japan Motor Wheel Co., Ltd.) commenced production of prototype steel wheels for automobiles
1934	Tokyo Sharin Seisakusho Co., Ltd. (predecessor of Japan Motor Wheel Co., Ltd.) was founded
1941	Tokyo Sharin Seisakusho and Abe Tekkoshu Co., Ltd. merged to create Japan Motor Wheel Co., Ltd.
1943	Miya Steelworks and Tokyo Shearing Co., Ltd. merged to form Toto Steel Mfg., Co., Ltd.
1955	Toto Zoki Co., Ltd. was established
1956	Toto Tekko Co., Ltd. was established
1958	Toyohashi Steel Mill Plant of Toto Steel Mfg., Co., Ltd. (current Toyohashi Factory of Topy Industries, Ltd.) was established
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
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.
1969	Topy International, Inc. (current Topy America, Inc.) was founded
1972	Technology Research Center (current R&D center) was opened at Toyohashi Factory
1977	Sales of synthetic mica started
1980	Concluded a technical assistance agreement with PT. Inkoasku (Indonesia)
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

1985	Topy Corporation (current Topy America, Inc.) was founded
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
1988	Concluded a technical assistance agreement with PT. Pakoakui-na (Indonesia)
1989	A plant for undercarriage components for construction equipment commenced operation at Toyohashi Factory
1990	Akemi Plant of Toyokawa Factory commenced operation
1991	Kimi to Boku Hall was completed at Toyohashi Factory
1992	Kurate Plant of Toyokawa Factory commenced operation
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
1998	Obtained ISO 9001 accreditation at all production sites
1999	Topy International, U.C.A. Inc. (current Topy America, Inc.) was founded ISO 14001 accreditation was obtained for all production sites
2002	Qingdao Topy Shantui Machinery Co., Ltd. (current Qingdao Topy Machinery Co., Ltd.) was founded
2004	Hamura Plant of Ayase Factory commenced operation
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
2008	Science Division was established
2011	Topy Undercarriage (China) Co., Ltd. was founded
2012	Tianjin Topy Machinery Co., Ltd. was founded
2013	PT. Topy Palingda Manufacturing Indonesia was founded Topy MW Manufacturing Mexico S.A. De. C.V. was founded PT. Topy Undercarriage Indonesia (to be 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

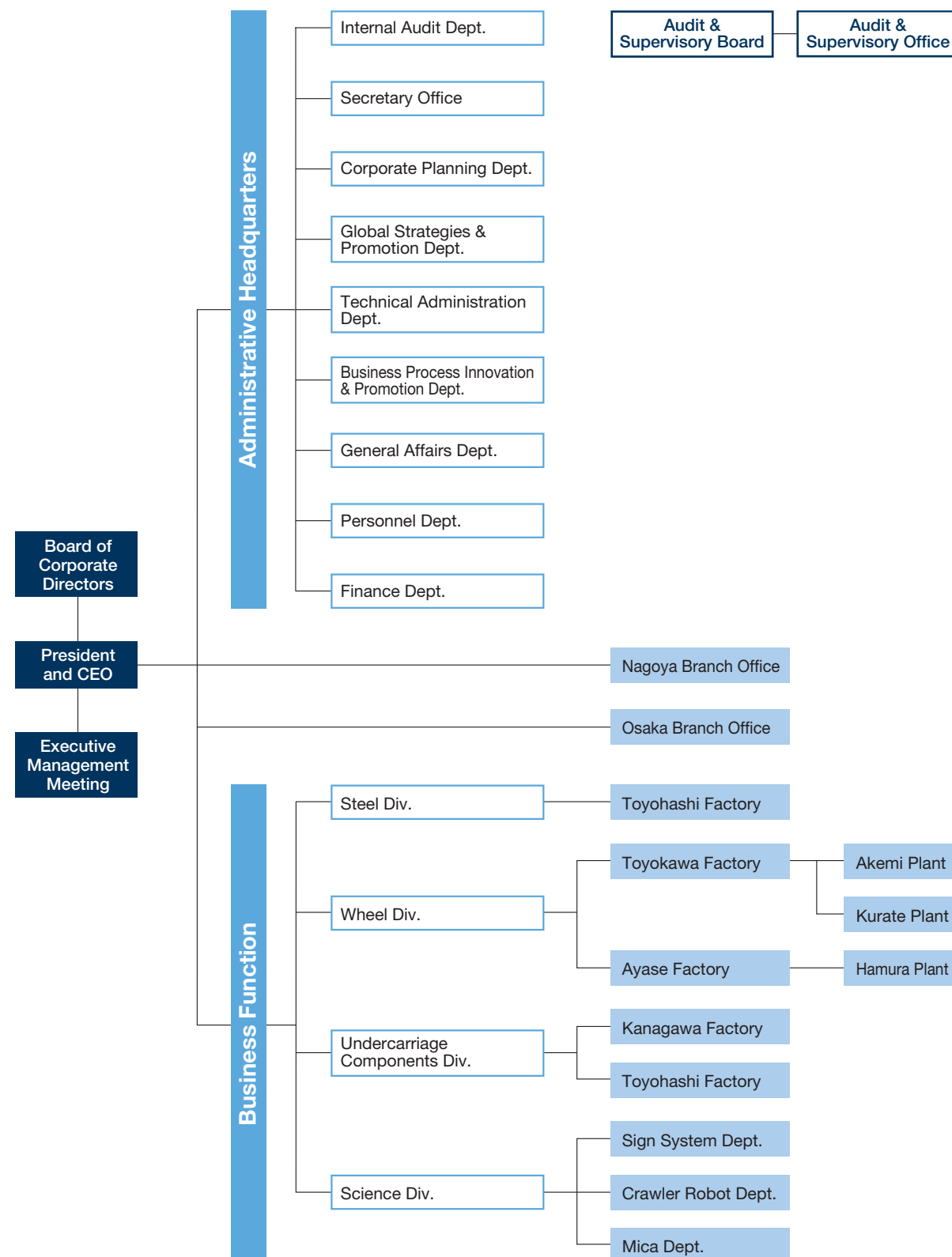
- **Nagoya Branch Office**
2-15-22 Nishiki, Naka-ku, Nagoya-shi, Aichi 460-0003
TEL: (052) 201-6051 FAX: (052) 231-2692

- **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

Company Profile

Organization



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



President and CEO

Yasuo Fujii



Director and Vice President

Akira Higashi



Senior Managing Director

Takashi Arai



Managing Director

Yasuto Ishii



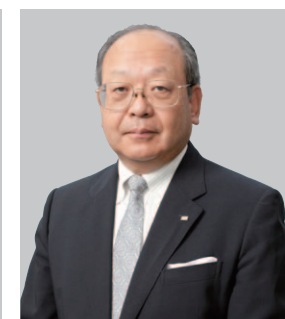
Director and Senior Advisor

Yoshiro Shimizu



Audit & Supervisory Board Member

Takeshi Mitsuma



Audit & Supervisory Board Member

Tamio Kurosaki



Audit & Supervisory Board Member

Masaru Yamamoto



Audit & Supervisory Board Member

Mamoru Oto

Audit & Supervisory Board Members Takeshi Mitsuma and Tamio Kurosaki are outside statutory auditors as stipulated in the Corporation Law Section 16, Article 2.

CSR Management

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.

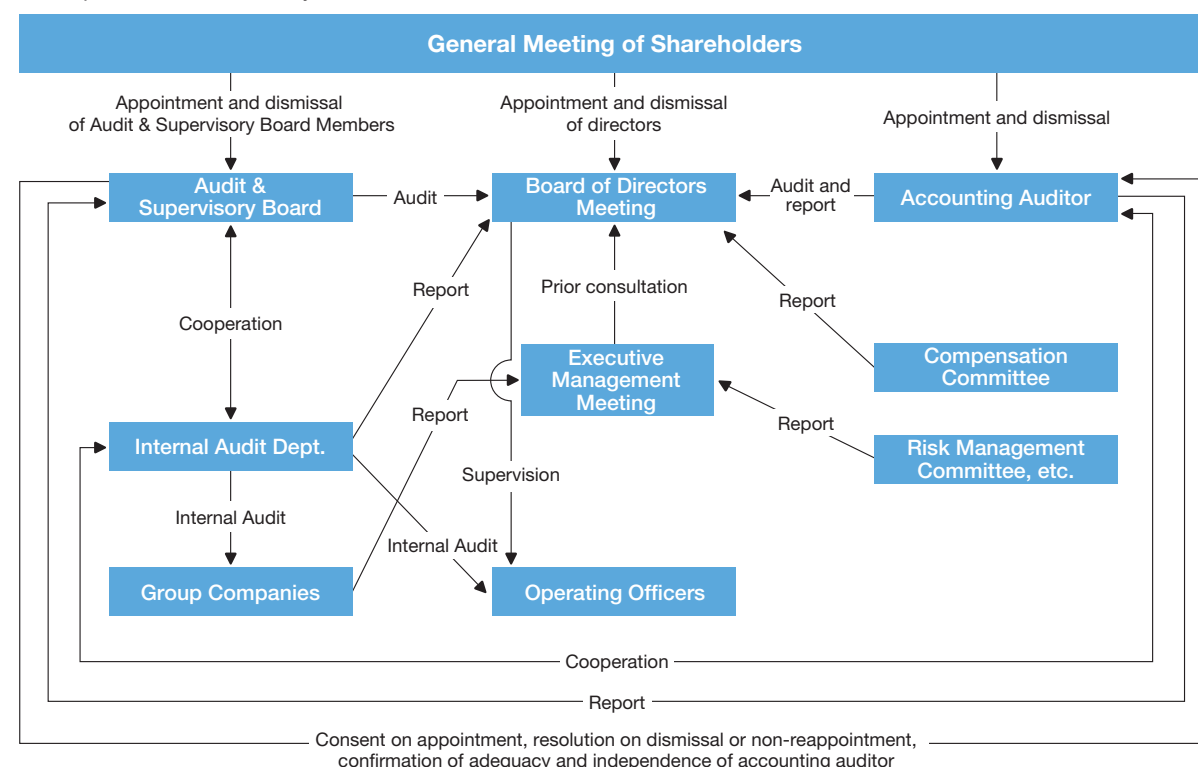
Outline of the Corporate Governance System

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 re-

quired 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.

■ 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 10 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 Topy Compliance Guide Book and Anti-Trust Law Manual, and formulating the Topy Industries Group Basic Philosophy and Group Code of Conduct.

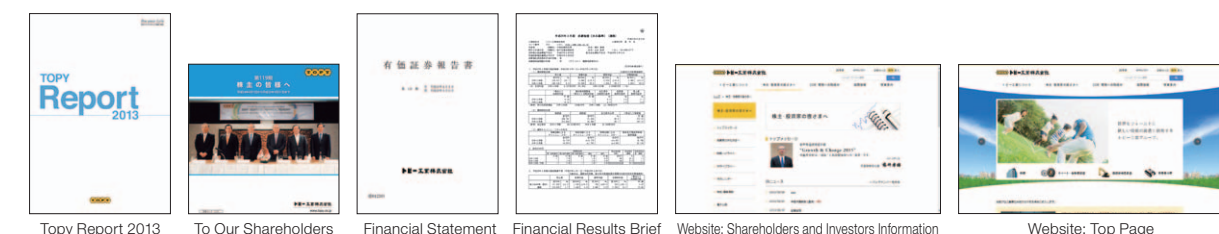
In addition, in April, 2012, we launched the “Topy Industry Group Basic Corporate Ethics Consultation Office”, the “Topy Industries Group Compliance Hot Line”, a whistle-blower system applicable to all companies of the Topy Industries Group, and distributed the revised version of the Topy Compliance 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.



Group Risk Management Briefing Session

The first Group risk management briefing session was held at the headquarters of Topy Industries on December 11, 2012. Employees of various Group companies participated and listened intently to the briefing pertaining to the Group Basic Philosophy, Code of Conduct and Guide Book. After this event, a similar briefing session has been held at each factory as part of our efforts to strengthen risk management and the aggregated number of seminars held has exceeded ten sessions.

Information Tools Addressed to Stakeholders



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).

Medium Term Consolidated Management Plan Growth & Change 2015

Tackle the challenges for “Growth” and “Change” and develop the future of the Topy Industries Group

We are proceeding with “Growth & Change 2015” (G&C2015), a medium term consolidated management plan to promote “Growth” from a global perspective and “Change” toward a highly profitable corporate structure. Under the prevailing tough business environment, we are promoting dynamic business development both in the global and domestic domains along with this plan which is designed to realize further growth by expanding demand from newly developing countries and reinforcing our domestic business foundations. Here, we will report our progress status on how we are going to address the challenges of the Topy Industries Group in order to establish a business structure that is strong against changes in the business environment.

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



Topy Undercarriage (China) Co., Ltd.



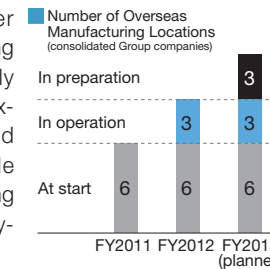
Oxygen plant at Toyohashi Factory

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, as well as automobile wheels of various sizes. Under G&C2015 we are working to strengthen our supply system so that we can flexibly meet global demand for these products while maintaining and expanding market share and solidifying cost competitiveness.



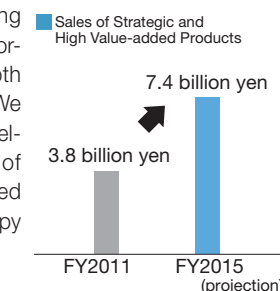
Current Progress

- Topy Fasteners Vietnam Co., Ltd. commenced operation [See page 17](#)
- Tianjin Topy Machinery Co., Ltd. commenced operation, producing components for ultra-large diameter wheels (SGOR®) for mining trucks to meet increasing demand from resource development projects [See page 17](#)
- Topy Undercarriage (China) Co., Ltd. commenced operation, producing track shoes for construction equipment [See page 19](#)
- PT. Topy Palingda Manufacturing Indonesia established to meet increasing demand for truck and bus wheels in the ASEAN region
- Topy Undercarriage Indonesia established in Java, Indonesia in 2013 to reinforce sales of undercarriage components for construction equipment
- Topy MW Manufacturing Mexico is scheduled for establishment in Guanajuato, Mexico in 2013 to produce steel wheels for passenger cars in view of increasing demand in the North and South American markets

2 Fortification of Domestic Business Foundation (Qualitative Change)

Expedite domestic business transformation starting with the installation of advanced steelmaking facilities.

We will work hard to further improve our competitive strength in the domestic market by applying product design and manufacturing technologies nurtured through the long history of the Topy Industries Group. We are anticipating fundamental reductions in costs through the introduction of advanced steelmaking facilities. We will simultaneously stage overall productivity improvements (changes in manufacturing aspects) in addition to rigorous efforts toward in-depth cost reduction activities. We will also continue the development and expansion of strategic, high value-added products unique to the Topy Industries Group.



Current Progress

- Construction of new steelmaking facilities started at Toyohashi Factory (Toyohashi, Aichi) [See page 15](#)
This is set to be a cutting-edge steelmaking facility that incorporates various features such as facilitated reductions in electric power and environmental costs, a completely self-sufficient supply mechanism of blooms and billets for overall rolling requirements, and an advanced supply chain resistant to the influence of earthquakes, tsunamis and other disasters; the combination of which will improve competitiveness at a multitude of levels.
- Renovation of the oxygen plant for electric furnace steelmaking; the oxygen feeding system was arranged prior to the advancement of steelmaking facilities [See page 15](#)
- Development and sales expansion of strategic and high value-added products featuring Topy's originality
Special steel sections, ultra-large diameter wheels for mining dump trucks, super light wheels, high value-added industrial fasteners, synthetic mica, crawler robots and other products.
- Reinforcement of manufacturing strength at mother factories to support production at overseas locations
Introduction of new methods, concentration of production processes and introduction of new lines as well as development of further cost reduction activities by strengthening workplace capabilities.

3 Enhancement of Management

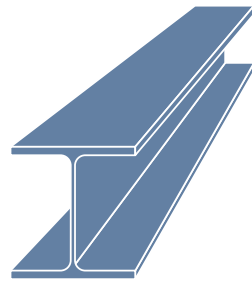
We will reinforce management to prepare for global competition.

We will encourage changes in business administration processes and advance Group management from a global perspective as the base to promote G&C2015. We are also enhancing the technological strength of new products and production methods to ensure global competitiveness, as well as reinforcing risk management.

Topy at a Glance

▼ Business Segment

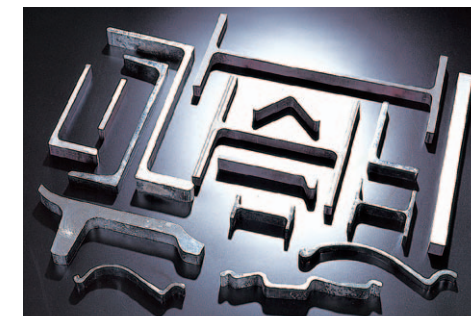
Steel Business



The Topy Industries' raw material business since its foundation

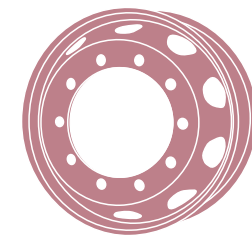
Topy's steel business possesses unique manufacturing technologies for special sections, is able to respond to diverse specification requirements, and has a flexible production system for high-mix, low-volume production. These technologies enable the in-house supply of raw materials to the automotive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

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



Other Business



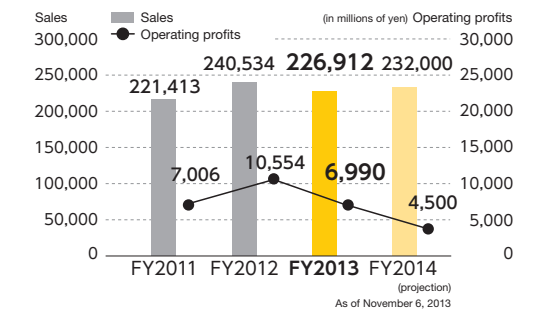
New earning power

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.

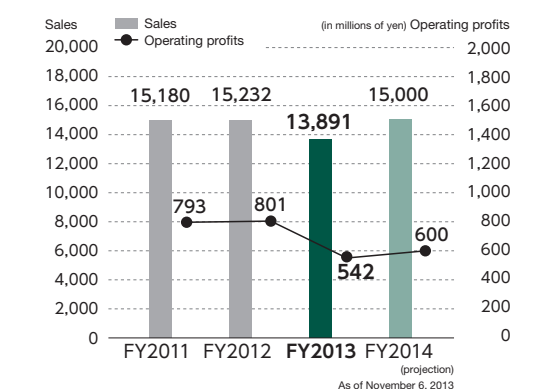
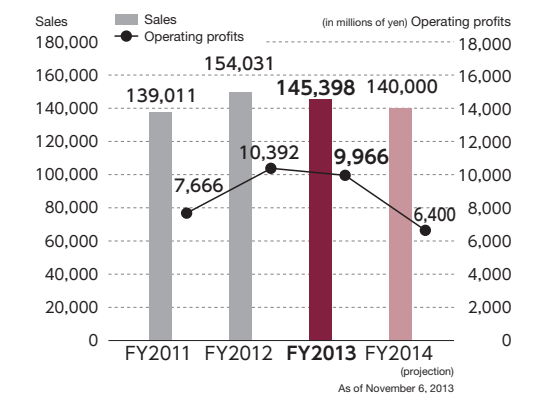
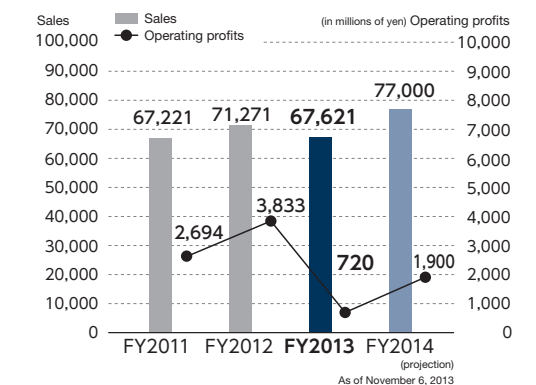


Robots for surveying, and under floor and roof inspection
Indoor and outdoor billboards
LED light sources
Synthetic mica
Power generation business
Real estate business
Sports and leisure business

We aim to build a richer and more comfortable society where we can feel greater satisfaction in our lives. The business activities of the Topy Industries Group extend over a vast area covering steel, automobiles, construction machinery, robots, distribution, transportation, sports and leisure. The various products, technologies and services provided by the Topy Industries Group contribute to society through their respective roles. Our business activities are divided into three segments, namely "Steel", "Automobile and Industrial Machinery Components" and "Other". Major products and business records for the last 3 years are provided here for reference.



◆ Sales, Operating Profits and Projections





Strengthening our business foundation through rigorous cost reduction and the construction of a new steelmaking plant

● Business Overview

Crude steel production continued to remain at low levels for the Japanese steel industry during FY2012 as domestic demand in the manufacturing sector stood low. As for the electric furnace mill industry, the business environment became extremely difficult due to a prolonged decrease in demand, while the price of scrap metal, a major raw material for electric furnace operation, surged during the second half of the period.

Under such circumstances, the Topy Industries Group has taken all possible improvement measures and instituted intensive cuts in manufacturing costs.

● Business Strategy and Future Prospects

Domestic Business

We currently see a mild recovery in domestic demand amidst recovery and restoration demand from the Great East Japan Earthquake and government policies to revitalize the domestic economy but this is expected to level out over the medium term. While continued efforts for rigorous cost reduction are maintained, drastic cost improvement by using billets produced in-house for deformed bars is essential for curbing electric power and raw material costs. For this purpose, we will steadily proceed with the construction of the new steelmaking facilities with production scheduled to commence in FY2015.



Artist's impression of new steelmaking facility, Toyohashi Factory

Overseas Business

As the global economy continues to remain stagnant, demand for steel in Europe and China is shrinking. However, the world economy is expected to make an up-turn recovery in the medium term, and steel demand will gradually increase accordingly. We plan to review the possibilities of undertaking business overseas, focusing on the products that can make the most of our technological competitiveness as identified in our special steel sections.



Shapes and sections

TOPY Highlights FY2012

Dec. 2012

Construction commenced for new steelmaking facilities

On December 13, 2012, the groundbreaking ceremony was conducted at our Toyohashi Factory in Aichi Prefecture for the construction of new steelmaking facilities scheduled to commence operation in April 2015. The facilities includes a 200-ton capacity electric furnace with a scrap preheating device and continuous casting equipment designed for common use to make blooms for shapes and sections, and also billets for deformed bars.

The increased under-roof storage capacity for scrap metal helps prevent deterioration of scrap metal and eliminates on-site haulage, leading to logistic cost reductions on the mill's premises. In addition, we anticipate a 24% reduction in electric power costs resulting from the use of an advanced new electric furnace, and we also plan to produce billets in-house for deformed bars, aiming to establish formidable competitiveness in the market.

Sep. 2012

New oxygen plant commissioned with triple capacity

A new oxygen plant commenced operation in September 2012 to supply oxygen gas for use at the electric furnace and its continuous casting facility at Toyohashi Factory. The new plant has been renewed with triple the previous capacity prior to the commencement of operations at the new steelmaking facility, scheduled for FY2014.

The plant features a new deep cooling separation device and is capable of producing liquefied gas of high purity. Surplus by-products such as liquid argon, oxygen and nitrogen will be sold.



● Message from the Division General Manager

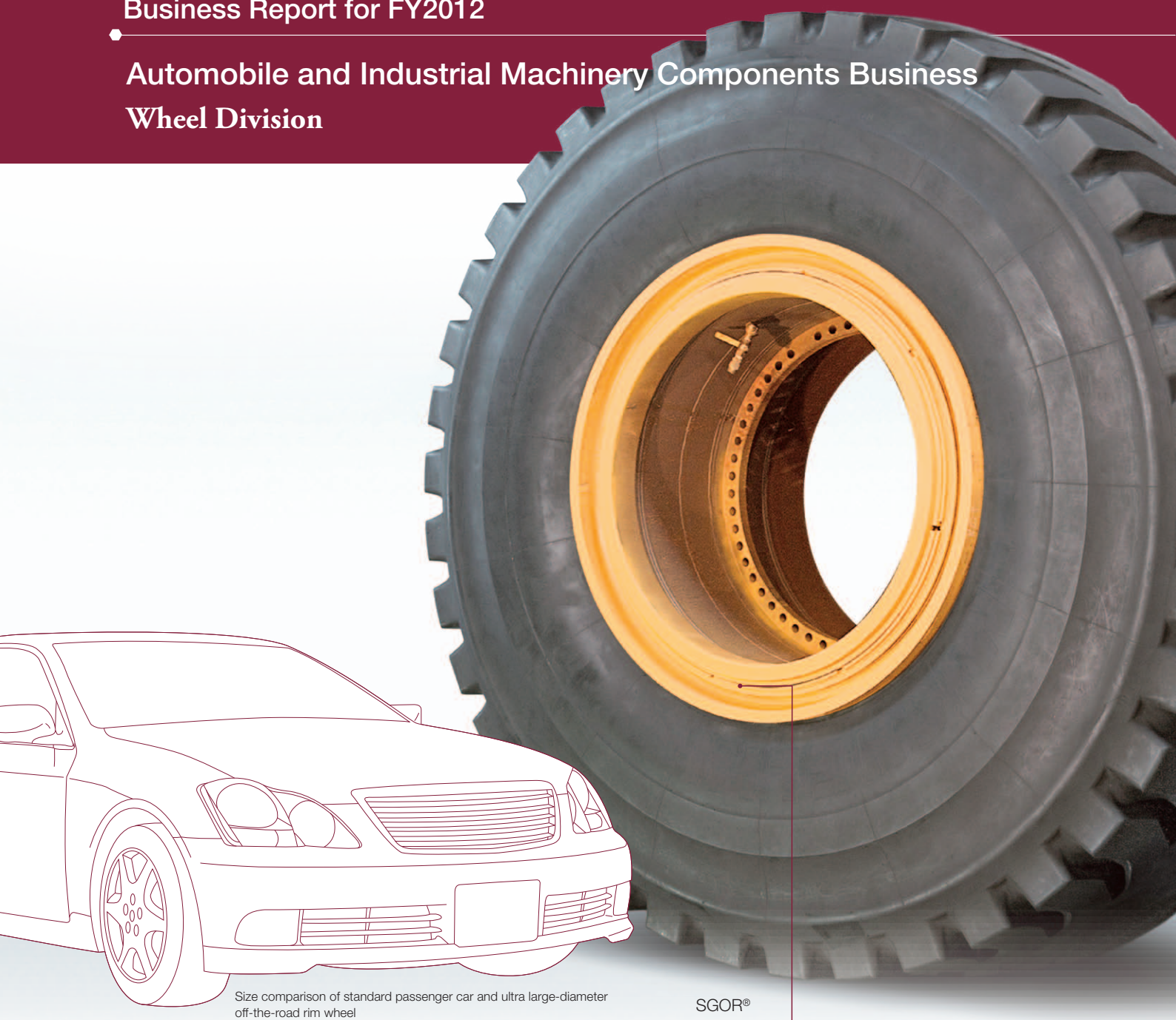
Akira Tanahashi

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



Maintain motion throughout fiscal term 2013 and achieve higher targets!

In reviewing the business results of FY2012, we are determined to achieve further reduction in both direct and indirect costs during the current term 2013, on top of the improvement targets set out in the medium term consolidated management plan. Our earnings improvement plan for FY2013 will inevitably have substantial impact on the future results of the operation of our new steel-making plant. In that respect, we have to realize that FY2013 is a critical turning point with respect to earning strength. We have to maintain the momentum throughout the year with high target levels and insert all our energy to achieve these goals.



Size comparison of standard passenger car and ultra large-diameter off-the-road rim wheel

SGOR®

TOPY Highlights
FY2012

Nov. 2011

A new company in Vietnam for industrial fasteners

Topy Fasteners, Ltd. supplies industrial fasteners such as precision spring steel fasteners and pressed metal products to various industries including the motorbike and car industries. In order to expand its production capacity in the ASEAN region, Topy Fasteners Vietnam Co., Ltd. was founded in Vietnam and commenced operation in November 2012. Besides Vietnam, Topy Fasteners operates manufacturing bases in Japan, the U.S. and Thailand.

At this new location, the company plans primarily to produce fasteners for motorbikes.



May 2012

A plant for SGOR® components commenced operation in Tianjin, China

As a global supplier of ultra-large diameter rims (SGOR®) for mining dump trucks, long-term and stable supply of products and components is a mandatory requirement from our customers. In order to increase the production of rim components for SGOR®, Topy founded Tianjin Topy Machinery Co., Ltd. in Tianjin, China in May 2012 as a 100% subsidiary, and production started in November 2012. Diversification of procurement sources for components will help disperse procurement risk and this move is a part of our scheme to build a global optimum production system for SGOR® with our domestic production site positioned at its core, enabling us to meet future production increases for SGOR®.



Aiming to establish a balanced earning structure by building a global supply system and expanding into the ASEAN region and other newly industrialized countries

Business Overview

Sales volume increased compared to the last fiscal term in commercial car wheels, and steel and aluminum wheels for passenger cars, as the domestic automobile market made solid recovery. Sales of automobile wheels in North America and China also showed sound increases. Meanwhile, wheels for construction and mining equipment faced a sharp drop in sales. As a result, overall sales for FY2012 decreased by 3% on a year-to-year basis.

Business Strategy and Future Prospects

Domestic Business

In the automobile industry, domestic production in FY2013 is expected to surpass the previous year amidst continuing effective subsidies for ecologically-friendly vehicles but the market for ultra-large diameter wheels for mining dump trucks will continue to face tough circumstances. In the domestic business, we will pursue qualitative change by developing high value-added products such as wheels with large windows or vent holes. At the same time, we will enhance the technological strengths required of us as a mother factory so that we can bolster technological assistance to overseas locations and secure earnings accordingly.



Large window wheel

Overseas Business

We will secure manufacturing sites by expansion overseas as well as through technical and capital alliances. Our objective is to establish a balanced profit structure by building a global supply system to support the expansion of overseas production by Japanese automobile makers and achieve a foothold in emerging countries with brisk demand.

Tianjin Topy Machinery Co., Ltd., established in China in May 2012, faced downscaling its production due to the sharp decrease in demand for mining equipment, however, we expect the demands in the field of resource development to pick up in the near future.

On the other hand, we have recently established Topy Fasteners Vietnam Co., Ltd. to manufacture industrial fasteners and PT. Topy Palinda Manufacturing Indonesia to manufacture and sell truck wheels. These undertakings reflect our agility to respond to demand in emerging markets.



Steel wheel for trucks and buses

Message from the Division General Manager

Norio Saito

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



Formulate a globally accepted "Topy Wheel Way"

The Wheel Division is moving forward with the expansion of business in emerging countries, the development of high value-added products for the domestic market and the improvement of technological strength of our mother factories in Japan in order to rebuild the earning structure of the entire business segment. In order to realize this objective, it is essential for us to know precisely what sort of products and services our customers really want amidst the diversification of the global market. With this perspective in mind we will work to build the "Topy Wheel Way" by exploring new businesses, nurturing the workforce to support such businesses and concentrating the wisdom and experience of the Wheel Division.

Automobile and Industrial Machinery Components Business Undercarriage Components Division

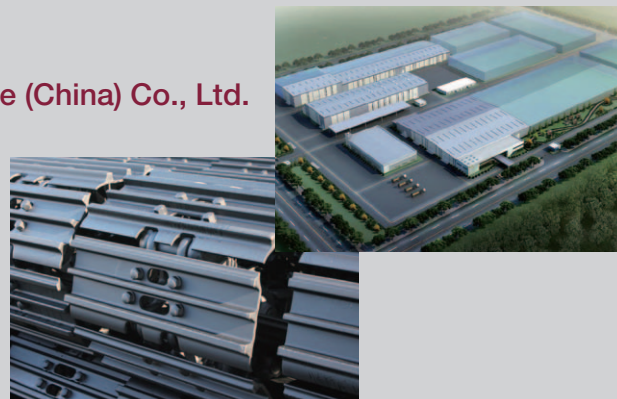


**TOPY
Highlights
FY2012**

Oct. 2012

Launch of Topy Undercarriage (China) Co., Ltd.

Topy Undercarriage (China) Co., Ltd. started production in Qingdao, China in October 2012 as a subsidiary of Topy Industries for the production and sale of undercarriage components for construction equipment. The company plans to further raise local procurement and increase its production capacity with the intent to strengthen the operational foundation in China together with Qingdao Topy Machinery Co., Ltd., established in FY2002.



Endeavoring to establish a strong position as a global manufacturer of general undercarriage components for construction equipment

Business Overview

The construction equipment industry in which the Undercarriage Components Division conducts its business faced a tough environment due to slowing demand in China despite steady domestic demand encouraged by the recovery and restoration demand from the Great East Japan Earthquake. We have continued to pursue all possible measures for improvement, however, the sales volume of construction machinery components has taken a downward turn.

Business Strategy and Future Prospects

Domestic Business

We will establish a production system that can flexibly respond to fluctuation in demand and improve our business structure to secure high profitability. The domestic business of the Undercarriage Components Division has remained steady due to increasing domestic demand. As for FY2013 ending March 2014, we anticipate a recovery in sales in reflection of favorable factors such as an increase in public investment, last-minute demand as a result of exhaust gas curbs by the government, the scheduled increase in consumption tax, and adjustments in the exchange rate of the yen.

Overseas Business

The Undercarriage Components Division currently operates three overseas locations—two in China and one in the U.S.—to produce and sell undercarriage components.

By having our production facilities close to our customers, we can better serve to their needs and establish an optimum production system including our facilities in Japan.

In 2013, we established PT. Topy Undercarriage Indonesia as a strategic sales base targeting Indonesia, other ASEAN countries, South Asia and the Oceania region.

Message from the Division General Manager

Atsuo Mochizuki

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



The potential of the Chinese market surpasses the risks that exist

Because of monetary restraint measures in the Chinese economy since last year and lingering economic slump in Europe, the construction and global mining equipment market has shrunk rapidly. New leaders took seats in the Communist Party of China in November last year, but the recovery pace of the Chinese economy remains to be slow. Under this harsh environment, Topy Undercarriage (China) Co., Ltd. in Qingdao, commenced operation in October 2012. There, we were encouraged to see the enthusiasm in the eyes of the young Chinese workers who were training. We are aware of the so-called multiple China risks, but we believe these risks are worth challenging. The target of the Undercarriage Components Division in the medium term is to establish a global management system. We believe it is very important that business management be reviewed from multiple angles, and not rely on only domestic information, but that we should have a direct feel for local business environments and execute our jobs accordingly.

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

● 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 2004. 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.



Apr. 2012

Survey robot Survey Runner[™] aids recovery work at Fukushima Daiichi Nuclear Power Station Unit 2

The survey robot, Survey Runner[™], developed by the Science Division, is able to climb up and down the wet, narrow and slippery staircases of factories and other buildings. Topy's Survey Runner[™] was utilized at Fukushima Daiichi Nuclear Power Station Unit 2 in April 2012 to explore the torus room and produced excellent results by sending valuable information needed to assess the interior situation.

◻ 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

Toshiyuki Tani

Operating Officer
General Manager,
Science Division



We will aim to secure leading positions in respective fields using creative development power

The Science Division is facing a major turning point with respect to energy saving, safety, and environmental consciousness. The three businesses comprising the Science Division have developed new products rich in originality and are making efforts to secure our recognition as a top-class company in each field. In the energy saving field, the Sign System Department has succeeded in entry into the transportation-related advertisement market with products using LED lights. In the field of safety, the Mica Department has succeeded in developing human-friendly synthetic micas that are free of heavy metals. In the environmental consciousness field, the Crawler Robot Department has developed remotely controlled survey robots as introduced above. We will endeavor to steadily expand these businesses and make them new earning sources.

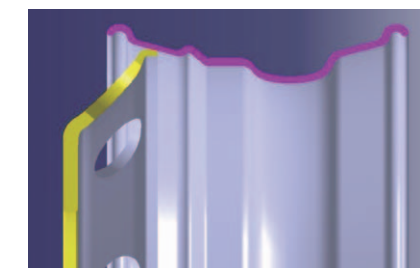
New Products and Technologies

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

The Topy Industries Group has been actively promoting research and development that suit the needs of our customers and society, and have commercialized the results. Look forward to more new products and technologies that will directly connect to the future growth of the Topy Industries Group.

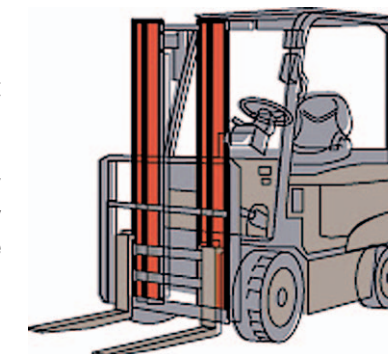
1 Development of low-cost steel wheels for emerging countries

As the need for low-cost trucks increases in emerging countries, "globally priced" wheels that are able to compete against local manufacturers are also in demand. We have developed new low-cost wheels (optimized wheels) through minimizing the manufacturing cost by confirming a structure that reduces the amount of material needed for discs. We will expand application of this concept to other products.



2 Development of forklift mast rails

Topy has succeeded in being the first developer of forklift mast rails produced at an electric furnace mill in Japan and has begun supply to all domestic forklift manufacturers. Until now, forklift mast rails had been produced exclusively by blast furnace mills. Mast rails have extremely strict quality requirements so as to prevent bending. To meet these high specifications, we have installed precision cutting and inspection equipment enabling a stable production of 2,000 tons of mast rails per month.



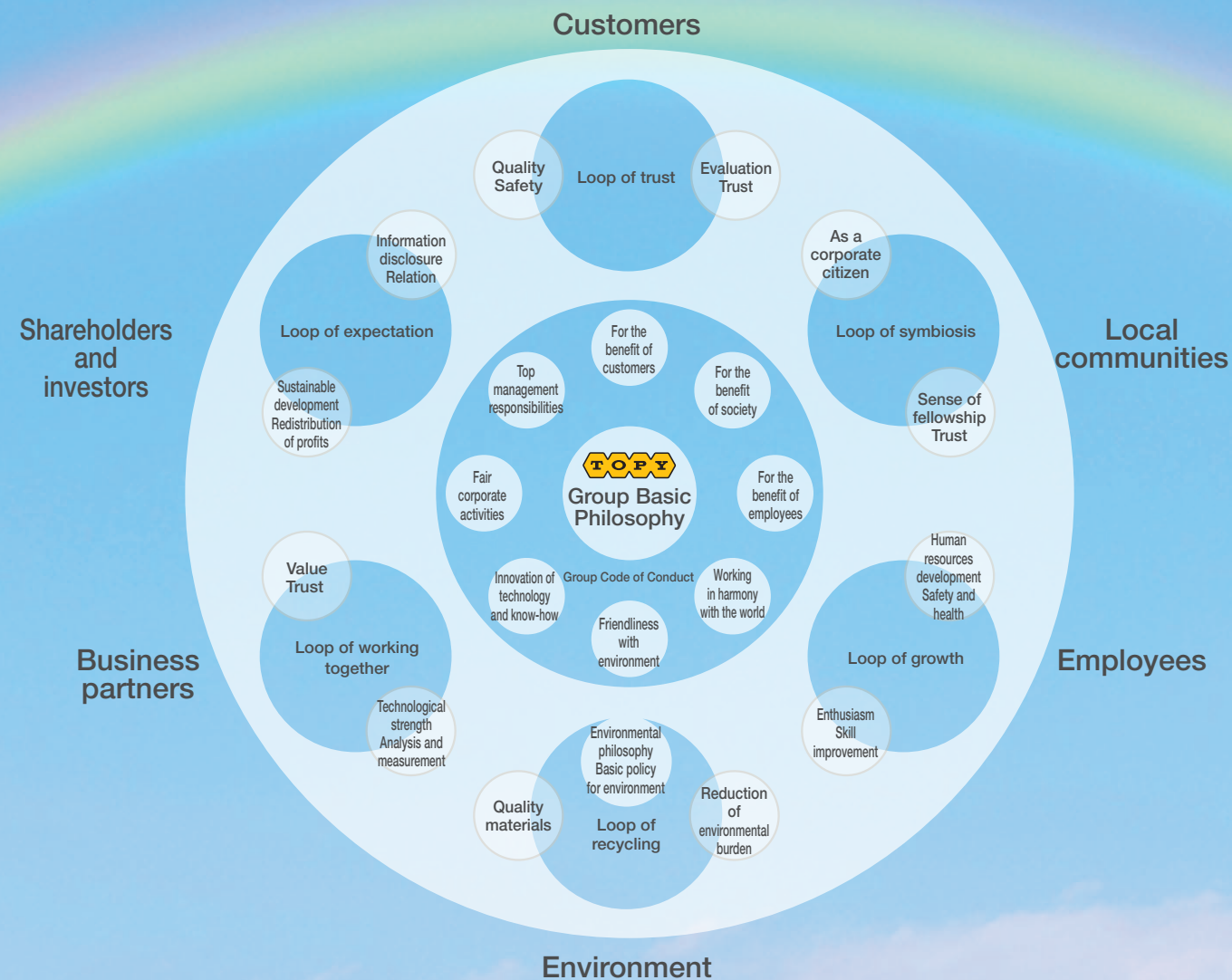
3 Automated survey robots that combine downsizing and maneuverability on staircases

Topy retains advanced robot technology that enables the ascent/descent of building staircases while also possessing superior waterproof properties. A survey robot has been delivered to the Hyper Rescue Team of the Tokyo Metropolitan Fire Station. The Survey Runner[™] is a downsized version developed based on these technologies and is capable of ascending/descending staircases. This Survey Runner[™] was put to practical use for the exploration and recovery work at Fukushima Daiichi Nuclear Power Station Unit 2.



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

Senior Managing Director

Takashi Arai

In charge of General Affairs and Legal Matters



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

Recently, many scandals such as improper loss shifting between accounts at big corporations have been reported. Taking this opportunity as a reminder to ourselves, the Topy Industries Group will reinforce the importance of the Group Basic Philosophy and the Code of Conduct to fulfill our responsibility to stakeholders.

We will strive to realize the Group Basic Philosophy by addressing issues along with the Group Code of Conduct, and continue to be a 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 Highlights

Hands-on Learning at the Danger Simulation Dojo (Training Hall)

Target: “Zero Accidents”

Simulation “Dojo” to foster awareness of safety in each employee—
Opened at the Toyohashi Factory!

It is an extremely important responsibility for a corporation to protect its employees from hazards and accidents. Securing safety for employees leads to maintaining a stable supply of products, and gaining the trust of our customers. Furthermore, this creates a feeling of safety for employees and their families, leading to our contribution in building a safe and healthy society.

Based on this recognition, the Topy Industries Group advocates “Zero Accidents” as one of the objectives for the entire company. In order to realize this target, the Danger Simulation Dojo where employees can experience dangers under simulated conditions was established within the Toyohashi Factory premises and opened for hands-on learning on July 1, 2013. This is our attempt to provide employees with the opportunity to refresh their awareness against unsafe behaviors and unsafe conditions by using the same equipment used at actual workplaces and experiencing simulated accidents that are very likely to cause serious injuries. At the Danger Simulation Dojo, we will continue to implement programs which will lead to safety management practices and advance safety and health management for employees.



What is the Danger Simulation Dojo?

First, we extract options for simulation from past patterns of accidents and draft a “Danger Simulation Menu”. In particular, accidents relating to getting caught between objects have had an increased frequency of occurrence in the past and are regarded as a first priority for simulation. The simulation equipment is self-produced by bringing in non-essential equipment used at various workplaces of the factory. This enables the simulation of “real” workplace conditions.

Our initial program is focused on danger simulation. As a second step, we are planning a learning program for danger anticipation.



Various learning courses are available corresponding to workers' career fields and workplace characteristics

Induction education for newly hired personnel

The first step for working safely

Training implemented to impart realization that hazards can be prevented by observing the rules and securely following procedures, by focusing mainly on the hazards that newly recruited personnel will most likely encounter within their first five years.

Safety and health education (hands-on course for company employees)

Nurture “Safety Leaders” corresponding to the job specific to each workplace

In this course a danger simulation menu corresponding to the job of each workplace is extracted, targeting employees with working experience of five to ten years so as to train “Safety Leaders” who will generate a new wave of safety awareness at their workplace.

Safety and health education (middle managerial class)

Aiming for safe management

This course nurtures employees who can demonstrate normative behavior at each workplace and direct their attention to safety and health management issues through danger simulation learning and group discussions.

Simulation basic course

Declaration of action through simulation learning

Participants choose between either experiencing the whole simulation menu or specific job simulations taking into consideration the needs of the factory. They confirm safety awareness about the job through group discussions after completing the course and make a declaration for new actions.

Hands-on course focusing on priority issues

Develop human resources that can develop autonomous safety awareness

The danger simulation menu is divided across several learning sessions. Additional simulation experiments are implemented while improving safety awareness through the experience of danger simulation from various angles.

“Danger Simulation Menu” at the Danger Simulation Dojo

Provides an opportunity to experience latent dangers in the workplace. Encourages employees to notice the need to change their awareness about safety.

1 Getting Caught and/or Wedged

- Rolls
- Gears
- Shafts
- Belts
- Sprockets



Getting caught and/or wedged

2 Working in High Places

- Working in high places (walking at a height)
- Long ladder (sliding)
- Hanging from a safety belt
- Falling from a step ladder



Long ladder (sliding)

3 Wire Rope Slings

- Getting caught between wire rope slings
- Lifting using a single wire rope sling
- Cargo collapse

4 Swing-Down of Large Hammers

- Precise hitting of the target
- Hitting with a large hammer
- Hitting with a wrench



Swing-down of large hammers

5 Using Crowbars on Unstable Ground

- On rollers
- On wide flange beams
- On angles
- On steps
- On slants



Using crowbars on unstable ground

6 Dangers of Forklifts

7 Dangers of Slipping



Dangers of slipping

8 Falling on Stairs

9 Dangers of Electrocution

- Over-current
- Electrical leak

10 Getting Caught between Boor-banks

11 Dangers of Grinders

12 Dangers of Welding Fumes



Dangers of welding fumes

13 Dangers of Organic Solvent Explosion

14 Cut/Slash Samples

15 “Point and Call” Training



“Point and Call” Training

Environmental Activities

Environmental Management [Topy Industries, Ltd.]

Environmental Philosophy

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

Basic Environmental Policies

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

1. Complying with the Law

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

2. Reducing Environmental Footprint

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

3. Developing Environmentally Conscious Products

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

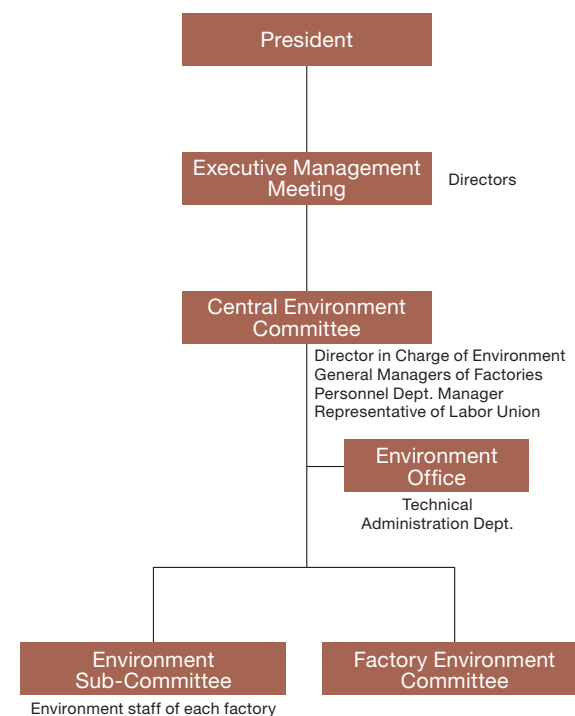
4. Raising Environmental Awareness and Finding Harmony with Local Communities

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

5. Conserving the Environment in Overseas Business Activities

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

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



ISO 14001 certification status

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

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

ISO 14001 Certification Status [Topy Industries, Ltd.]

Factory	ISO 14001 certification obtained	Transition to 2004 version
Toyohashi Factory	Apr. 1999	Completed in Feb. 2006
Toyokawa Factory	Nov. 1998	Completed in Oct. 2005
Ayase Factory	Nov. 1998	Completed in Nov. 2005
Kanagawa Factory	Jun. 1999	Completed in Jun. 2005

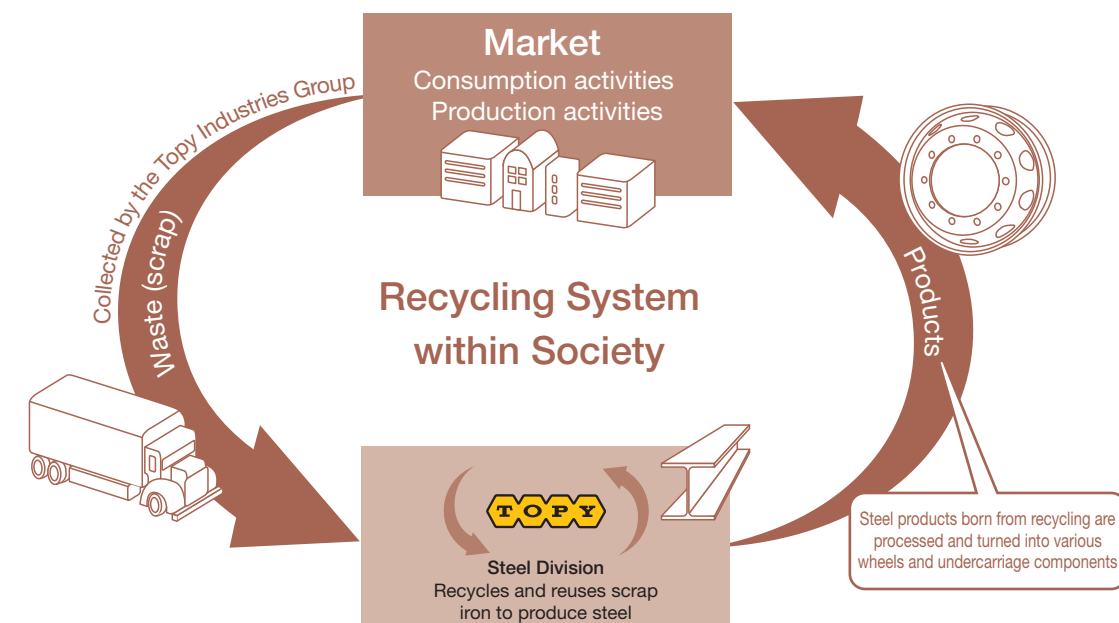
Recycling [Topy Industries, Ltd.]

Topy is a corporation that recycles

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

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

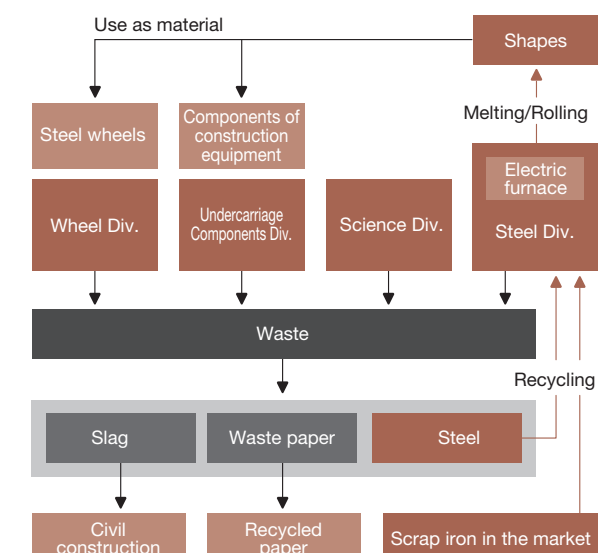
pany assigned to carry out a vital role in the production activities within the recycling system of society. Furthermore, we have implemented an original recycling system within our production flow for the reuse of resources.



Reuse of material

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

In-house recycling system



Environmental Activities

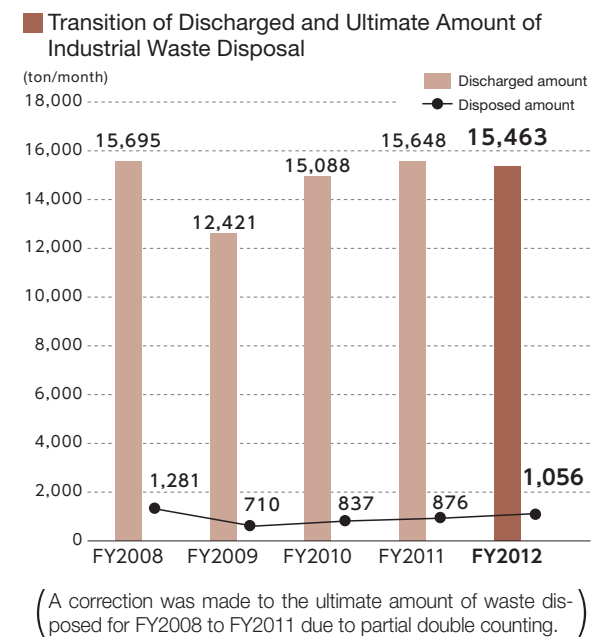
Initiatives on Waste Reduction [Topy Industries, Ltd.]

Waste reduction and recycling

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

As seen in the graph, the amount of discharged industrial waste in FY2012 remained flat 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 1,056 tons in FY2012, a 20% increase 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.



Total recycling of steel melting dust

In Topy's business, disposal of steel dust that is generated through its operations, mainly at Toyohashi Factory, is becoming a major environmental issue. Needless to say, steel is an easy material to recycle but steel dust poses the awkward problem that the zinc included in the dust becomes concentrated in the repeated recycling process. However, Toyohashi Factory has succeeded in total recycling of steel dust.

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.

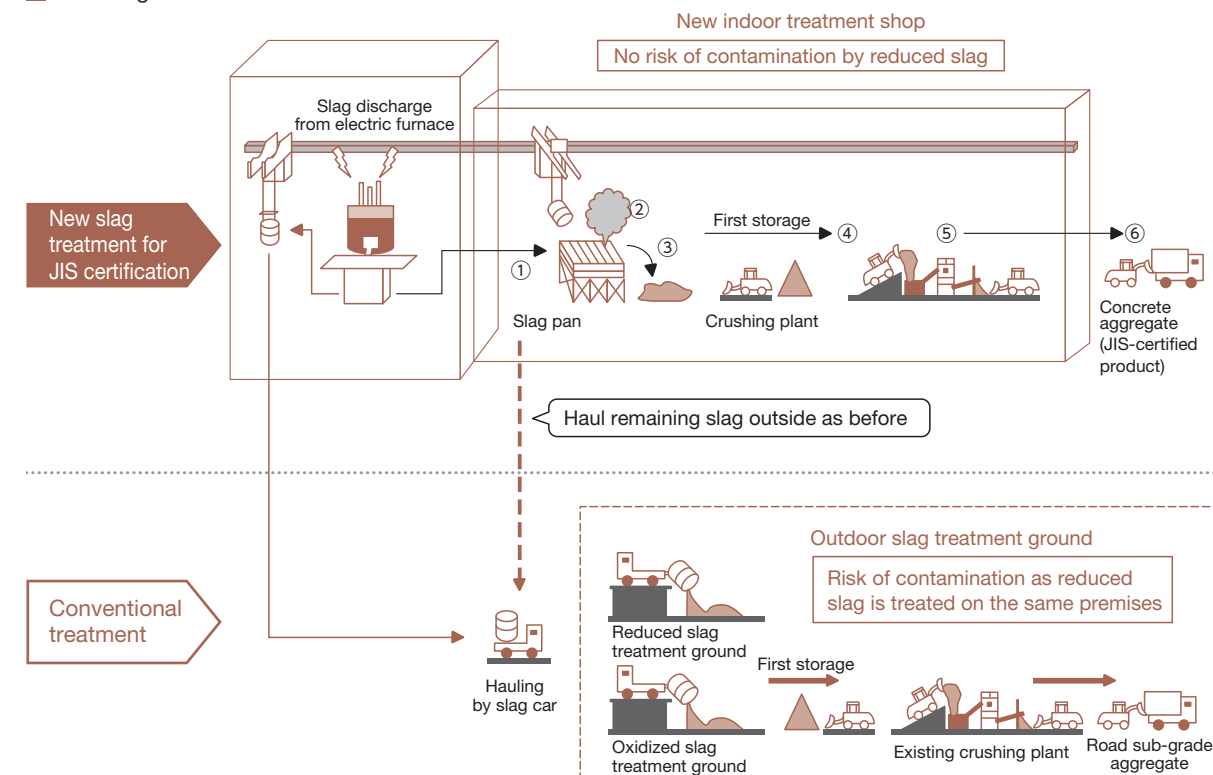
JIS certification of concrete aggregate materials made using oxidized slag from our electric furnaces

The Steel Division is engaged in recycling oxidized slag, a by-product generated during the steelmaking process in electric furnaces as road sub-grade and civil engineering materials. In order to expand the use of oxidized slag, we have obtained JIS certification (JIS A 5011-4: slag aggregate for concrete – category No.4: electric furnace oxidized slag aggregate, certified site: Daishin Kigyo Co., Ltd.).

With respect to acquiring JIS certification, we installed new slag cooling and crushing facilities that absolutely prevent the contamination of reduced slag generated in the LF (reduced refining) process to produce JIS-compliant oxidized slag.

At present, we are pursuing thoroughgoing sales activities to expand the use of oxidized slag for concrete slag aggregate.

New Slag Treatment Flow



VOICE

We are working to reduce waste through recycling of electric furnace slag

Kenichi Inoue, Group Leader, Quality Control, Toyohashi Factory

Oxidized slag in the electric furnace is a byproduct generated when scrap steel is melted and refined. About 120 kg of slag is generated per 1 ton of electric furnace steel production. We can contribute to the reduction of waste by recycling slag as concrete aggregate. Furthermore, we are able to make contributions to conserving the global en-

vironment from a broader perspective since slag has an advantage as an alternative to aggregates composed of natural sand and natural macadam against the use of which stricter regulations are being applied from the viewpoint of protecting natural resources.

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 the Ayase Factory and Kanagawa Factory, located in Kanagawa Prefecture, we have submitted a Business Activity Warming Prevention Measures Plan according to the Kanagawa Prefecture Warming Prevention Measures Promotion Ordinance. We have reported CO₂ emissions results and improvement progress status against the reduction plan for CO₂ emissions since FY2010.

Setting up the Energy Saving Promotion Working Group

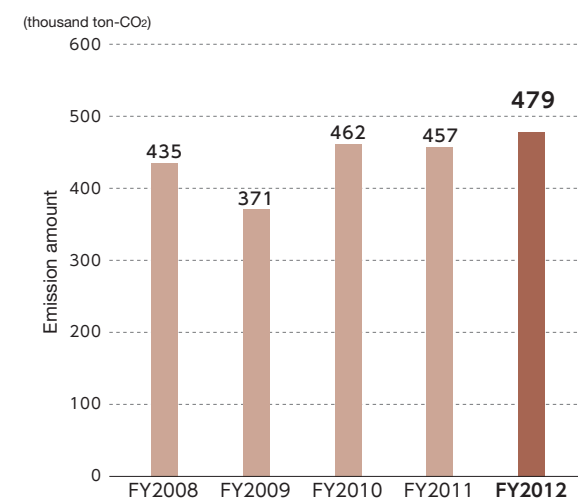
In order to address company-wide energy saving activities we have set up an Energy Saving Promotion Working Group. The group has recently taken up the common theme "energy saving improvement of compressors*" and is checking improvement progress at each factory and also making follow-ups depending on the progress status besides exchanging information when needed.

Furthermore, we are reviewing the management of energy saving activities at each factory and the introduction of energy saving facilities within the energy saving campaign started in FY2013.

* Energy saving improvement of compressors

The power consumption of compressors occupies a high position in total power use at all factories. Compressors are indispensable for performing business activities and at the same time a substantial effect is anticipated if energy saving measures are properly taken. The Topy Industries Group has taken up "energy saving improvement of compressors" as a common theme in the Energy Saving Promotion Working Group and is introducing various energy saving measures such as improvement in operation efficiency by shutting them off when the facility is not in operation, preventing idling, and bolstering control by reviewing outlet pressure and outlet amounts.

Energy Source Based CO₂ Emission Amount



VOICE

We are promoting energy saving at each factory unit

Masaaki Toyoda
General Manager, Shoe Production Department,
Toyohashi Factory

The Shoe Production Department consumes a large amount of energy for cutting, heat treatment and processing of undercarriage components for construction equipment (track shoes). We are therefore active in working to reduce energy costs.

Last year, we made various improvements including higher heat retention in the heat treatment furnace, automatic shutoff of blower fans and lighting during non-operational periods, automatic start and stop of compressors and inverter control of cleaning towers, thus achieving a drastic reduction in energy consumption. However, our improvement initiatives have just started and we have to continue exerting our efforts for further improvement in energy saving to achieve cost reduction.

Chemical Substance Management [Topy Industries, Ltd.]

Emission management of materials under the PRTR law

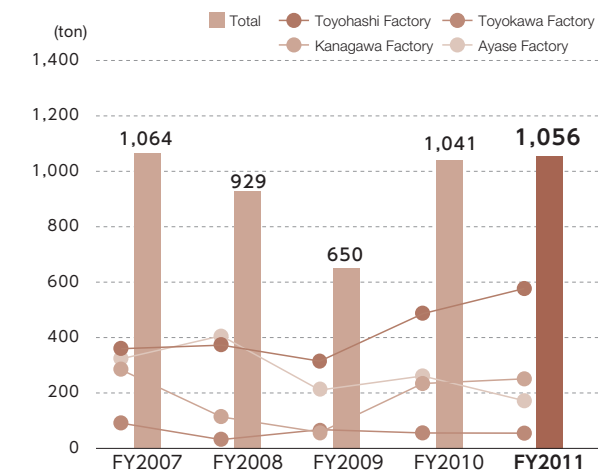
In accordance with the PRTR Law (the Pollutant Release and Transfer Register Act (the Act on Confirmation etc. of Release Amounts of Specific Chemical Substances in the Environment and Promotion of Improvements to the Management Thereof), business entities that handle chemical substances are obliged 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. The values of total emission and transfer

amounts for FY2012 will be released in February 2014. The expected result is an approximate 40% reduction compared to FY2011 thanks to the reduction in VOC (volatile organic compounds).

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



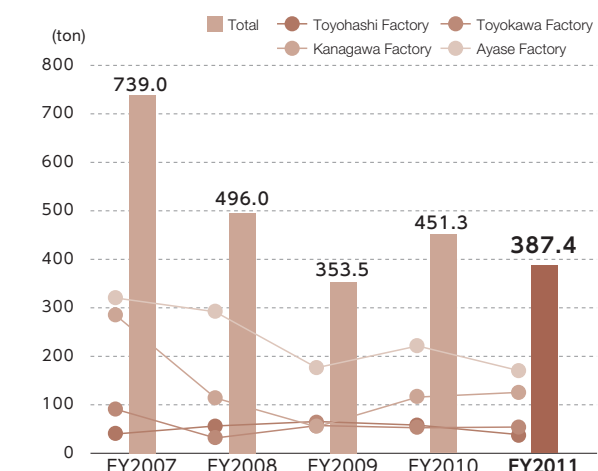
Initiatives on air pollution prevention

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 the 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.]



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



Non-chrome pre-treatment of aluminum wheel painting

An industry first for chromium-free processing

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

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



LED light ceiling system

Provides a light emission area ratio of almost 99% that cuts power consumption



Topy Industries, Ltd. has succeeded in the practical use of new LED ceiling light systems providing an unprecedented 98.8% light emission area ratio. By using 3-mm thick ultra-thin LED light emission panels developed in-house, the installation of lighting on low ceilings is possible. In addition, by the use of LEDs as a light source, power consumption is kept at about 50% less compared to fluorescent-type ceiling lights of the same size. Topy Industries has been developing the practical use of LEDs (light-emitting diodes) to reduce power consumption and CO₂ emissions. Ultra-thin LED light panels allow development into various fields of use including guidance signs at railway stations and commercial facilities, poster frames, and bus stop signs. We support the creation of spaces that are friendly to both people and the global environment.

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

1. Compliance with applicable legal and related requirements
Strictly comply with applicable legal and related requirements associated with the environment and promote building a symbiotic relationship with the local community.
2. Reduction of environmental 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.
3. Supplying eco-friendly products
Be considerate of the environment from the product design stage and reduce use of hazardous substances to supply eco-friendly products.
4. Increase environmental awareness
Provide education on basic approaches and roles regarding the environment to all employees of Toyokawa Factory and increase environmental awareness.

Ayase Factory

Environment basic policy

1. Comply with applicable legal and related requirements in order to build a symbiotic relationship with the local community.
2. Reduce greenhouse gases (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.

Social Responsibility

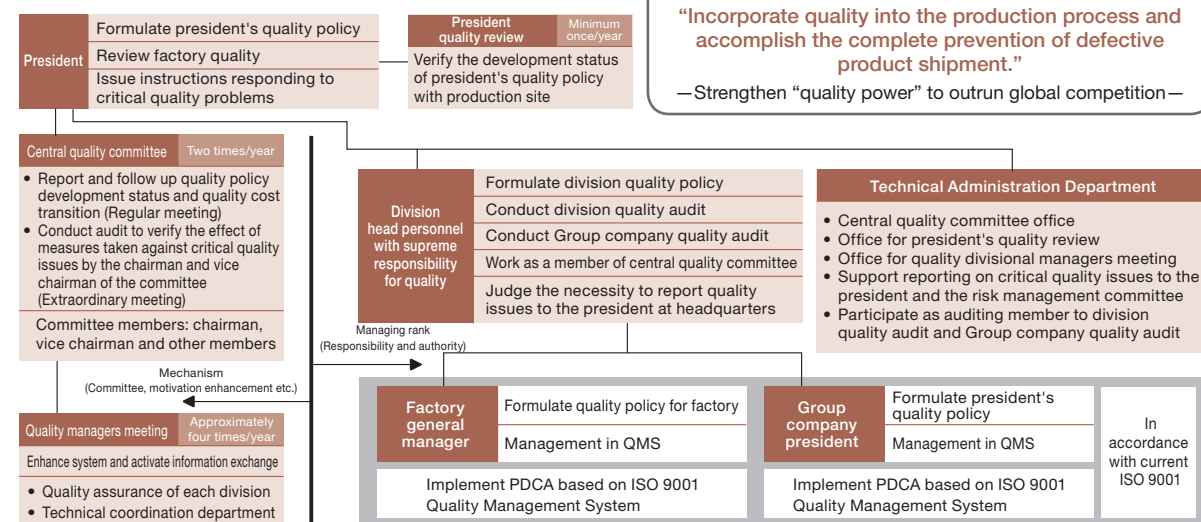
Customer Satisfaction and Quality Management [Topy Industries, Ltd.]

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—

Awards from society

Topy Industries has pursued excellent quality based on the principle of "Customer First" and our products are evaluated highly by our customers, and as such we have been awarded for our efforts. In FY2012, following on from the Gold Award received in FY2011, we received the Supplier Quality Excellence Process (SQEP)

Platinum Award from Caterpillar Corp., an award given to fewer than 10 companies in the world. Both awards are extremely prestigious and indicate a clear manifestation of our superior quality control. Besides these awards, we have received various awards from customers as well as industry associations with respect to our products such as undercarriage components for construction equipment, crawler robots, and steel wheels.

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 improve-

ments beginning with quality and extending to issues such as costs, productivity, safety, and environmental preservation.

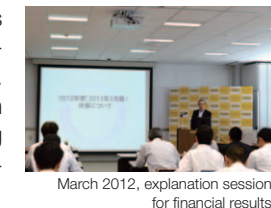
In December, 2012, the 24th Topy Industries Group Small Group Activity Presentation Convention took place and a total of 12 groups (5 from Topy Industries, 7 from Topy Industries Group companies) made presentations. These groups were closely elected out of 325 groups (540 themes).

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. In particular, for our shareholders and investors, we have disclosed quarterly financial results since June 2003 in an effort to promptly and adequately disclose corporate information.

our financial results as well as our medium to long term consolidated management plans. This management plan session can be watched via streaming from our website for shareholders/investors, "IR library".



Participants of FY2012 Explanation Session

Date Held	Content	Participants
Nov. 14, 2012	2nd quarter financial results	25
May 23, 2013	12-month financial results	34

Shareholder special benefit plan

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

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.

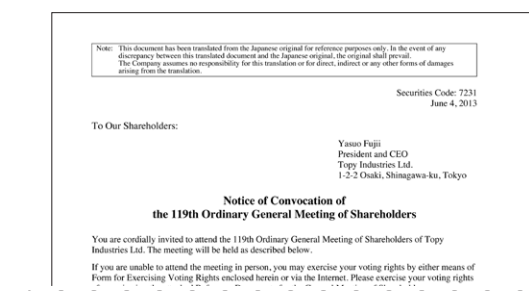
Our basic policy regarding profit distribution is to return profits to shareholders in proportion to the consolidated business results while building up retained earnings for future business development and strengthening our corporate structure. Retained earnings will be allocated to investment into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

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) Early dispatch of notice to convene general meetings 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)



Notice of convocation in English (summary)

Explanation session for financial results

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

Social Responsibility

Contributions to Society

TOPY CUP U.S.-Japan Intercollegiate Golf Tournament

The TOPY CUP is a sports event held at Tanagura Country Club (Higashi Shirakawa-gun, Fukushima Prefecture) where top student golf players selected from Japanese and U.S. colleges compete. This event succeeded the "U.S.-Japan Goodwill Intercollegiate Golf Tournament" which started in 1983. The Topy Industries Group has participated in the management of this event since 1989 and became a main supporter in 1993 under the new name of "TOPY CUP U.S.-Japan Intercollegiate Golf Tournament". The tournament will celebrate its 30th anniversary in 2013.

The event has played a positive role in promoting exchange between students of both countries through sports and has earned wide recognition as a regular event. The 2012 tournament was held at Tanagura Country Club for three days from September 11 to September 13, as an international sports event to support recovery and reconstruction from the Great East Japan Earthquake, and the players made the tournament exciting with their high level of performance.



Tanagura Country Club



TOPY CUP U.S.-Japan Intercollegiate Golf Tournament

Environmental conservation activities in areas neighboring our factories

[Topy Industries, Ltd.]

Several times a year, Topy's Toyohashi Factory is involved in environmental conservation activities in the area surrounding the factory. Seventy factory employees participated in the first conservation activities conducted on May 25, 2012. They were assigned into four groups to clean the shoreline in front of the guard station, the outside area of the south gate, the shoreline of the north wharf, and the east shoreline over the course of about one hour, and succeeded in collecting a large quantity of driftwood and other objects.



Environmental conservation activity

A joint fire evacuation drill and Topy's in-house firefighting team

[Topy Industries, Ltd.]

On November 7, 2012, a factory-wide joint fire evacuation drill took place at the Toyohashi Factory with participants from each department and its subcontractors. A total of 450 participants partook in the drill from initial evacuation, roll-call and reporting to the emergency headquarters to secondary evacuation as instructed by the emergency headquarters.

The fire prevention efforts at the Toyohashi Factory have received high evaluation from the local community. Our in-house firefighting team came in 3rd place in the indoor fire extinguisher category at the 46th Hose Spray Competition held on the Toyohashi Ground of Nitto Denko Corp., in Nakahara, Toyohashi City on October 27, 2012.



A fire drill by Topy's in-house firefighting team

Participation in the local initial firefighting competition

[Topy Industries, Ltd.]

The Ayase Factory has been participating every year in the initial firefighting competition organized by the Ayase Firefighting Association.

The competition is designed to allow participants to gain effective firefighting skills. For the 26th competition, held in 2012, a total of 84 participants from 32 teams representing 18 local business sites participated in the fire extinguisher and indoor fire extinguisher competitions. Topy's Ayase team performed well, demonstrating the culmination of their routine training, and won the highest award and the best operator award in the men's fire extinguisher category.



The initial firefighting competition

A letter of gratitude from Tokyo Electric Power Company

[Topy Industries, Ltd.]

In December 2012, the Science Division received a letter of gratitude from the Tokyo Electric Power Company, Incorporated, appreciating the contribution by Topy's survey robot "Survey Runner™" toward site inspection work at the Fukushima Daiichi Nuclear Power Station. Going forward, Topy will continue to develop useful robots for practical applications.



Concluding a security agreement with local government

[Topy-Rec, Ltd.]

Topy operates the large-scale shopping center Topy-Rec Plaza in Koto Ward, Tokyo. The Koto Ward Office solicits the conclusion of security agreements with companies which have business facilities in the Koto Ward in preparation for possible future floods or tsunamis. Topy-Rec, Ltd. has concluded an agreement with the Koto Ward Office, promising to offer its facilities as an initial evacuation facility. In the event of a natural disaster, the company is expected to provide anti-disaster measures in collaboration with the ward office.



Conclusion of the security agreement

Offering factory tours

Topy's Ayase Factory regularly offers factory tours to pupils of elementary schools in the vicinity of the factory. On November 20, 2012, the factory welcomed 123 third-grade pupils from Ayase Elementary School and factory staff in charge of safety gave a guided tour through the production process.

The children were surprised at the vast site of the factory and their eyes widened in excitement upon seeing the wheel production lines and having the opportunity to touch truck and bus wheels. At the end of the tour, they posed for a class photo in front of an SGOR® ultra-large diameter wheel for mining trucks and expressed their wonder at its huge size.



Factory tour

Social Responsibility

Global Social Contribution Initiatives

Celebrating the 27th anniversary of operation within American society

[Passenger Car Wheel Department, Topy America, Inc.]

Topy America, Inc., based in Frankfort, Kentucky, was established in 2007 by integrating three Group companies in the U.S. This year, the Passenger Car Wheel Department, the mainstay of the company, celebrated the 27th anniversary since its original foundation. The company has continued to grow since the major economic setback triggered by the global financial crisis, while contributing to the revival of the American automobile industry. Currently, Topy America enjoys a share of about 20% in the North American steel wheel market, with sales centering on large-selling models.



Line with new robots installed

Accelerating infrastructure development by increasing the localized production ratio

[Qingdao Topy Machinery Co., Ltd.]

Qingdao Topy Machinery Co., Ltd. was founded in October 2002 as a Sino-Japanese joint venture and celebrated its 10th anniversary in FY2012. The main objective of the company is to decrease the percentage of products imported from Japan by raising the local production rate of track shoe assemblies and processing of links, pins and bushes, amidst the demand for construction equipment which continues to grow at a fast pace in China. In this way, the company is helping to accelerate the development of the nation's infrastructure.

The company is geared to developing its business through the unified efforts of Chinese and Japanese associates while integrating itself into Chinese society.

Promoting sports activities to give a lift to the local community

[Topy Fasteners (Thailand) Ltd.]

Topy Fasteners (Thailand) Ltd. is proud of its strong sense of unity between Thai and Japanese associates. We organize three regular company-wide events a year, including the Sports Day (an athletic meet), New Year's Party (year-end party) and Topy Tour (company holiday). Our Thai associates and their families are positively participating in these events to help enhance mutual friendship.



Sports Day

Furthermore, the company fields six futsal teams that will compete in the "Topy Premium League" from March through August, among other events and sporting activities to give a lift to the local community.

Aiming to garner the top prize in Topy's company-wide JK presentation contest

[Fujian Topy Autoparts Co., Ltd.]

Since its establishment in 1995, Fujian Topy Autoparts Co., Ltd. has been supplying steel wheels for passenger cars to Japanese automobile companies operating in China. The company diligently encourages JK activities as part of its efforts to nurture human resources and conduct group improvement activities, and has participated in the Topy Industries company-wide JK presentation contest in Japan for three consecutive years.



China Fujian JK Contest

In its first entry in FY2010, the company won third place, followed by second place in FY2011, which served to offer encouragement to employees. The company came in third place again in the December 2012 contest.

Responding to local needs in environmental performance

[Topy Precision Mfg., Inc.]

Topy Precision Mfg., Inc. was established in Illinois, U.S.A. in 1988 as the first overseas production site of the Topy Fasteners, Ltd. Group and currently more than 90% of the products it handles are automobile components for the North American market.

The time when cars all over the country were dubbed "gas guzzlers" is gone, and people in North America are increasingly more concerned with environmental performance and better gas mileage. As such, power train components, which are our bread-and-butter products, have increased in importance. We are determined to contribute to the society of the country in which we operate by responding to customers' needs.

Contributing to society and local business

[Topy Enterprises (Dalian F.T.Z.) Co., Ltd.]

Topy Enterprises (Dalian F.T.Z.) Co., Ltd., 100% owned by Topy Enterprises, is a trading firm established in Dalian as a navigator to develop business in China on behalf of the Topy Industries Group. At the same time, by establishing beachheads for business development at various locations across China, the company aspires to become a corporation recognized within the country for providing services that contribute to local business. As a company with its business base in China, it will act as a go-between for China and Japan while contributing to society in the host country.

Creating a Safe and Comfortable Workplace Environment

[Topy Industries, Ltd.]

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	Average years to reach	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	3-4	<ul style="list-style-type: none"> Advanced individual knowledge Business manner follow-up 		<ul style="list-style-type: none"> Intermediate level communication ability
Follower (candidate to become a leader)	6-7	<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	10-12	<ul style="list-style-type: none"> Advanced expert knowledge Financial knowledge Marketing for beginners 	<ul style="list-style-type: none"> Applied logical thinking 	<ul style="list-style-type: none"> Fostering juniors
Manager	14-17	<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
Manager	22-25	<ul style="list-style-type: none"> Senior level financial knowledge Senior level marketing 	<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 2012 through December 2012)

Factory	Total working hours	No. of accidents	Frequency	Severity
Kanagawa	449,137	0	0.00	0.00
Ayase	872,242	0	0.00	0.00
Toyohashi	1,434,438	0	0.00	0.00
Toyokawa	866,063	0	0.00	0.00
Total	3,621,880	0	0.00	0.00



On-the-job training

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.

Social Responsibility

Creating a Safe and Comfortable Workplace Environment [Topy Industries, Ltd.]

Danger Simulation Dojo

Since January 2012, the Toyohashi Factory has been engaged in the establishment of a Danger Simulation Dojo (Hall), where employees can experience simulated dangers. At the Danger Simulation Dojo, what is dangerous, how we should manage danger, determination in observing rules, and other pertinent issues are addressed using equipment actually used in the workplace.

The Danger Simulation Dojo activities convened as scheduled in July 2013 and a large number of employees have undergone first-hand simulated experiences through the program to foster higher safety awareness. (See pages 25–26.)



Danger Simulation Dojo opening ceremony

Recreational activities to communicate with the local community

At each factory of Topy Industries, Ltd., various events and recreational activities are organized to promote exchange both among employees and with 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. At the anniversary event at Kanagawa Factory in October 2012, a lion dance was performed by volunteers from the Yokohama Chinatown and made the event very exciting and enjoyable.



Chinese lion dance

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 FY2012, 17 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 (Toyokawa)



Topy Juku (Kanagawa)



Topy Juku (Toyohashi)

Awarded the Safety Honorary Award for the fourth consecutive year

Topy's Kanagawa Factory received the Safety Honorary Award for the fourth consecutive year at the 54th Safety Award Ceremony of the Japan Iron and Steel Federation, reflecting the high evaluation of the factory's overall safety performance. The Toyohashi Factory also received an award for excellence in recognition of its safety management. Topy Industries continues working hard to promote safety activities.



Award ceremony at the Kanagawa Factory

Award of the Hazardous Material Safety Association, Kanto Koshinetsu Area

Topy's Kanagawa Factory has been awarded the Chairman Award of the Hazardous Material Safety Association, Kanto Koshinetsu Area at the Kanagawa Prefectural Kanagawa Labor Plaza in June 2012. This recognition was conditional on obtaining similar awards from Kanagawa Prefecture and Chigasaki City, therefore demonstrating our excellent safety management in relation to hazardous materials.

Topy Industries is the first private company located in Chigasaki City to receive this award. We will continue to execute safety management with an even greater determination in the future.



Award certificate from the Hazardous Material Safety Association

Initiatives for 2012 National Safety Week

The company solicited posters and slogans from employees as part of activities for National Safety Week, and a large number of ideas were submitted. After strict review by the Central Safety Committee, the highest and honorable mention awards have been selected from the entries.



Highest Award



Highest Award



Honorable Mention Award



Honorable Mention Award



Honorable Mention Award

Award-winning Slogan Entries for National Safety Week

Highest Award

All decide "Don't items"
All practice "Remind each other"
Target "Zero Accidents" for a safe and comfortable workplace

Honorable Mention Award

Eyes for looking, eyes for observing,
eyes for foresight
Nip danger in the bud

Honorable Mention Award

Foresee danger before work
"Point and Call" before starting work
No haste and no hurry for safe work

Additional Data Corporate Data

Annual Report Fact Book

Contents

Additional Data

Financial Highlights	44
Analysis of Operation Results & Financial Performance by Management	45
Business by Segment	
• Steel Business	46
• Automobile & Industrial Machinery Components Business	47
• Other Business	48
Major Subsidiaries & Affiliates	49
Directors, Auditors & Operating Officers	50
Consolidated Financial Statements	
• Consolidated Balance Sheet (Assets)	51
• Consolidated Balance Sheet (Liabilities)	52
• Consolidated Statement of Income & Comprehensive Income	53
• Consolidated Statement of Changes in Net Assets	55
• Consolidated Statement of Cash Flows	57
• Notes to Consolidated Financial Statements	59
Segment Information	61
Consolidated Financial Statement for the Past 10 Years	61

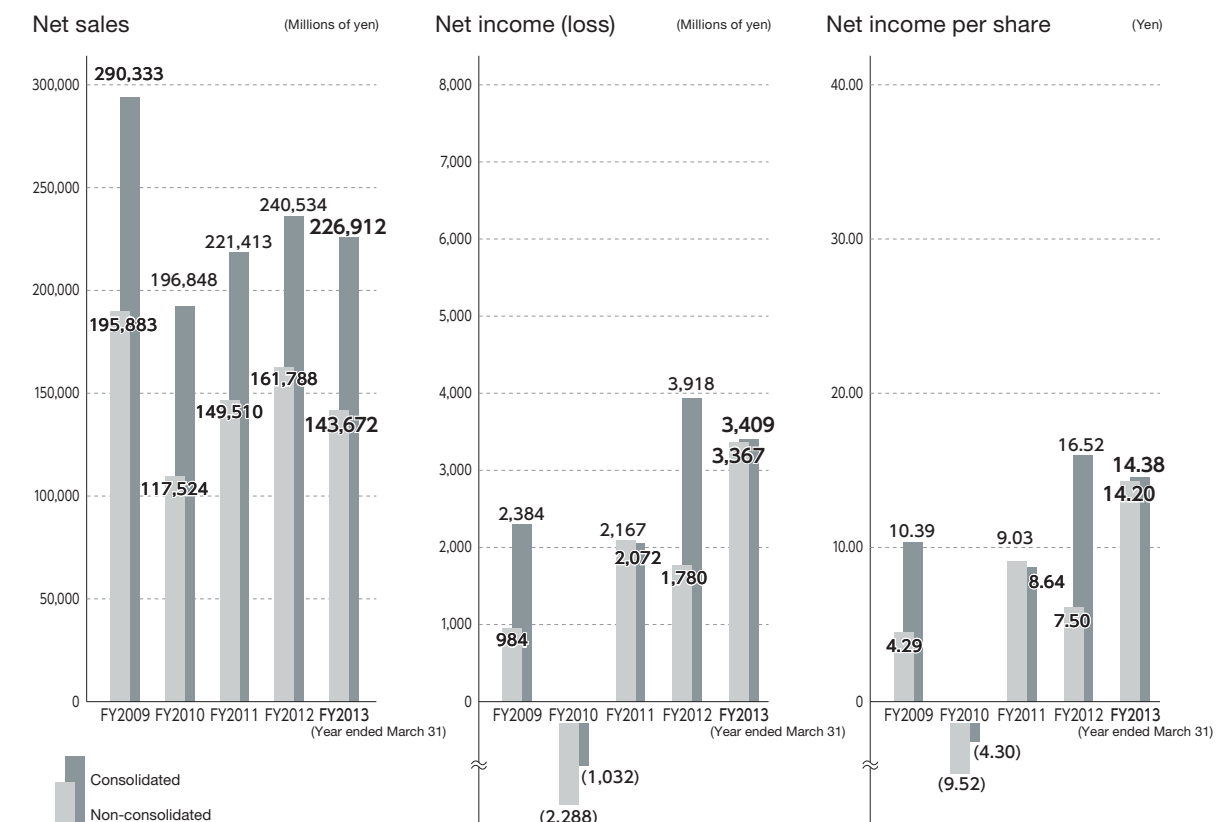
Financial Highlights

Consolidated	Millions of yen		Thousands of U.S. dollars (Note)
	2013	2012	
Net sales	¥ 226,912	¥ 240,534	\$ 2,414,214
Net income	3,409	3,918	36,270
Total assets	208,781	212,828	2,221,311
Net income per share (in yen and U.S. dollars)	14.38	16.52	0.15

Non-Consolidated	Millions of yen		Thousands of U.S. dollars (Note)
	2013	2012	
Net sales	143,672	161,788	1,528,588
Net income	3,367	1,780	35,823
Total assets	159,946	166,129	1,701,734
Net income per share	14.2	7.50	0.15
Cash dividend applicable to the period (in yen and U.S. dollars)	4.00	4.00	0.04

Note: Dollar amounts are converted at the rate of ¥93.99 to U.S. 1 dollar (Year ended March 31)

Five-year Trends in Sales and Profits



Annual Report

Analysis of Operation Results and Financial Performance by Management

Business overview

Despite gradual recovery in the United States, the global economy during the period of this consolidated accounting year showed only a slight recovery due to the European debt crisis and slowdown in growth in China and other developing countries. As for the Japanese economy, some indication for improvement was seen as recovery demand from the Great East Japan Earthquake and a sense of expectation towards the economic policies of the new government resulted in movements towards the depreciation of the Yen and rise in stock price. However, the prolonged stagnation of overseas economies led to an overall down tone.

Under such conditions, the Topy Industries Group has formulated and launched a new medium term consolidated management plan "Growth & Change 2015" with its basic principle being global "Growth" and "Change" to achieve a highly-profitable structure. As one part of such plan, the construction of a new steelmaking facility has been started at Toyohashi Factory (Toyohashi City, Aichi Prefecture). Also, a manufacturing subsidiary for truck wheels, TOPY PALINGDA MANUFACTURING INDONESIA (Jawa Barat, Indonesia) has been established to respond to the demand increase in the ASEAN region. Furthermore, the Topy Industries Group has continued its efforts to improve corporate value by establishing a production structure in response to demand, improving productivity etc. for further cost performance improvement.

However, the Topy Industries Group was affected by the decline in steel selling price and the decrease in steel demand for construction machinery undercarriage parts. Our results for this consolidated accounting year ended at net sales of ¥226,912 million (year-to-year comparison, 5.7% decrease), operating income of ¥6,990 million (year-to-year comparison, 33.8% decrease), ordinary income of ¥6,234 million (year-to-year comparison, 14.6% increase), and a net income of ¥3,409 million (year-to-year comparison, 13.0% increase).

Dividends

As for the dividends, we believe it is important to continue making stable dividends by taking into account overall factors such as redistribution of profits to shareholders, business development and strengthening corporate financial structure. Based on this policy, we have set annual cash dividends for this consolidated financial term at 4 yen per share (including interim dividends of 2 yen).

Outlook for the future and issues to be solved

With regards to the outlook of the economic environment from here onward, there is hope for recovery of the domestic economy as a result of governmental economic policies and gradual recovery of the U.S. economy. However, uncertainty towards the European debt crisis and the Chinese economic trend leaves the overseas economic conditions unclear. The demand trend etc. surrounding the Topy Industries Group continues to be an unpredictable situation.

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

Topy Industries, Ltd.
President and CEO

Y. Fujii

Business by Segment

Steel Business

Business results

The crude steel production in Japan continued to remain at low levels for the steel industry as domestic demand for manufacturers stood low. As for the electric furnace mill industry, the condition became extremely difficult from prolonged decrease in demand and rise in steel scrap price during the second semester.

Under such circumstances, the Topy Industries Group has taken all possible improvement methods and intensive cuts in manufacturing costs. However, we were greatly affected by the decrease in steel demand for construction machinery undercarriage parts that are supplied to automobile and industrial machinery components business, decline in sales price, and rapid increase in steel scrap price during the second semester. This resulted in net sales of ¥67,621 million (year-to-year comparison, 5.1% decrease), and operating income of ¥720 million (year-to-year comparison, 81.2% decrease).

Research and development activities

We will promote quality enhancement of hot rolled products and research and development of environmental improvements in reducing wastes and resource recycling while developing new section steel and new grade steel.

As a practical achievement, we have succeeded in receiving orders for new section steel, reducing power intensity on the conventional products and developing technologies relating to waste reduction and recycling.

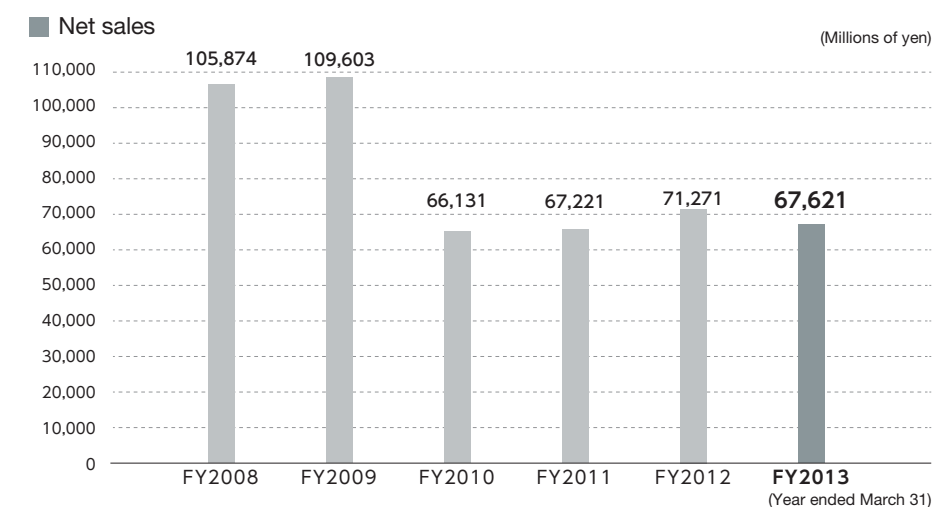
We spent ¥34 million on these R&D activities.

Issues to be addressed

We will continue all possible efforts in order to reduce costs. Also, we will ensure the steady construction of our new steel-making facilities to start operation in FY2015 for cost improvement. The new facility will enable operation at an extremely low electrical power consumption rate and the in-house manufacture of steel billets.

Companies involved 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.



Annual Report

Business by Segment

Automobile & Industrial Machinery Components Business

Business results

In the automobile industry, the domestic production surpassed the previous year due to effective subsidy for ecologically-friendly vehicles and continued recovery demand from the Earthquake etc. On the other hand, despite steady domestic demand with regards to recovery from the Earthquake, the environment for the construction machinery industry was very difficult as demand in China remained low.

Under such conditions, the Topy Industries Group was able to acquire steady demand of wheels for trucks and passenger cars, and sales of such wheels were strong. Furthermore, all possible improvement plans are being continued. However, demand for construction machinery undercarriage components and ultra-large wheels used at mining sites fell. As a result, net sales marked ¥145,398 million (year-to-year comparison, 5.6% decrease), and operating income marked ¥9,966 million (year-to-year comparison, 4.1% decrease).

Research and development activities

The Topy Industries Group will continue studies on weight-saving, quality improvement, cost reduction and speed-up of development time etc., and research and development of new products.

As for our mainstream products of automobile steel wheel and aluminum wheels, we have had significant achievements in improving the accuracy of analysis and evaluation techniques, new product development and weight-saving, cost reduction of conventional products, and quality improvement.

In construction machinery components, we have succeeded in developing new large diameter rims for mining dump trucks, which will facilitate tire change operation and also advanced the research of quality improvements and cost reduction.

We spent ¥528 million for R&D during this fiscal year.

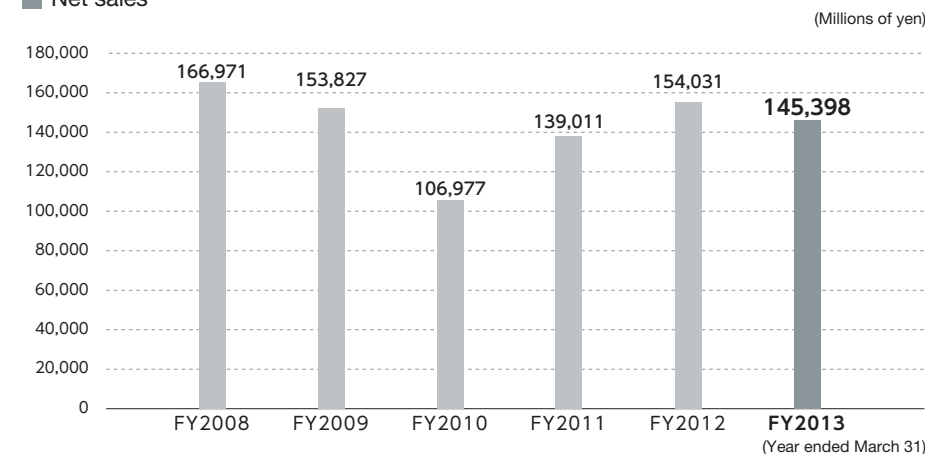
Issues to be addressed

We will continue to further our presence as the “world’s top class comprehensive wheel manufacturer” and establish a status as the “all-round undercarriage components manufacturer of construction machinery”. Also, we will continue our efforts to reduce cost to enable a structural system that can be profitable even under difficult business conditions. Furthermore, we will work to establish an optimal production structure on a global scale by enhancing overseas manufacturing sites and strengthening ties with our global partners.

Companies involved in this business 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
Sales and Services: Topy Enterprises, Ltd. Autopia Ltd.

Net sales



Other Business

Business results

The Topy Industries Group also engages in wholesale electricity utility, indoor and outdoor sign systems, manufacture of synthetic mica used in cosmetics etc., manufacture and sales of LED display 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 ¥13,891 million, and operating income was ¥542 million.

Issues to be addressed

As for the electric power generation business, we will pay special attention to maintain a stable operation structure. For the mica business, we will promote sales of synthetic mica and proceed toward commercialization in wider application fields. In the sign system business, we will focus on providing visuals to meet specialized customer needs while developing new products in pursuit of advertising effects.

In the new business, we will expedite the development of crawler robots and contribute to realizing a society where more robots are used for practical purposes.

Research and development activities

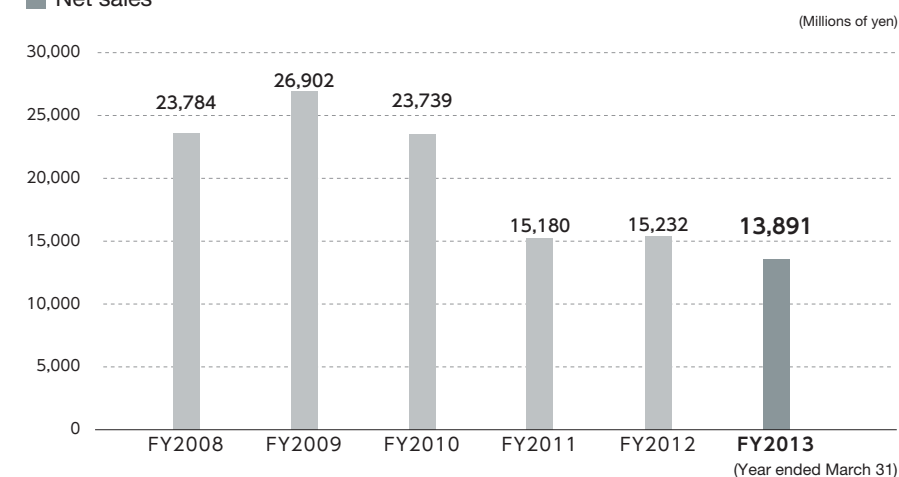
We are actively promoting university-industry cooperation for R&D in new areas. Our Science Division has been involved with the development of ultra-thin, lightweight LED signs and new products using high gloss synthetic mica. As for crawler robot, we are working to develop various types of robots for specific purposes. At our R&D center, we are proceeding with the development of thermal spraying technology of metal glass.

We spent ¥650 million for these activities during this fiscal year.

Companies involved in this business segment

Manufacturing: Topy Industries, Ltd.
Topy Enterprises, Ltd. Akemi Electric Power, Ltd.
Sales and services: Topy-Rec, Ltd.

Net sales



Annual Report

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 (90)
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.	50,000 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)

Company name	Head office location	Capital (millions of yen)	Business segment	Holding voting right or owned by (%)
Fujian Topy Autoparts Co., Ltd.	Fujian, China	194 million yuan	Automotive and Industrial Machinery Components	100
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
Tianjin Topy Machinery Co., Ltd.	Tianjin, China	81 million yuan	Automotive and Industrial Machinery Components	100
PT. Topy Palingda Manufacturing Indonesia	Jawa Barat, Indonesia	330 billion rupiah	Automotive and Industrial Machinery Components	100
(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	35.4 (1.4)
Nippon Steel Topy Bridge Co., Ltd.	Kitakyushu-shi, Fukuoka Pref.	450	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, 2013

Notes:

- Respective business segments are listed in the "business segment" column (excluding other affiliated companies).
- Topy America, Inc. and Topy Precision Mfg., Inc. have paid premiums of U.S. \$62,999,400 and U.S. \$4,950,000, respectively, aside from the capital mentioned above, totaling capital of U.S. \$63,000,000 and U.S. \$5,000,000 respectively.
- Topy Enterprises, Ltd., Topy America, Inc., Fujian Topy Autoparts Co., Ltd., Topy Undercarriage (China) Co., Ltd. and PT. Topy Palingda Manufacturing Indonesia are categorized as special subsidiary companies.
- Hokuetsu Metal Co., Ltd. and Nippon Steel & Sumitomo Metal Corporation issue an official financial statement separately.
- The sales ratio of Topy Enterprises, Ltd. as a proportion of the consolidated sales of Topy Industries Group exceeds 10% (excluding internal sales among consolidated Topy Industries Group companies).
Major financial information
(1) Net sales ¥116,396 million
(2) Operating income ¥1,510 million
(3) Net profit ¥1,000 million
(4) Net assets ¥6,232 million
(5) Gross assets ¥43,956 million
- The values in parentheses under the "holding voting right or owned by" column represent indirect holding percentages.

Directors, Auditors & Operating Officers

	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
	Senior Managing Director	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, General Manager of Technical Administration and Business Process Innovation and Promotion
	Director, Senior Advisor	Yoshiro Shimizu	
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
	Operating Officer	Toshiyuki Tani	General Manager of the Science Division
	Operating Officer	Akira Tanahashi	Steel Business, General Manager of the Steel Division
	Operating Officer	Yuzo Ogawa	Deputy General Manager of the Wheel Division
	Operating Officer	Satoshi Kumazawa	Personnel, Labor Relations, Safety (assisting Yasuhiro Ishii), General Manager of the Personnel Dept.
	Operating Officer	Shinichi Kijima	Corporate Planning, Affiliated Companies, Overseas Business Planning, General Manager of the Corporate Planning 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 the Kanagawa Factory
	Operating Officer	Tadashi Kojima	General Manager of the Internal Audit Dept.
	Operating Officer	Tsuneo Watanabe	Deputy General Manager of the Wheel Division, General Manager of the Toyokawa Factory
	Operating Officer	Kazuhiro Nakayama	Deputy General Manager of the Wheel Division, General Manager of the 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, 2013

Annual Report

Consolidated Financial Statements

Consolidated Balance Sheet (Assets)

	Millions of yen		Thousands of U.S. dollars (Note)
	2013	2012	
Assets			
Current assets			
Cash and deposits	¥ 19,914	¥ 22,232	\$ 211,874
Notes and accounts receivable-trade	42,251	56,891	449,527
Merchandise and finished goods	12,353	13,129	131,429
Work in process	3,862	4,319	41,089
Raw materials and supplies	7,870	8,380	83,732
Deferred tax assets	1,862	2,113	19,811
Other	5,877	4,918	62,528
Allowance for doubtful accounts	(38)	(50)	(404)
Total current assets	93,954	111,936	999,617
Noncurrent assets			
Property, plant and equipment			
Buildings and structures	74,101	70,120	788,392
Accumulated depreciation	(48,651)	(47,121)	(517,619)
Buildings and structures, net	25,449	22,999	270,763
Machinery, equipment and vehicles	159,794	152,281	1,700,117
Accumulated depreciation	(130,533)	(126,450)	(1,388,797)
Machinery, equipment and vehicles, net	29,260	25,831	311,310
Land	17,618	17,681	187,445
Lease assets	3,610	1,045	38,408
Accumulated depreciation	(425)	(170)	(4,522)
Lease assets, net	3,184	875	33,876
Construction in progress	6,212	3,019	66,092
Other	29,927	28,292	318,406
Accumulated depreciation	(28,039)	(26,769)	(298,319)
Other, net	1,887	1,522	20,077
Total property, plant and equipment	83,614	71,930	889,605
Intangible assets			
Other	1,164	1,525	12,384
Total intangible assets	1,164	1,525	12,384
Investments and other assets			
Investment securities	25,566	21,779	272,008
Long-term loans receivable	595	594	6,330
Deferred tax assets	2,024	3,135	21,534
Claims provable in bankruptcy, claims provable in rehabilitation and other	1	2	11
Other	1,915	1,981	20,375
Allowance for doubtful accounts	(55)	(57)	(585)
Total investments and other assets	30,048	27,435	319,694
Total noncurrent assets	114,827	100,891	1,221,694
Total assets	208,781	212,828	2,221,311

Consolidated Balance Sheet (Liabilities)

	Millions of yen		Thousands of U.S. dollars (Note)
	2013	2012	
Liabilities			
Current liabilities			
Notes and accounts payable-trade	¥ 33,630	¥ 44,338	\$ 357,804
Short-term loans payable	24,697	25,044	262,762
Current portion of bonds	300	300	3,192
Lease obligations	392	77	4,171
Income taxes payable	730	2,616	7,767
Asset retirement obligations	3	—	32
Other	12,863	10,883	136,855
Total current liabilities	72,617	83,261	772,603
Noncurrent liabilities			
Bonds payable	13,900	13,900	147,888
Long-term loans payable	14,637	18,846	155,729
Lease obligations	2,793	797	29,716
Deferred tax liabilities	2	86	21
Provision for retirement benefits	7,127	6,473	75,827
Provision for directors' retirement benefits	535	896	5,692
Reserve for repairs	687	473	7,309
Asset retirement obligations	274	260	2,915
Liabilities from application of equity method	903	949	9,607
Other	4,043	3,786	43,015
Total noncurrent liabilities	44,905	46,470	477,764
Total liabilities	117,522	129,731	1,250,367
Net assets			
Shareholders' equity			
Capital stock	20,983	20,983	223,247
Capital surplus	18,824	18,824	200,277
Retained earnings	50,255	47,794	534,685
Treasury stock	(866)	(863)	(9,214)
Total shareholders' equity	89,196	86,739	948,995
Accumulated other comprehensive income			
Valuation difference on available-for-sale securities	3,706	1,216	39,430
Deferred gains or losses on hedges	(1)	(2)	(11)
Foreign currency translation adjustment	(3,377)	(5,563)	(35,929)
Total accumulated other comprehensive income	326	(4,349)	3,468
Minority interests	1,735	706	18,459
Total net assets	91,258	83,096	970,933
Total liabilities and net assets	208,781	212,828	2,221,311

Annual Report

Consolidated Financial Statements

Consolidated Statement of Income and Comprehensive Income

	Millions of yen		Thousands of U.S. dollars (Note)
	2013	2012	
Net sales	¥ 226,912	¥ 240,534	\$ 2,414,214
Cost of sales	191,916	203,258	2,041,877
Gross profit	34,995	37,276	372,327
Selling, general and administrative expenses	28,005	26,722	297,957
Operating income	6,990	10,554	74,370
Non-operating income			
Interest income	35	43	372
Dividends income	341	362	3,628
Amortization of negative goodwill	—	114	—
Equity in earnings of affiliates	220	—	2,341
Other	369	426	3,926
Total non-operating income	966	946	10,278
Non-operating expenses			
Interest expenses	884	1,016	9,405
Foreign exchange losses	386	87	4,107
Equity in losses of affiliates	—	2,509	—
Other	451	582	4,798
Total non-operating expenses	1,722	4,197	18,321
Ordinary income	6,234	7,304	66,326
Extraordinary income			
Gain on sales of non-current assets	182	66	1,936
Gain on sales of investment securities	2	—	21
Other	17	5	181
Total extraordinary income	202	71	2,149
Extraordinary loss			
Loss on sales of noncurrent assets	26	372	277
Loss on retirement of noncurrent assets	352	442	3,745
Loss on foreign currency translation adjustment with liquidation of foreign subsidiaries	—	317	—
Loss on valuation of investment securities	199	60	2,117
Impairment loss	—	6	—
Other	16	58	170
Total extraordinary losses	594	1,257	6,320
Income before income taxes and minority interests	5,842	6,118	62,156
Income taxes-current	2,404	3,332	25,577
Income taxes-deferred	(48)	(1,312)	(511)
Total income taxes	2,355	2,019	25,056
Income before minority interests	3,486	4,098	37,089
Minority interests in income	77	180	819
Net income	3,409	3,918	36,270
Income before minority interests	3,486	4,098	37,089
Other comprehensive income			
Valuation difference on available-for-sale securities	2,442	277	25,981
Deferred gains or losses on hedges	0	(3)	0
Foreign currency translation adjustment	2,244	85	23,875
Share of other comprehensive income of associates accounted for using equity method	48	0	511
Total other comprehensive income	4,735	360	50,378
Comprehensive income	8,222	4,459	87,477
Comprehensive income attributable to			
Comprehensive income attributable to owners of the parent	8,085	4,316	86,020
Comprehensive income attributable to minority interests	137	142	1,458

Annual Report

Consolidated Financial Statements

Consolidated Statement of Changes in Net Assets

	Millions of yen		Thousands of U.S. dollars (Note)
	2013	2012	
Shareholders' equity			
Capital stock			
Balance at the beginning of current period	¥ 20,983	¥ 20,983	\$ 223,247
Changes of items during the period			
Total changes of items during the period	—	—	—
Balance at the end of current period	20,983	20,983	223,247
Capital surplus			
Balance at the beginning of current period	18,824	18,824	200,277
Changes of items during the period			
Disposal of treasury stock	(0)	(0)	(0)
Total changes of items during the period	(0)	(0)	(0)
Balance at the end of current period	18,824	18,824	200,277
Retained earnings			
Balance at the beginning of current period	47,794	45,299	508,501
Changes of items during the period			
Dividends from surplus	(948)	(1,423)	(10,086)
Net income	3,409	3,918	36,270
Total changes of items during the period	2,460	2,494	26,173
Balance at the end of current period	50,255	47,794	534,685
Treasury stock			
Balance at the beginning of current period	(863)	(859)	(9,182)
Changes of items during the period			
Purchase of treasury stock	(3)	(3)	(32)
Disposal of treasury stock	0	0	0
Total changes of items during the period	(3)	(3)	(32)
Balance at the end of current period	(866)	(863)	(9,214)
Total shareholders' equity			
Balance at the beginning of current period	86,739	84,247	922,853
Changes of items during the period			
Dividends from surplus	(948)	(1,423)	(10,086)
Net income	3,409	3,918	36,270
Purchase of treasury stock	(3)	(3)	(32)
Disposal of treasury stock	0	0	0
Total changes of items during the period	2,457	2,491	26,141
Balance at the end of current period	89,196	86,739	948,995

	Millions of yen		Thousands of U.S. dollars (Note)
	2013	2012	
Accumulated other comprehensive income			
Valuation difference on available-for-sale securities			
Balance at the beginning of current period	¥ 1,216	¥ 937	\$ 12,938
Changes of items during the period			
Net changes of items other than shareholders' equity	2,489	279	26,482
Total changes of items during the period	2,489	279	26,482
Balance at the end of current period	3,706	1,216	39,430
Deferred gains or losses on hedges			
Balance at the beginning of current period	(2)	1	(21)
Changes of items during the period			
Net changes of items other than shareholders' equity	0	(3)	0
Total changes of items during the period	0	(3)	0
Balance at the end of current period	(1)	(2)	(11)
Foreign currency translation adjustment			
Balance at the beginning of current period	(5,563)	(5,686)	(59,187)
Changes of items during the period			
Net changes of items other than shareholders' equity	2,185	123	23,247
Total changes of items during the period	2,185	123	23,247
Balance at the end of current period	(3,377)	(5,563)	(35,929)
Total accumulated other comprehensive income			
Balance at the beginning of current period	(4,349)	(4,747)	(46,271)
Changes of items during the period			
Net changes of items other than shareholders' equity	4,675	398	49,739
Total changes of items during the period	4,675	398	49,739
Balance at the end of current period	326	(4,349)	3,468
Minority interests			
Balance at the beginning of current period	706	665	7,511
Changes of items during the period			
Net changes of items other than shareholders' equity	1,028	41	10,937
Total changes of items during the period	1,028	41	10,937
Balance at the end of current period	1,735	706	18,459
Total net assets			
Balance at the beginning of current period	83,096	80,165	884,094
Changes of items during the period			
Dividends from surplus	(948)	(1,423)	(10,086)
Net income	3,409	3,918	36,270
Purchase of treasury stock	(3)	(3)	(32)
Disposal of treasury stock	0	0	0
Net changes of items other than shareholders' equity	5,704	440	60,687
Total changes of items during the period	8,162	2,931	86,839
Balance at the end of current period	91,258	83,096	970,933

Annual Report

Consolidated Financial Statements

Consolidated Statement of Cash Flows

	Millions of yen		Thousands of U.S. dollars (Note)
	2013	2012	
Net cash provided by (used in) operating activities			
Income before income taxes and minority interests	¥ 5,842	¥ 6,118	\$ 62,156
Depreciation and amortization	8,957	9,310	95,297
Amortization of negative goodwill	—	(114)	—
Impairment loss	—	6	—
Increase (decrease) in allowance for doubtful accounts	(15)	(17)	(160)
Increase (decrease) in provision for retirement benefits	654	822	6,958
Increase (decrease) in provision for directors' retirement benefits	(361)	19	(3,841)
Increase (decrease) in provision for scheduled repairs	214	(257)	2,277
Interest and dividends income	(376)	(405)	(4,000)
Interest expenses	884	1,016	9,405
Foreign exchange losses (gains)	1	(0)	11
Equity in (earnings) losses of affiliates	(220)	2,509	(2,341)
Loss on valuation of inventories	(84)	331	(894)
Loss (gain) on sales of short-term and long-term investment securities	0	0	0
Loss (gain) on valuation of short-term and long-term investment securities	199	60	2,117
Gain (loss) on sales and disposal of property, plant and equipment, net	196	747	2,085
Loss on valuation of golf club memberships	7	40	74
Loss on foreign currency translation adjustment with liquidation of foreign subsidiaries	—	317	—
Decrease (increase) in notes and accounts receivable-trade	15,191	(9,511)	161,624
Decrease (increase) in inventories	2,512	1,291	26,726
Increase (decrease) in notes and accounts payable-trade	(11,591)	5,961	(123,322)
Increase/decrease in other assets/liabilities	(901)	249	(9,586)
Subtotal	21,112	18,496	224,620
Interest and dividends income received	421	416	4,479
Interest expenses paid	(913)	(1,015)	(9,714)
Proceeds from subsidy income	417	—	4,437
Income taxes paid	(4,317)	(2,113)	(45,930)
Income taxes refunded	49	227	521
Net cash provided by (used in) operating activities	16,770	16,010	178,423
Net cash provided by (used in) investing activities			
Net decrease (increase) in time deposits	0	(0)	0
Purchase of property, plant and equipment	(15,015)	(7,254)	(159,751)
Proceeds from sales of property, plant and equipment	349	542	3,713
Purchase of investment securities	(60)	(19)	(638)
Proceeds from sales of investment securities	4	3	43
Payments of loans receivable	(17)	(19)	(181)
Collection of loans receivable	16	21	170
Purchase of intangible assets	(87)	(1,025)	(926)
Proceeds from sales of intangible assets	0	—	—
Change in operative other assets	39	48	415
Net cash provided by (used in) investing activities	(14,770)	(7,703)	(157,144)

	Millions of yen		Thousands of U.S. dollars (Note)
	2013	2012	
Net cash provided by (used in) financing activities			
Net increase (decrease) in short-term loans payable	¥ 753	¥ 416	\$ 8,011
Proceeds from long-term loans payable	2,300	9,060	24,471
Repayment of long-term loans payable	(7,745)	(10,080)	(82,402)
Proceeds from issuance of bonds	287	292	3,054
Redemption of bonds	(300)	(3,300)	(3,192)
Increase (decrease) in deposit payable in cash	30	250	319
Repayments of lease obligations	(264)	(70)	(2,809)
Proceeds from disposal of treasury stock	0	0	0
Purchase of treasury stock	(3)	(3)	(32)
Proceeds from stock issuance to minority shareholders	1,001	—	10,650
Cash dividends paid	(945)	(1,422)	(10,054)
Cash dividends paid to minority shareholders	(110)	(125)	(1,170)
Net cash provided by (used in) financing activities	(4,997)	(4,983)	(53,165)
Effect of exchange rate change on cash and cash equivalents	670	59	7,128
Net increase (decrease) in cash and cash equivalents	(2,326)	3,383	(24,747)
Cash and cash equivalents at beginning of period	22,124	18,741	235,387
Cash and cash equivalents at end of period	19,798	22,124	210,639

Annual Report

Notes to Consolidated Financial Statements

Summary of significant accounting policies

1. Scope of consolidation

(1) Consolidated subsidiary companies: 20 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., and PT. Topy Palingda Manufacturing Indonesia

Tianjin Topy Machinery Co., Ltd. and PT. Topy Palingda Manufacturing Indonesia are included in the scope of consolidation as they were established during this consolidated fiscal term.

Topy International (Europe) B.V. has been excluded from the scope of consolidation due to the completion of liquidation.

(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.

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

(Changes in accounting policy difficult to identify from the changes in accounting estimation)

Changes in depreciation method

The Company and its consolidated subsidiaries in Japan have adopted the depreciation law based on the revised corporate tax law for the tangible fixed assets obtained after April 1, 2012, applicable from the consolidated fiscal term in question. Compared to the foregoing method, the new depreciation allows us to expect an increase of 105 million yen respectively in operating profits, ordinary profits and net profits before adjusting taxes.

The impact on segment information is provided at the pertinent column.

(Changes in accounting estimation)

Changes in estimated useful lives

At the Board of Directors Meeting on March 27, 2012, the Company resolved to modernize steelmaking facilities at Toyohashi Factory with commercial operation commencement scheduled in April 2015.

In accordance with this undertaking, the Company will review during this consolidated fiscal term the estimated useful lives for the tangible

fixed assets to be disposed with the usage limit by the end of March 2015 and plans to change the amount of depreciation in the future. By this change, the Company estimates that operating profits, ordinary profits and net profits before adjusting taxes will decline by 356 million yen respectively for this consolidated fiscal term.

The impact on segment information is provided at the pertinent column.

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) Employees' retirement benefits allowance

To prepare for the payment of employees' retirement benefits, accrued employees' retirement benefits have been provided mainly at an amount calculated based on the retirement benefit obligation and the fair value of pension plan asset at the end of current consolidated fiscal term.

The net retirement benefit obligation at transition is being amortized principally over a period of 15 years by the straight-line method. 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).

c) Allowance for operating officers' and directors' retirement benefits

To prepare for the payment of retirement benefits for operating officers of the Company and directors of its domestic consolidated subsidiaries, each company has provided payable amount in their consolidated balance sheet for the current fiscal term in accordance with the respective in-house standards for the said benefits.

(Additional information)

Abolition of directors' and statutory auditors' retirement benefits provision

At the regular General Stockholders Meeting on June 28, 2012, a proposal was approved as part of overall review of directors' remuneration standards to the effect that the current system for directors' and statutory auditors' retirement benefits allowance is abolished and instead, one time payment is to be made (payment at time of their resignation). Following this resolution, the Company has transferred 314 million yen from directors' retirement benefits allowance during this fiscal term and posted it as unpaid account included in other item of current liabilities and noncurrent liabilities. In the meantime, retirement benefits standards remains valid for the operating officers of the Company and directors of its domestic consolidated subsidiaries and each company has posted necessary amount of benefits payments at the end of respective fiscal term as allowance for directors' retirement benefits in order to prepare for the payment of directors' retirement benefits.

(4) 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.

(5) 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.

(6) Goodwill depreciation method and depreciation period

Regarding amortization of negative goodwill, the Company has adopted straight-line method for 5 years.

(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.

Annual Report

Segment Information

(Millions of yen)

	Steel Products Business	Automotive and Industrial Machinery Components Business	Total	Other Business	Total	Adjustments	Consolidated total
Sales							
External sales	67,621	145,398	213,020	13,891	226,912	—	226,912
Intra-segment sales and transfer	19,167	—	19,167	—	19,167	(19,167)	—
Total	86,789	145,398	232,187	13,891	246,079	(19,167)	226,912
Segment income	720	9,966	10,687	542	11,229	(4,239)	6,990
Segment assets	66,518	93,322	159,840	25,629	185,470	23,311	208,781
Other items							
Depreciation and amortization	2,972	4,893	7,865	989	8,855	101	8,957
Increase in tangible and intangible assets	8,896	10,951	19,848	614	20,462	14	20,477

(Thousands of U.S. dollars)

	Steel Products Business	Automotive and Industrial Machinery Components Business	Total	Other Business	Total	Adjustments	Consolidated total
Sales							
External sales	719,449	1,546,952	2,266,411	147,792	2,414,214	—	2,414,214
Intra-segment sales and transfer	203,926	—	203,926	—	203,926	(203,926)	—
Total	923,385	1,546,952	2,470,337	147,792	2,618,140	(203,926)	2,414,214
Segment income	7,660	106,033	113,704	5,767	119,470	(45,101)	74,370
Segment assets	707,714	992,893	1,700,606	272,678	1,973,295	248,016	2,221,311
Other items							
Depreciation and amortization	31,620	52,059	83,679	10,522	94,212	1,075	95,297
Increase in tangible and intangible assets	94,648	116,512	211,171	6,533	217,704	149	217,864

(Year ended March 2013)

Consolidated Financial Statement for the Past 10 Years

Fiscal year	2004	2005	2006	2007
Net sales	233,722	261,205	270,447	285,058
Ordinary profit	9,209	17,797	16,768	13,866
Net income (loss)	4,066	7,500	7,976	7,826
Comprehensive income	—	—	—	—
Net assets	55,631	62,430	78,698	84,269
Total net assets	229,429	236,624	243,558	252,888
Net assets per share (yen)	253.41	284.52	358.82	379.03
Net income per share (loss) (yen)	18.26	33.93	36.12	35.60
Dividends per share (yen)	5.0	5.0	6.0	6.0
Equity ratio (%)	24.2	26.4	32.3	33.0
Return on equity (%)	7.8	12.7	11.3	9.4
Price/earnings ratio	16.2	12.4	14.3	13.3
Net cash provided by (used in) operating activities	14,029	19,685	14,807	13,999
Net cash provided by (used in) investing activities	(8,122)	(8,826)	(10,728)	(3,862)
Net cash provided by (used in) financing activities	(6,244)	(11,158)	(3,141)	(8,217)
Cash and cash equivalents at the end of current period	14,783	14,563	12,975	15,942
No. of employees [temporary employees] (persons)	4,293 [556]	4,392 [638]	4,137 [683]	4,107 [712]

(Millions of yen)

2008	2009	2010	2011	2012	2013
296,629	290,333	196,848	221,413	240,534	226,912
11,784	6,010	626	5,241	7,304	6,234
6,366	2,384	(1,032)	2,072	3,918	3,409
—	—	—	(340)	4,459	8,222
83,217	80,942	81,884	80,165	83,096	91,258
231,887	202,995	201,138	203,956	212,828	208,781
371.40	334.16	337.53	335.16	347.37	377.47
28.90	10.39	(4.30)	8.64	16.52	14.38
8.0	5.0	2.0	4.0	4.0	4.0
35.3	39.6	40.3	39.0	38.7	42.9
7.7	2.9	(1.3)	2.6	4.8	4.0
9.8	13.9	—	25.2	15.6	15.3
9,405	21,547	12,010	6,236	16,010	16,770
(8,447)	(15,908)	(7,507)	(3,681)	(7,703)	(14,770)
(4,266)	(287)	(2,236)	(1,952)	(4,983)	(4,997)
13,130	18,293	20,547	18,741	22,124	19,798
4,133 [556]	4,125 [471]	4,242 [422]	4,151 [432]	4,135 [428]	4,374 [491]

(Year ended March 2013)



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