

TOPY Report 2018

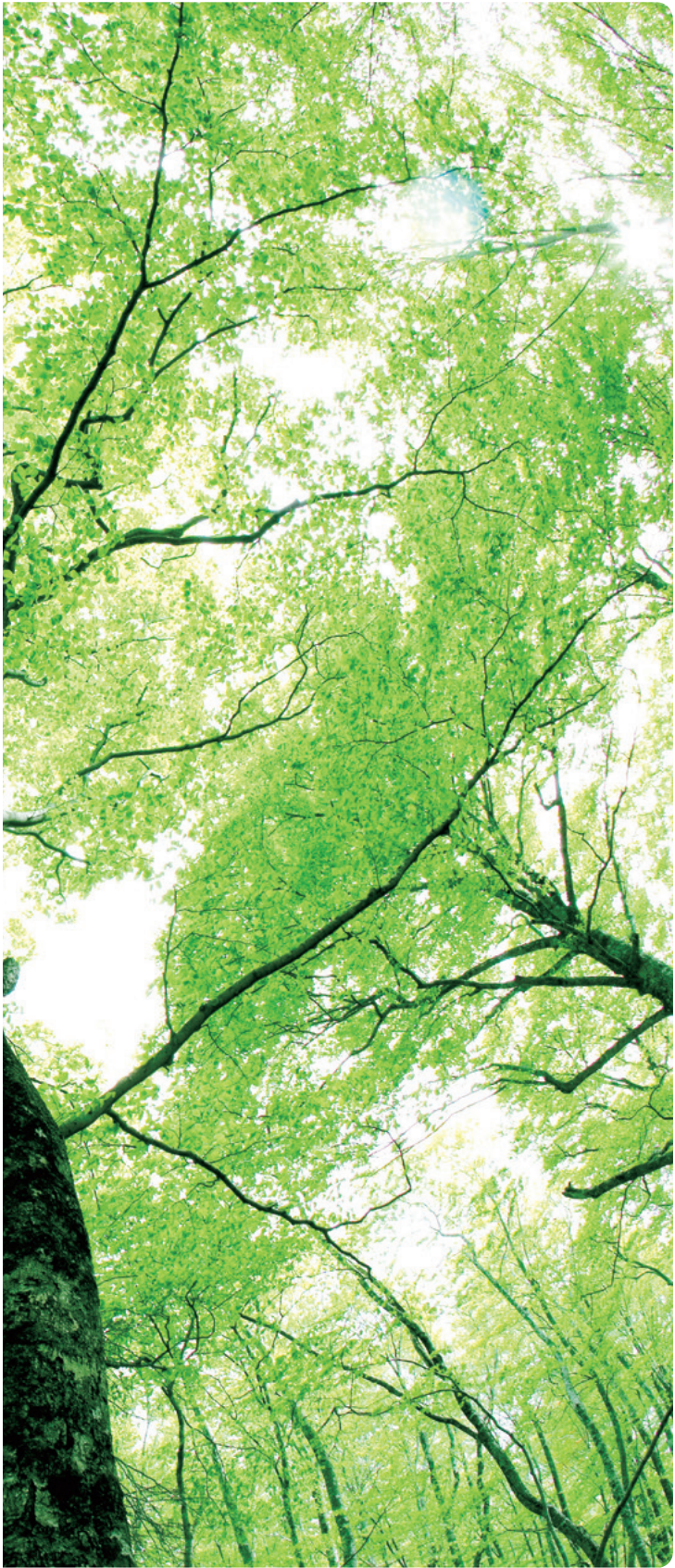


TOPY INDUSTRIES, LIMITED

Art Village Osaki Central Tower,
1-2-2, Osaki, Shinagawa-ku, Tokyo, Japan 141-8634
TEL: +81-3-3493-0777 FAX: +81-3-3493-0200

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





Editorial Policy

Basic Policy

Topy Report 2018 is prepared to provide selected material information related to the company's business activities, operating results, social responsibility as well as management control system focusing on its management strategies to improve corporate value in a medium- to long-term perspective, thereby aiming at offering opportunities to leverage candid dialogue with our stake holders including shareholders, investors and related parties.

Reporting Scope

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

Reporting Period

Covers mainly FY2017 (April 1, 2017 to March 31, 2018), but includes some activities that occurred on and after April 1, 2018.

Date of Issue

September 2018

Inquiries Regarding this Report

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

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.

Contents

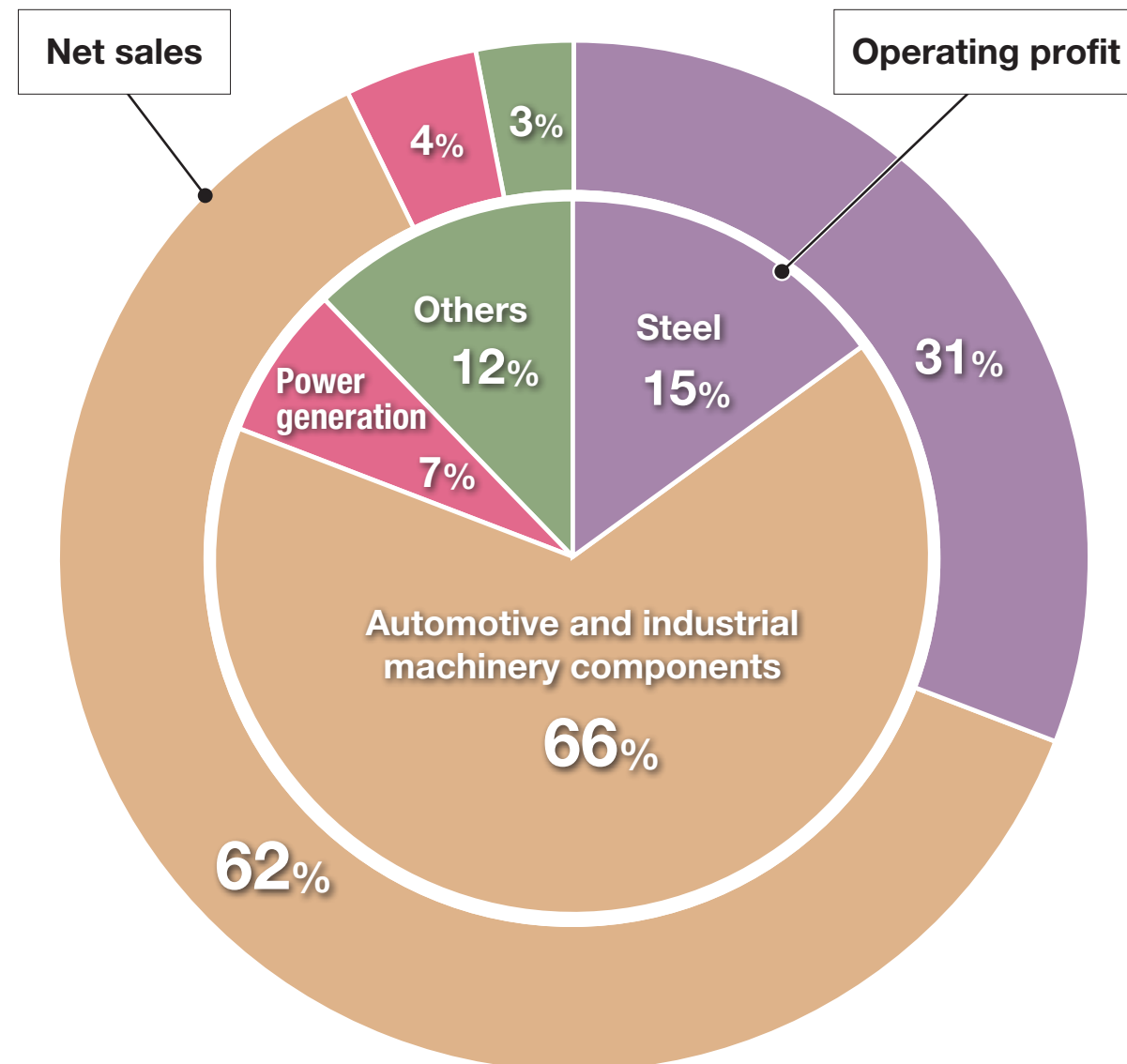
Editorial Policy / Contents	1
Chapter 1 Knowing Topy	3
Businesses of the Topy Industries Group	3
Top Message	5
History of the Topy Industries Group	11
Strengths of the Topy Industries Group	13
Chapter 2 Topy's Growth Strategies	15
Progress in the Medium-Term Management Plan	15
Steel Business	17
Automotive and Industrial Machinery Components Business (Wheels)	19
Automotive and Industrial Machinery Components Business (Undercarriage Components for Construction Machinery)	21
Other Businesses	23
Global Expansion of the Topy Industries Group	25
Chapter 3 Topy's Sustainability Initiatives	27
Sustainability Initiatives of the Topy Industries Group	27
Environmental Initiatives	29
Social Responsibility	36
Chapter 4 Corporate Governance	42
Chapter 5 Corporate Data	46
Our History	46
Directors and Members of the Audit & Supervisory Board	47
Consolidated Financial Statements for the Past 10 Years	49
Major Subsidiaries & Affiliates	51
IR Information	52

Businesses of the Topy Industries Group

The Topy Industries Group is a comprehensive metal processing group with an integrated production system from raw material production to the fabrication of finished products, in which the steel business as the business unit engaging in raw material supply and the automotive and industrial machinery components business as the business unit engaging in processing are interrelated.

The Group also strives to diversify its businesses. It now engages in businesses in fields including the wholesale of electricity, synthetic mica, crawler robots, indoor and outdoor sign systems, engineering and construction, leasing of real estate, and operation of a sports club.

■ Net sales and operating profit by segment
FY2017



Steel Business



A raw material business that Topy Industries has been operating since its foundation

In the steel business, we produce steel by electric furnaces and roll out a variety of steel bars.

Wide flange beams, standard structural shapes and deformed bars are shipped as construction materials chiefly to the customers in the domestic and overseas market, while special sections are largely shipped to the Wheel Division and the Undercarriage Components Division of the company where they are turned into finished products.

This business unit includes the companies engaging in the collection and recycling of steel scrap, a transportation company and a trading company playing as logistic and trading arms for the unit. In addition to inter-group business transactions, they also sell merchandize and provide services to the customers outside the Topy Industries Group.



Automotive and Industrial Machinery Components Business



A world-leading comprehensive manufacturer of wheels and undercarriage components for construction machinery

In the automotive and industrial machinery components business, we manufacture and sell steel and aluminum wheels for automobiles, steel wheels for construction machinery, pressed products for automobiles, industrial spring steel fasteners, and industrial machinery components.

Industrial steel fasteners such as precision leaf springs are shipped to the customers in automobiles, home appliances, industrial machinery and other industries in numerous applications.

The industrial machinery component that we manufacture and sell include undercarriage components (track shoes* and tracks**), cutting edges such as blades and buckets of bulldozers and hydraulic excavators, and cutting edges of motor graders.



*Track shoes: Component of tracks manufactured by processing and heat-treating hot rolled steel materials (special steel). Track shoes and other components are assembled to form tracks.

**Tracks: A general name for the assembled undercarriage components of construction machinery vehicles, which is generally called steel track belt.

Power Generation Business



Focusing on the stable supply of electricity while paying utmost consideration to maintaining harmony with the surrounding environment

We took electricity deregulation as an opportunity to construct a coal thermal power plant (Toyohashi-shi, Aichi) by paying utmost consideration to maintaining harmony with the surrounding environment, and began to operate the electricity wholesale business in 2000. We changed the supply destination and began to supply power under new contracts in 2015.

Other Businesses



Creating new sources of profit

We are expanding sales of synthetic mica, which is used for cosmetics and other products, in Japan and other countries, while developing applications for Crawler Robots that are capable of moving back and forth and left and right. We also operate an indoor and outdoor sign systems business, a civil engineering business and a construction business, the leasing of real estate such as Topy-Rec Plaza (Minamisuna, Koto-ku, Tokyo), the operation of the OSSO sports club, and other businesses.

Top Message

Creating a new future with human resources and technologies

President and CEO
Topy Industries, Ltd.

R. Takamatsu



A company that creates the future with technologies

At Topy Industries, we want to be a company that creates the future with technologies. We will celebrate our 100th anniversary in 2021. Since our foundation, we have been developing ourselves with our corporate culture, with which we have continued taking on new challenges by remaining in step with the times and devising creative measures on the front lines, again and again, over many years. Our technological capabilities, which have supported these efforts, have also contributed to our development.

At the core of our technological capabilities is our system of integrated production from raw materials to finished products. We produce steel by melting scrap iron in electric furnaces and use the steel as a raw material for manufacturing wheels, undercarriage components of construction machinery such as track shoes and tracks, and other products. In the trend toward mass production, many companies have given up integrated production and have sought to survive in their areas of specialty by promoting the division of labor and company splits. We have maintained integrated production by improving our unique technologies for manufacturing special section steel that enables the functional improvement of these products, and by establishing a production system for high-mix, low-volume production. I believe that it is the synergy between these material supply capabilities, processing technologies, and product development capability that have enabled us to cater to various customer needs. With this background, we have established a strong position in Japan as a supplier of wheels for road and off-road vehicles and undercarriage components for construction machinery, based on which we have also paved the way for our own global expansion.

However, economic society is changing significantly at an unprecedented speed and we are facing changes in needs, such as a demand for lighter vehicle bodies, while automotive manufacturers are confronting new challenges such as the trend towards protectionism among countries, the spread of EVs, and the shift to automated driving. We are experiencing a difficult time when we would be advised to exercise our prediction ability again, just as we did when we moved ahead of the times and began to operate businesses manufacturing wheels and undercarriage components for construction machinery, and when we expanded overseas ahead of others. To continue developing as a sustainable company

during the next 100 years, we need to achieve further evolutions as a company that creates the future with technologies.

Trust as added value created at the work site

Looking back at the history of Topy Industries, it is clear that, starting with the leadership of previous management, the company has created new businesses skillfully by applying the ideas of the people at the work sites in a proactive manner. I feel that the environment and tradition that allow us to take advantage of the wisdom of people in the front line constitute one of the strengths of Topy Industries, which has continued to grow sustainably for nearly 100 years.

For example, while we have many products with top market shares that have been supported for a long period of time, design capability is not the only strength that has enabled us to survive the competition with other companies in the market where products are likely to turn into commodity products. I think it is our on-site capabilities, including the originality and ingenuity of people at the work sites and the detailed improvements they make, as well as our design capability, which allow us to take advantage of the on-site capabilities, and that have continued to create new added value, have maintained high quality, and

have enabled us to win the trust of users.

We would like to continue cherishing our on-site capabilities and design capability for taking advantage of the on-site capabilities. We attach importance to how to engineer the wisdom of the people on the front line and their adherence to quality for creating excellent products and how to enable the staff members and people on the front line to cooperate successfully, as well as how to transfer technologies on site. For example, installing the same pieces of equipment as those used in factories in Japan is not sufficient to manufacture the same products overseas. It is difficult to fill in the gap with the skills and creative measures taken on site. I think that this is why products made in Japan are said to be of high quality.

At present, we make daily improvements in quality, cost, delivery dates, and other aspects through small group activities carried out on site so as to continue the stable production of high-quality products that satisfy our customers. These activities also enable every single employee to achieve personal growth. We would like to expand these small group activities to our overseas bases to further enhance our strength, with which we value the opinions and ideas of people on site and reflect them as we bring out our collective strengths.



Aiming to be a company that creates the future and provides job satisfaction

While human resources are essential for creating the future with technologies, the recruitment environment has been growing increasingly difficult. In recent years, our production bases have seen a decrease in the number of locally hired employees. We are concerned that our value and raison d'être have been declining in these areas, and we are failing to appeal to local people. We will strive to coexist in harmony with the local areas and contribute to the local communities by keeping in mind the fact that our existence is meaningful only when we become a company that the local people wish to work for.

I think making a company where employees wish to continue to work for, and are proud of working there is the basis of ESG management. While moneymaking may appear to be the sole objective of a company, I want our employees to be proud that their work is contributing to society through products.

This means that Topy Industries must be a company that our employees can be proud of and that provides them with job satisfaction. Under the Medium-Term Management Plan "Growth & Change 2018" that we are implementing at present, we have established the Job Satisfaction Improvement

Committee, which consists mainly of young staff members. We established this committee to enable every single employee to fully demonstrate their capabilities, thereby allowing them to enjoy strong job satisfaction. At present, we are implementing proposals from this committee, the reviews of which have been completed. We are reviewing the personnel system and improving maternity leave, childcare leave, and other programs little by little, with a view to employing more female employees and foreign employees. We would also like to provide authority to local employees at our overseas bases so as to develop the company into one that wins acceptance from the local people. I think that by solving these issues one by one, we can make Topy Industries into a company that our employees can be proud of and create the next 100 years of the company.

Steering the company toward the future

In the business environment surrounding Topy Industries, demand for automobiles and construction machinery is expected to grow in the long term, mainly in emerging countries. On the other hand, we cannot expect domestic demand to increase, due in part to the population decline. The idea of globalization under free trade is about to be inappropriate due to the trade protectionism of the United States, China,



and European countries and emerging countries' shift to domestic production. As a result, there may be changes to the positions of our overseas production bases and the role of the domestic mother factory. However, global expansion remains the key to our sustainable growth. In September 2017, we established a joint venture in India, thereby completing a system that enables us to supply steel wheels with common designs to any locations in the world jointly with our alliance partner in Europe. Further, in May 2018, we made Asahi Tec Corporation, an aluminum wheel manufacturer with production bases in China and Thailand, our wholly owned subsidiary to build a new infrastructure for the global supply of aluminum wheels, the demand for which is growing from the viewpoint of design quality and the realization of lighter vehicle bodies. We will build a global supply system with a focus on wheels and undercarriage components for construction machinery. At the same time, we will reinforce the system based on the technological and on-site capabilities that we have cultivated at our mother factory in Japan.

For the steel business, we will take advantage of the cost competitiveness and technologies for manufacturing deformed section steel at our state-of-the-art steel-making plant so that the business will play a role as the business unit engaging in raw material supply in our integrated production system. We will also expand the sales channel of products for customers outside the Topy Industries Group by creating new demand with the aim of achieving sustainable growth. In fall 2018, we will launch the compact coil (trade name: TACoil®) as a new bar

for reinforced concrete for the first time in Japan. The TACoil® is compact and enables users to save storage space. In addition, when used with automatic processing machines, the TACoil® not only improves processing efficiency significantly, but also enables a higher yield. It therefore contributes to solving the problems faced by users from the rebar industry, that is, the problems of storage space, the labor shortage, and processing losses. We will continue to detect changes in society and reinforce our system for creating products that meet customer needs.

Further, I think it is important to fulfill our desire to take on new challenges, which is in our DNA, without being afraid of undergoing trial and error, in a business environment with rapid changes like the one we are facing now. From this perspective, under Growth & Change 2018, we are striving to increase sales of synthetic mica and are working on the full-scale commercialization of crawler robots to make the products our new sources of profit. Synthetic mica is an example of success in our attempt to embody a concept that was created by taking advantage of our steel refining technologies. We made the attempt in the desire to take on new challenges, which encourages us to try whatever we want. Our high-quality synthetic mica has begun to bear fruit, being adopted as a raw material of luxury cosmetic products little by little, although it took us long time to achieve this. Our crawler robots come with a drive unit with the capabilities of moving back and forth and left and right, which we developed by applying our technologies for tracks. They can go straight without problems, even in a location with a height difference of several

centimeters. The robots can also move horizontally without changing their posture. They also demonstrate their capabilities in locations with poor footholds, such as construction sites and farmland, and for transporting goods on narrow pathways in factories or warehouses, for example. We would like to develop these businesses into our mainstay businesses.

Growth & Change 2018 toward the future

Under Growth & Change 2018, we have been implementing specific measures steadily from a long-term perspective under the basic policy of achieving sustainable growth and transforming into a company that provides job satisfaction to employees. In FY2018, as the final year of the plan, we expect to achieve the target sales by expanding our businesses with a focus on wheels for automobiles, mainly through the acquisition of Asahi Tec Corporation, which I mentioned above, and Ring Techs Co., Ltd., a steel wheel manufacturer, as a result of which they became our subsidiaries. However, the target profit is difficult to achieve. This is attributed mainly to the fact that the increase in costs in the steel business, which is caused mainly by the steep rise in the cost of secondary materials such as electrodes and alloy iron and the electric utility rate, is putting pressure on the profit of all our businesses because we have failed to reflect it quickly enough in sales prices. We will continue to take initiatives for improving costs and ensuring appropriate margins. Further, we are determined to make comprehensive efforts to achieve

the sustainable growth of our businesses by powerfully promoting initiatives for producing synergetic effects of the acquisition of Asahi Tec Corporation and Ring Techs Co., Ltd. as our subsidiaries, expanding the sales of TACoil®, and commercializing synthetic mica and crawler robots.

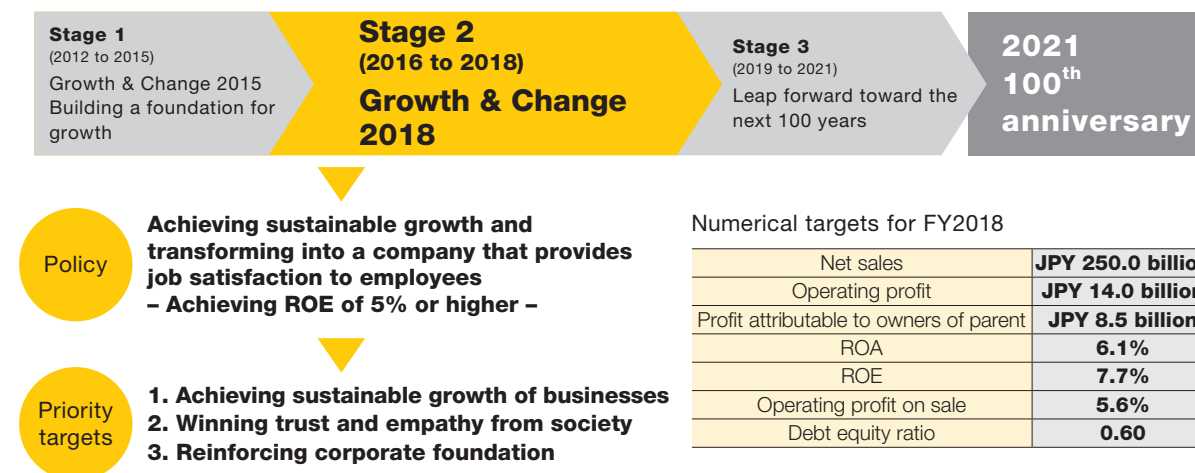
To our shareholders

With regard to dividends for our shareholders, we increased the consolidated dividend payout ratio from around 25% to 30-35% as a guide in FY2016 to return even more profits to our shareholders. We determine the dividend amount by fully considering the continuation of stable dividend payment as well. Based on this policy, we have paid JPY 80 per share as the annual dividends for FY2017, with a consolidated dividend payout ratio of 34.2%. We allocate the internal reserve mainly to investment in new businesses and the development of new technologies and products for long-term stable business expansion in our efforts to bolster our corporate structure and international competitiveness.

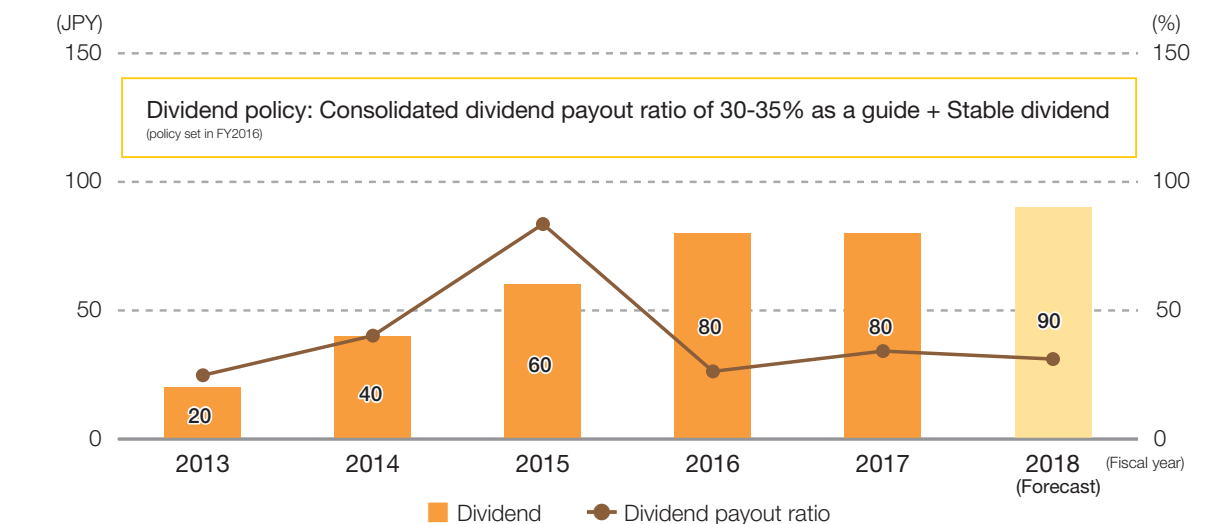
We will continue striving to achieve sustainable growth while improving our corporate value by providing products, for which we have pursued quality and cost that satisfy our customers, under our basic philosophy, which advocates, "Win the trust and respect of society through the continuance and development of the Topy Industries Group and the execution of one's duty as a public institution." We would appreciate the continued understanding and support of our shareholders.

Position of Growth & Change 2018 and numerical targets under the plan

Vision toward the 100th anniversary of Topy Industries in 2021: Be a world-leading company in each field!



Shareholder returns



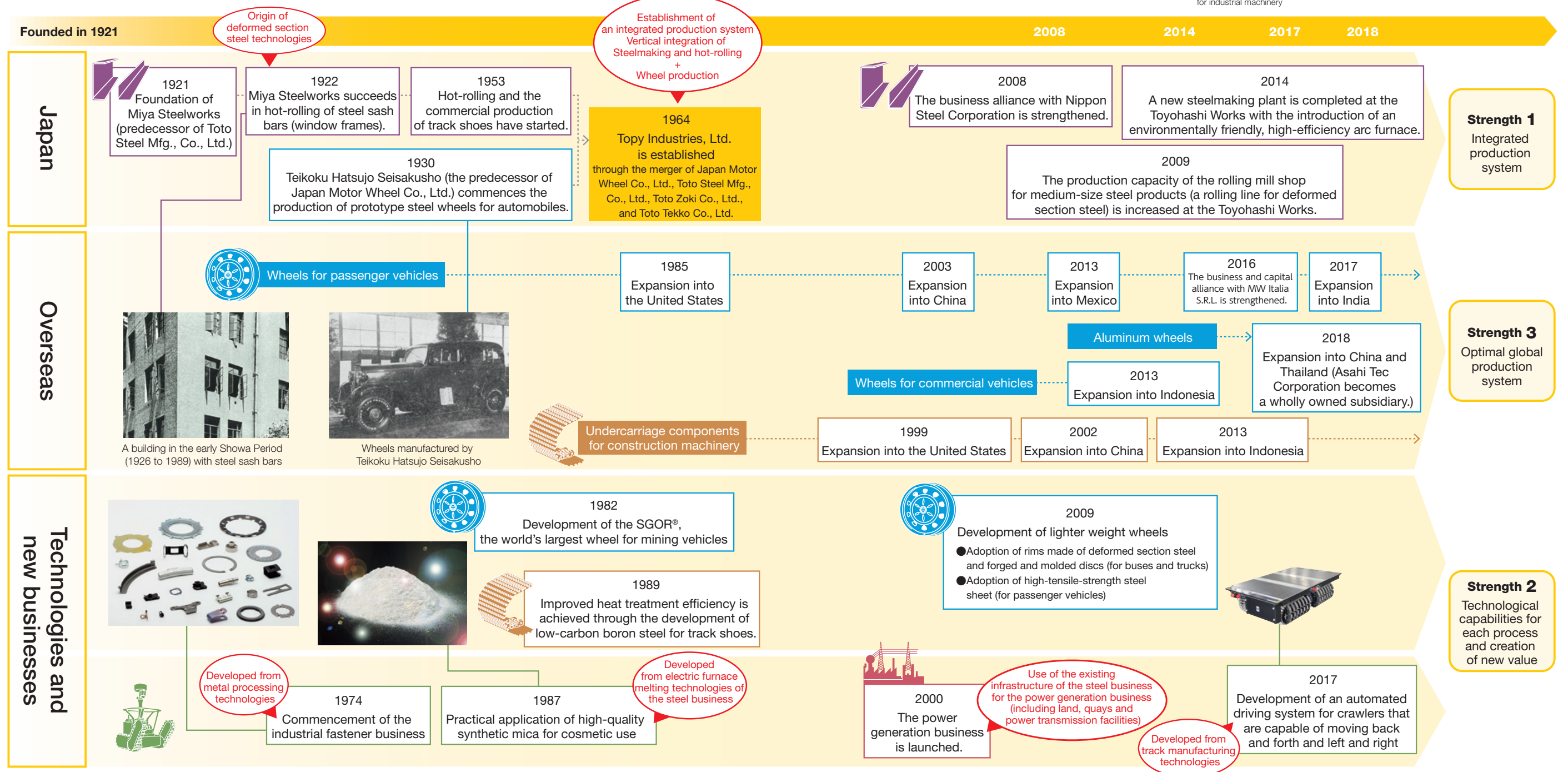
*The dividend payout ratio for FY2015 was 83.6% as a result of the comprehensive consideration of the continuation of stable dividend payment and other factors.

History of the Topy Industries Group

In the long history since its foundation, the Topy Industries Group has been expanding its businesses by utilizing the originality and ingenuity of the people at its work sites based on its unique technologies.

In 1964, our integrated production system for producing and making full use of steel was completed through the merger of four companies (engaging in businesses regarding steel and wheels, undercarriage components for construction machinery, and others).

The integration of different businesses creates management stability while diversification produces synergy (between the industrial fastener, synthetic mica, power generation, crawler robot and other businesses), thereby contributing to increasing business domains and improving business performance.



Strengths of the Topy Industries Group

We have enhanced customer trust based on our high level of technological capabilities related to steel and our integrated system for production, from raw materials to finished products. As a result, our mainstay products have gained top-level market shares in Japan and abroad.

Topy's strength lies in an integrated production system and technological capabilities for each process. The integrated production system covers a whole range from the steel making and hot rolling of various deformed sections to the fabrication of wheels for trucks, buses as well as mining vehicles and undercarriage components for construction machinery.

On-site capabilities

Strength 1
Integrated production system

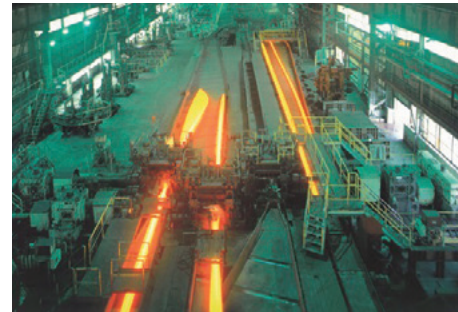


Strength 2
Technological capabilities for each process

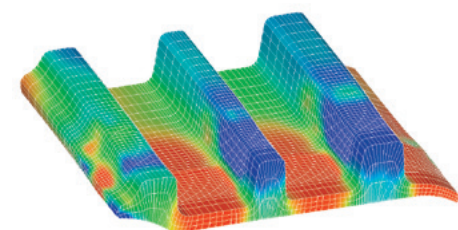


Strength 3
Optimal global production system

Steel Business



Technology for rolling deformed section steel



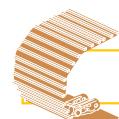
TOPY CORMILL SYSTEM*

*This is our proprietary hot rolling analysis system employing the three-dimensional rigid plastic finite element method. This system is making a significant contribution to reducing the design development time for a new product, improving product quality and reducing costs.

Raw material



Metal processing technologies



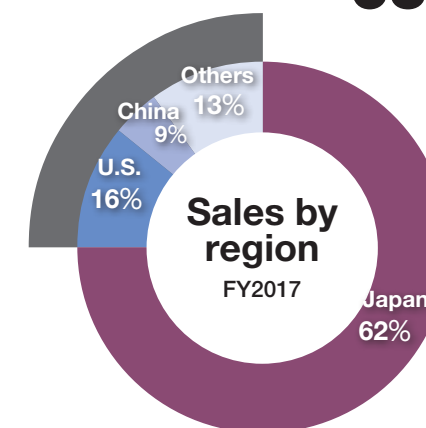
Heat treatment technologies



Automotive and Industrial Machinery Components Business



Overseas sales ratio
of automotive and industrial machinery components business: **38%**



• For details, see Global Expansion of the Topy Industries Group on page 25.

Products with industry-leading market shares



Tracks



Track shoes



Steel wheels for trucks and buses



Ultra-large diameter wheel for mining dump trucks (SGOR®)

Progress in the Medium-Term Management Plan

Medium-Term Management Plan (FY2016 to FY2018)

“Growth & Change 2018”

Status of Implementation of Major Initiatives

1 Achieving sustainable growth of businesses

[Steel wheels]

- Business and capital alliance with MW Italia S.R.L., a wheel manufacturer in Europe, is strengthened. (2016)
- Establishment of a joint venture in India (2017)
- Ring Techs Co., Ltd. becomes a wholly owned subsidiary. (2018)
- A decision is made to invest in the renewal of the production base in the United States. (Operation planned to commence in 2020)

[Aluminum wheels]

- Asahi Tec Corporation becomes a wholly owned subsidiary. (2018)

[Industrial fastener]

- Commencement of operation of the production base in Mexico (2017)
- The production capacity of the production base in Vietnam is increased. (2017)

[Steel]

- Launch of TACoil®, a new bar for reinforced concrete (Planned to be launched in autumn 2018)

[Crawler Robots]

- Development of an automated driving system for crawlers capable of moving back and forth and left and right (Omni-Crawler) (2017)

2 Winning trust and empathy from society

- Introduction of a performance-based stock compensation plan for management personnel (FY2016)
- Appointment of independent outside directors constituting at least one-third of board members (Ordinary General Meeting of Shareholders held in June 2018)

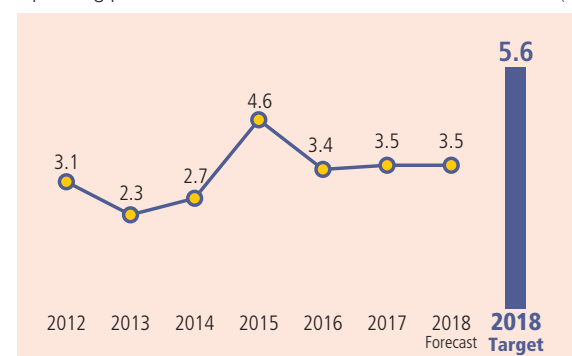
- Consolidated dividend payout ratio increased to 30% to 35% as a guide. (FY2016)

3 Reinforcing corporate foundation

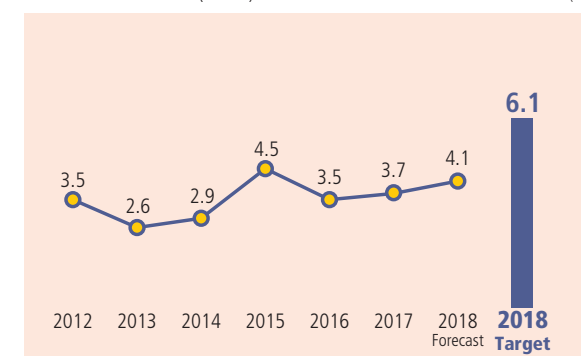
- The ERP system (SAP) has been introduced, and a shift to the new system is being made in a gradual manner.
- The activities of the Job Satisfaction Improvement Committee, which consists mainly of young staff members, are being promoted.

Changes in numerical targets

Operating profit on sales (%)



Return on assets (ROA) (%)



In the business environment surrounding Topy Industries, global demand for automobiles and steel is expected to grow, mainly in emerging countries. On the other hand, we cannot expect domestic demand to increase, due in part to the population decline and the aging of the population. In addition, demand for construction machinery and mining equipment is also expected to grow in the long run due to the world's population growth and rising urbanization rate.

Under the Medium-Term Management Plan “Growth & Change 2018” we will strive to achieve sustainable growth by continuing to promote global growth and shift to a highly profitable business structure, positioning the automotive and industrial machinery components business as a growth driver, and accelerating global business development. We will also take on new challenges by creating new ways of using our proprietary technologies to generate new businesses.

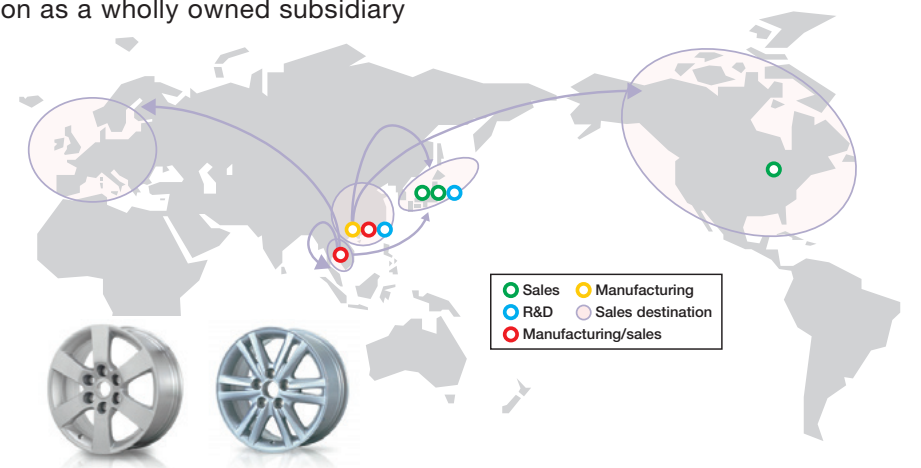
● Acquisition of Asahi Tec Corporation as a wholly owned subsidiary

■ Objectives

- Building a new infrastructure for the global supply of aluminum wheels, the demand for which is expected to grow from the viewpoint of design quality and the realization of lighter vehicle bodies
- Creating synergy in sales and technologies with Topy Industries, which is a global supplier of steel wheels and specializes in aluminum wheels as luxury products

■ Profile of Asahi Tec Corporation

- Bases: Japan, China, Thailand and the United States
- Production items: Aluminum wheels for passenger vehicles and other products
- Production capacity: 4 million pieces/year
- Sales: JPY 30.8 billion (FY2016)



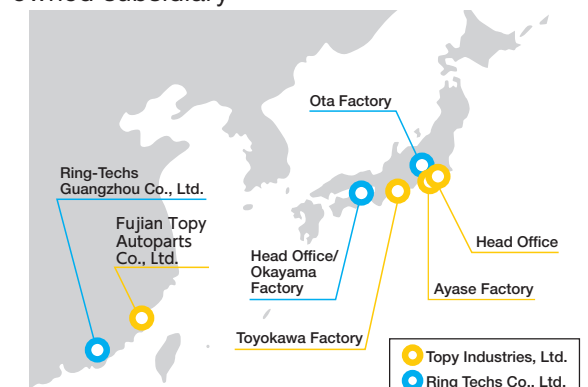
● Acquisition of Ring Techs Co., Ltd. as a wholly owned subsidiary

■ Objectives

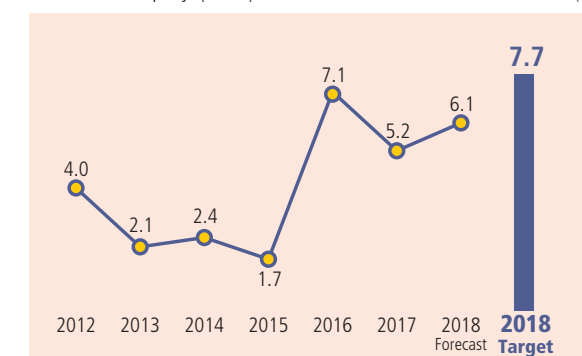
- Reinforcing the business structure in response to the decline in domestic demand for steel wheels and the growth in demand for the products in overseas markets, mainly in emerging countries
- Promoting business reforms by using each other's technologies, know-how, and wealth of human resources and taking other initiatives

■ Profile of Ring Techs Co., Ltd.

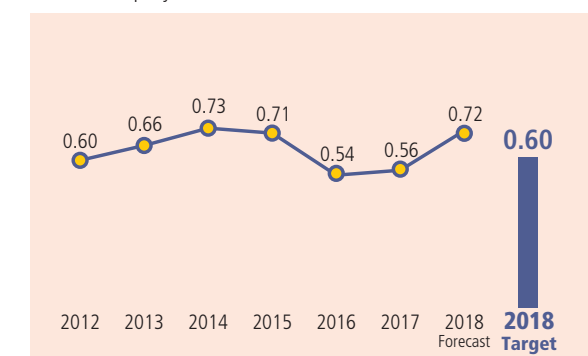
- Bases: Japan and China
- Production items: Steel wheels for passenger vehicles and other products
- Sales quantity: 8 million pieces/year
- Sales: JPY 9.9 billion (FY2016)



Return on equity (ROE) (%)



Debt-to-equity ratio



Steel Business

Message from the Division General Manager

Developing products that cater to the needs of the times with technologies for deformed section steel and processing technologies



Tsuyoshi Nakamura
Operating Officer in charge of the steel business
General Manager, Steel Division

Features and Strengths

1. Steelmaking mill with the latest world-leading equipment

Our steelmaking mill has the [ECOARC™], an environmentally-friendly, high-efficiency arc furnace boasting world-leading heat efficiency. By combining this furnace with the steelmaking technologies of Topy Industries, we have achieved further power conservation and productivity. This has resulted in unmatched cost-competitiveness. In addition, the mill has been designed to be earthquake resistant in preparation for the Nankai Trough earthquake, thereby contributing to the stable supply of our products with large market shares.

2. Specialist in deformed section steel

We are a specialist in the manufacture of deformed section steel with asymmetric cross-sections. We cater to diverse customer needs by providing high value-added products, which are developed, manufactured and fabricated based on our proprietary technologies for manufacturing deformed section steel with the full use of numerical analysis.

3. Wide array of products and high production efficiency

In response to customers' requests for high-mix, low-volume production, we manufacture products efficiently by maintaining high quality, productivity, yield, etc.

Business Environment

- Domestic steel demand has remained strong, partly reflecting investment in construction related to the 2020 Tokyo Olympics and Paralympics.
- Global steel demand has been growing gradually, partly driven by infrastructure-related demand in emerging countries.
- Moves toward trade protectionism, such as the introduction of additional tariffs on steel products by the United States, have come to the surface.
- Cost-push inflation has been significant among electric furnace manufacturers and steelmakers due to the rising cost of iron scrap, secondary materials such as alloy iron and electrodes, electricity, transportation and others.

Policy under the Medium-Term Management Plan

We will make full use of the capabilities of our world-leading steelmaking mill. At the same time, we will create new demand with products developed by applying our technologies for manufacturing deformed section steel and processing technologies, which are our strengths.

Progress in the Medium-Term Management Plan

- We have developed large, wide flat bars with grooves as segment members for tunnel construction. We have begun to deliver the product for the Tokyo Outer Ring Road.
- We are expanding sales of mast rails for forklift trucks to overseas manufacturers.
- We are planning to launch a compact coil (Trade Name: TACoil®), which is a densely rolled compact coil of deformed reinforcing bar, in autumn 2018. When used with automatic processing machines, the TACoil® significantly improves their processing efficiency and also provides other benefits. It therefore contributes to solving the problems faced by users from the rebar industry, such as the problems of labor shortage, processing losses and storage space.

Research and Development

We promote research on steelmaking methods aimed at reducing costs and improving productivity and quality, the development of steel in new shapes and new grades of steel for it, and R&D activities related to labor-saving and automation of inspections and environmental improvements such as waste reduction and the development of new recycling methods. As a result of these efforts, we have achieved improved quality and productivity in steelmaking processes, orders received for steel in new shapes, the reduction of the CO₂ emission intensity of existing products, and the development of technologies related to waste reduction and recycling.

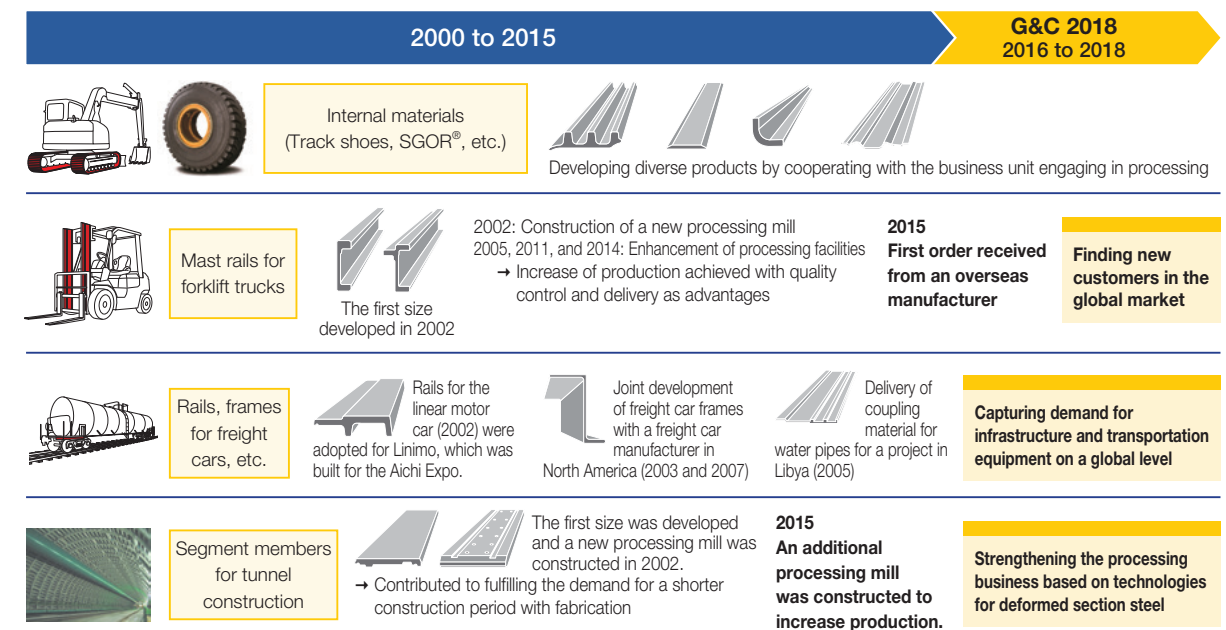
Toward Sustainable Growth

The target of the steel business under Growth & Change 2018 is overwhelming cost competitiveness in the steelmaking process and distinctive technologies for deformed section steel and processing technologies. By achieving this target, we will further solidify our unique position in the electric furnace industry. In addition, this industry plays an important role in iron recycling. Topy Industries will also assume this role in its efforts to save resources and energy.



TACoil® production line that has been completed

Initiatives for Sustainable Growth



Automotive and Industrial Machinery Components Business (Wheels)

Message from the Division General Manager

Expanding sales by evolving the product supply system in the global automotive market



Ichiro Takeuchi

Managing Operating Officer in charge of the automotive and industrial machinery components business
General Manager, Wheel Division

Features and Strengths

1. Approx. 90% domestic market share* (steel wheels for trucks and buses)

We have succeeded in developing lightweight wheels by using deformed section steel produced in our steel business. In addition, we have a base in Indonesia where we cater to the local procurement needs of Japanese automakers.

2. Approx. 80% global market share* (ultra-large diameter wheels for mining dump trucks [SGOR®])

Our wheels for mining vehicles are used at mines in harsh conditions all over the world. Given their track record, the products have earned high trust. We also produce one of the largest wheels in the

world [SGOR®] with a rim diameter of 63 inches (1.6 meters) and a weight of nearly 3 tons.

3. Establishment of a global supply system (steel wheels for passenger vehicles)

We supply steel wheels to all automakers in Japan as an independent wheel manufacturer. We have also established a global supply system under which our bases in the United States, Mexico, China, and India and a strategic alliance with MW Italia S.R.L. enable us to cater to the local procurement needs of automakers from Japan, Europe, and the United States.

*OEM market share (components to be mounted on new vehicles)

Business Environment

- The global automotive market continues to grow, mainly in emerging countries.
- The domestic automotive market has been shrinking.
- Technological innovations, such as electric vehicles and automated driving, have been progressing.

- Demand for mining equipment has begun to recover rapidly, reflecting the resumption of the resource development business that was undertaken in response to the rising commodity prices.

Policy under the Medium-Term Management Plan

Demand for automobiles has been growing around the world, mainly in emerging countries, while global competition has been growing increasingly fierce. In this environment, automakers are promoting cost reductions by creating common platforms. In response, we will expand and reinforce our global supply system, which enables us to supply steel wheels with common designs to anywhere in the world, thereby enhancing our presence.

Progress in the Medium-Term Management Plan

- We strengthened our business and capital alliance with MW Italia S.R.L. in Europe (2016) and established a joint venture in India with Wheels India Limited (2017). By combining these developments with our existing production bases, we see our global supply system for steel passenger car wheels has been established for phase one.
- We decided to invest in the renewal of the steel wheel production base in the United States. (Operation planned to begin in 2020)
- We made Ring Techs Co., Ltd., a steel wheel manufacturer, our wholly owned subsidiary. (2018)
- We made Asahi Tec Corporation, an aluminum wheel manufacturer with production bases in China and Thailand, our wholly owned subsidiary (2018) in an effort to build a new infrastructure for the global supply of aluminum wheels.

Research and Development

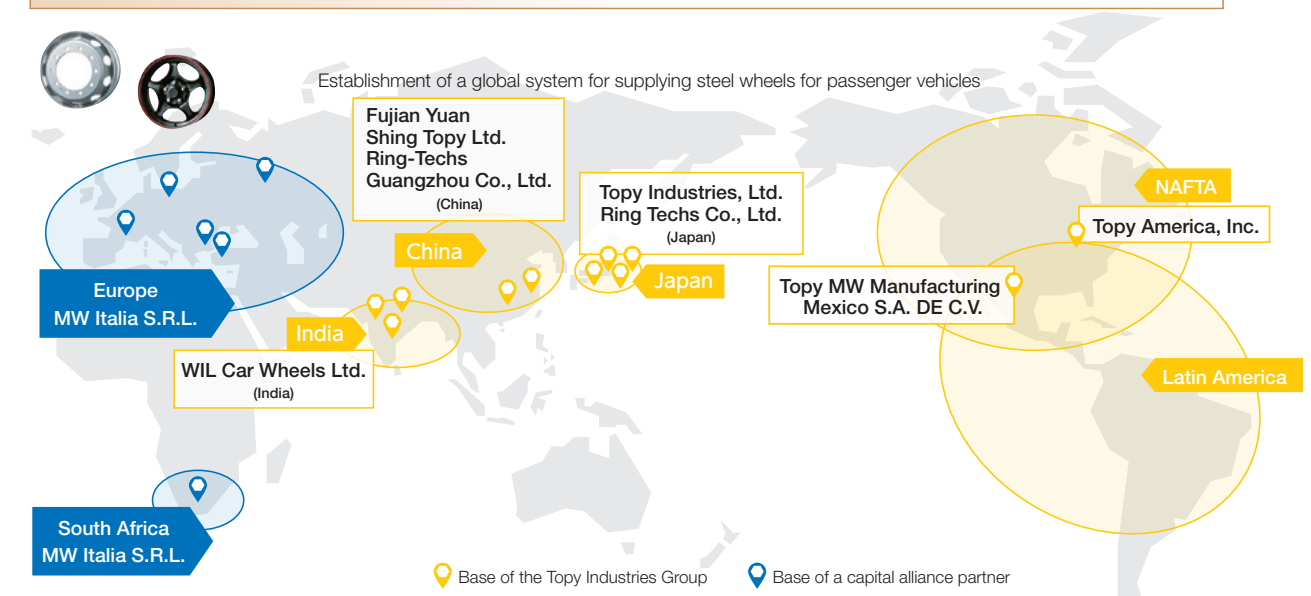
We are advancing research related to weight reduction, design quality improvement, quality improvement, cost reduction, and other topics, as well as research related to new product development.

With regard to steel and aluminum wheels for automobiles, which are our mainstay products, we have made achievements such as improving the precision of analysis and evaluation technologies, the development and commercial production of new products, and the cost reduction and quality improvement of existing products. Concerning ultra-large diameter wheels for mining dump trucks, we conducted research on a wheel with a new structure that is able to withstand heavy loads on vehicles.

Toward Sustainable Growth

The overseas bases of our wheel business and the Ayase Factory and the Toyokawa Factory – the mother factories in Japan where our efforts to strengthen manufacturing competitiveness commence – will brush up on our technological capabilities, improve cost competitiveness, and develop human resources in an integrated manner. They will also create synergy with Ring Techs Co., Ltd. and Asahi Tec Corporation, which have recently joined the Topy Industries Group. We will thereby strive to further enhance our presence as a world-leading comprehensive wheel manufacturer and further reinforce our business foundation.

Initiatives for Sustainable Growth



Automotive and Industrial Machinery Components Business (Undercarriage Components for Construction Machinery)

Message from the Division General Manager

Aiming to be the top manufacturer in the world by expanding domestic and overseas bases



Katsuyoshi Tanaka

Operating Officer in charge of the automotive and industrial machinery components business
General Manager, Undercarriage Components Division

Features and Strengths

1. We are proud of our OEM market share for tracks for hydraulic excavators, which is among the largest in the world

We deliver track shoes and tracks for hydraulic excavators to major Japanese and United States construction machinery manufacturers, which produce the majority of hydraulic excavators worldwide. We are proud of our OEM market share for these products, which is among the largest in the world.

2. High level of quality, reliable delivery and design development capabilities based on integrated production

We ensure a high level of quality and reliable delivery with integrated production from raw

materials to products. In addition, we have received high evaluations from construction machinery manufacturers for our VA proposals and meticulous services, which we provide by making full use of the design development capabilities that we have cultivated.

3. Establishment of a global system

We strive to improve customer satisfaction by supplying high-quality products to customers all over the world on a timely basis in accordance with their needs. We deliver the products from our five production bases – those in the United States (Tennessee) and China (Tsingtao) in addition to the Kanagawa Factory, the Toyohashi Works, and Sanwa Buhin – and our logistics base in Indonesia (Cikarang).

Business Environment

● Domestic demand for construction machinery has been strong because investment in construction remains stable.

● Overseas demand for construction machinery is recovering rapidly, partly reflecting the rising commodity prices in Southeast Asia in addition to the recovery of demand in China.

Policy under the Medium-Term Management Plan

We will cultivate new customers by striving to bolster overseas production and logistics bases and enhance the functions of the mother factory in Japan to rebuild our global supply system for undercarriage components for construction machinery.

Progress in the Medium-Term Management Plan

- We are strengthening the functions of the mother factory in Japan, which supports our overseas expansion. These functions include those related to design, production technologies, global procurement, and human resources development.
- We are taking initiatives to strengthen the optimal global production system to build a business structure that is resistant to environmental changes. These initiatives include the construction of a new track shoe assembly line at our logistics base in Indonesia (which is planned to begin operating in autumn 2018).

Research and Development

We conducted research related to quality improvement and cost reduction in the heat treatment processes of rollers and track shoes for hydraulic

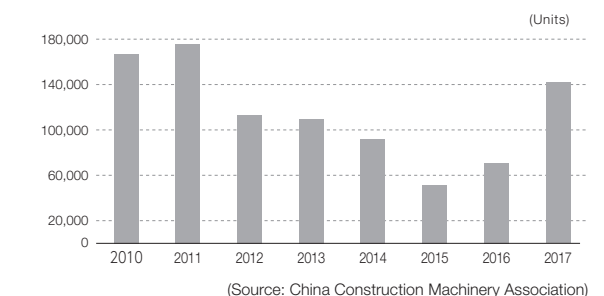
excavators.

Toward Sustainable Growth

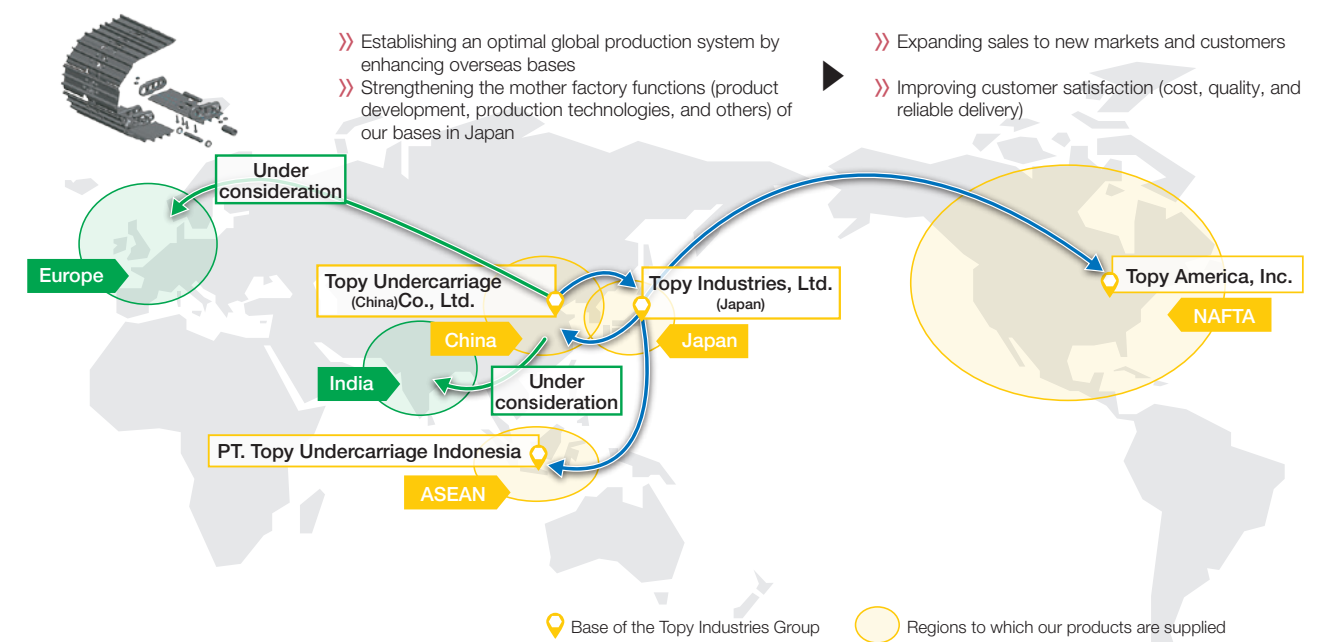
Demand for construction machinery, which had been in a slump, hit the bottom in 2015. Since then, the demand has been on a recovery trend due to the increase in infrastructure investments in China, Indonesia, and other emerging countries, as well as rising commodity prices. In the medium and long term, demand for construction machinery is expected to grow further because the global population and urbanization rate are expected to grow.

In this environment, we are striving to reinforce our business foundation by developing high value-added products based on customer and market needs, improving cost competitiveness, and promoting sales promotion activities by taking advantage of our global production bases, which are our strength. We thereby aim to be an industry-leading company, which is a target under Growth & Change 2018.

Sales quantity of excavators in China



Initiatives for Sustainable Growth



Other Businesses

Message from the Division General Manager

Striving to create new businesses through technological innovations



Satoshi Fukura

Operating Officer
General Manager, Science Division

Synthetic Mica

Our synthetic mica features high purity, superior transparency, and stable quality. It is widely used by cosmetics manufacturers in Japan and other countries as a basic ingredient of their make-up cosmetic products. This synthetic mica also has industrial applications such as the heat retaining cover papers to protect copying papers, and gas barrier application for the food packaging films. It is therefore an extremely promising commodity.

While natural mica has been prevalent as an ingredient of cosmetic products, especially in overseas markets, we believe that synthetic mica

is highly likely to be used more widely in the future because there has been growing demand for safety and advanced functionality. We aim to increase sales of our synthetic mica globally by ensuring that it has stronger appeal, because the cosmetics market is expected to grow in China and Southeast Asian countries as well.

We will develop and suggest safe, high-performance ingredients for cosmetic products and for industrial applications as well by applying our proprietary technologies in our efforts to differentiate ourselves from our competitors.

Aiming to be the No.1 synthetic mica company with our proprietary technologies

- » Manufacturing and managing synthetic mica, which features higher purity than natural mica
- » Technology for changing the composition for synthesizing color mica and coating technology for iron oxide and other substances
- » Surface treatment for adding water repellent function and comminution technology, which enables adjustments to be made to obtain the optimal particle diameter
- » Synthesis of pure white transparent mica
- » A wide range of colors, from low-gloss to high-gloss

Catering to diverse needs by taking advantage of our proprietary technologies in our efforts to expand applications further in the global market.



Crawler Robots

In Japan, there is concern over the labor shortage resulting from the declining birthrate and the aging population. This has led to growing demand for robots for practical use in all industries in Japan.

We have established a reputation for our crawler robots developed through government-industry collaborations, including those for decommissioning surveys of nuclear power plants, the exploration of marine resources, and space probes.

We would like to expand this business by further

evolving the technologies that we have developed, achieving the practical application of crawler robots with the capability of moving back and forth and left and right that enables them to drive themselves, and suggesting the use of the robots for carrying out tasks that cannot be undertaken by humans and for releasing humans from dangerous tasks and hard labor, with a focus on the distribution, agricultural, and construction industries.

Aiming to be No.1 in practical robots with innovative crawler technologies

- » Developing compact, lightweight robots by taking advantage of our experience in the business of undercarriage components for construction machinery and in facility design
- » Being highly acclaimed in a range of fields for the development of crawler robots for use in special environments, such as nuclear reactor buildings and under the sea, and a track record of operating such robots
- » Entry to the service and agricultural fields, which are expanding
- » Practical application of an innovative movement mechanism

Attempt to enter new fields with trust earned through our actual achievements and our ability to cope with a range of situations based on our experience!

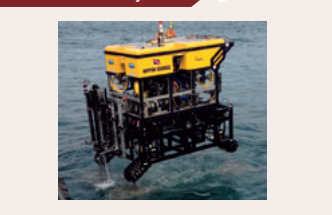
Disaster response/Maintenance



For Fukushima Daiichi Nuclear Power Plant



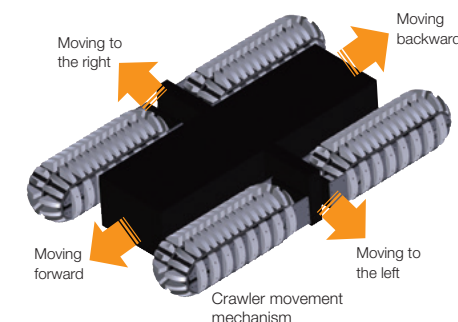
Marine surveys



New Product/Technology

Crawler mechanism for moving back and forth and left and right OMNICRAWLER®

We are striving to have this product used in a wide range of areas as a tool for addressing the labor shortage being faced by a range of industries. It can be used for harvesting and conveying agricultural crops and conveying goods in logistics warehouses, for example.



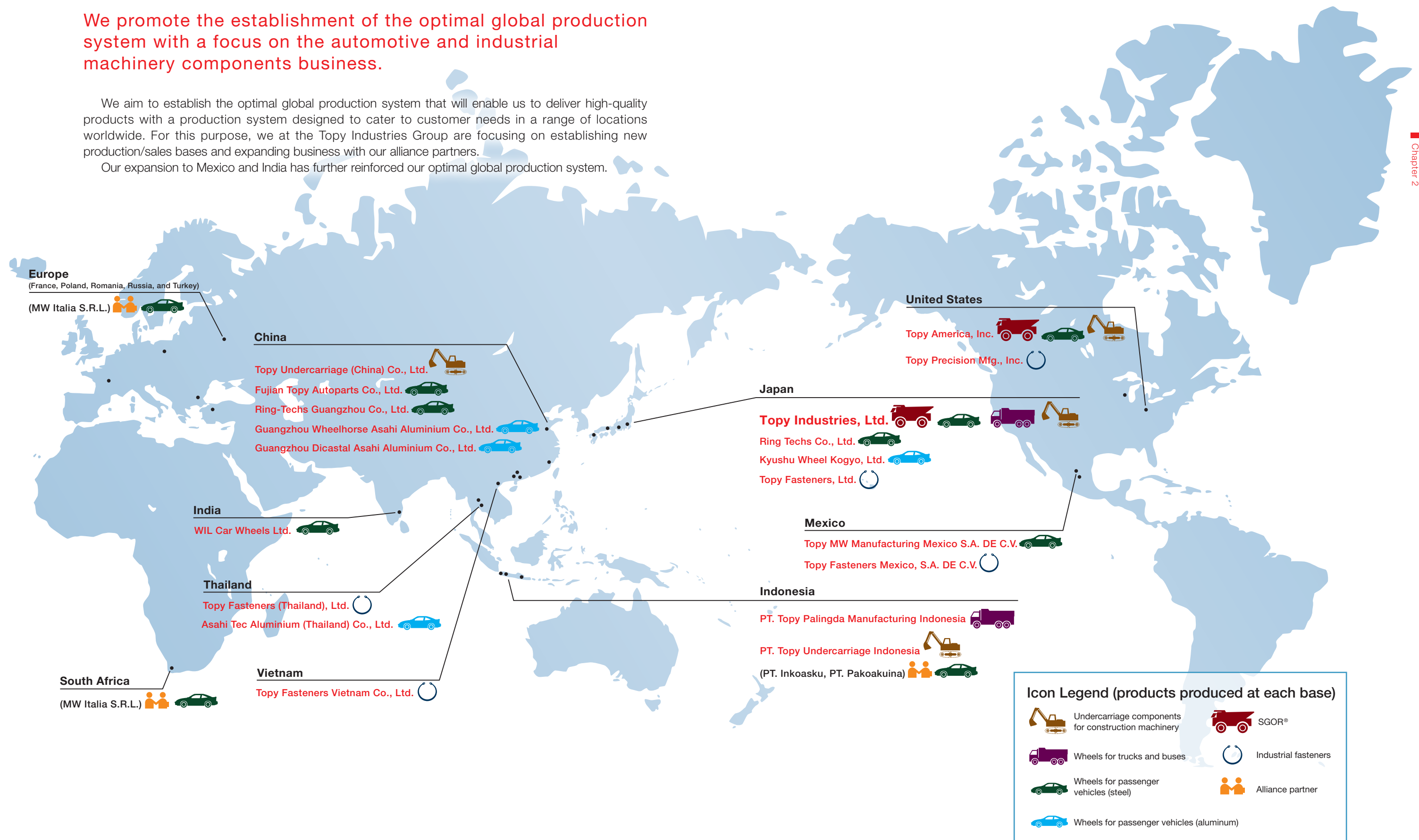
*See page 37 for details of its functions and application examples.

Global Expansion of the Topy Industries Group

We promote the establishment of the optimal global production system with a focus on the automotive and industrial machinery components business.

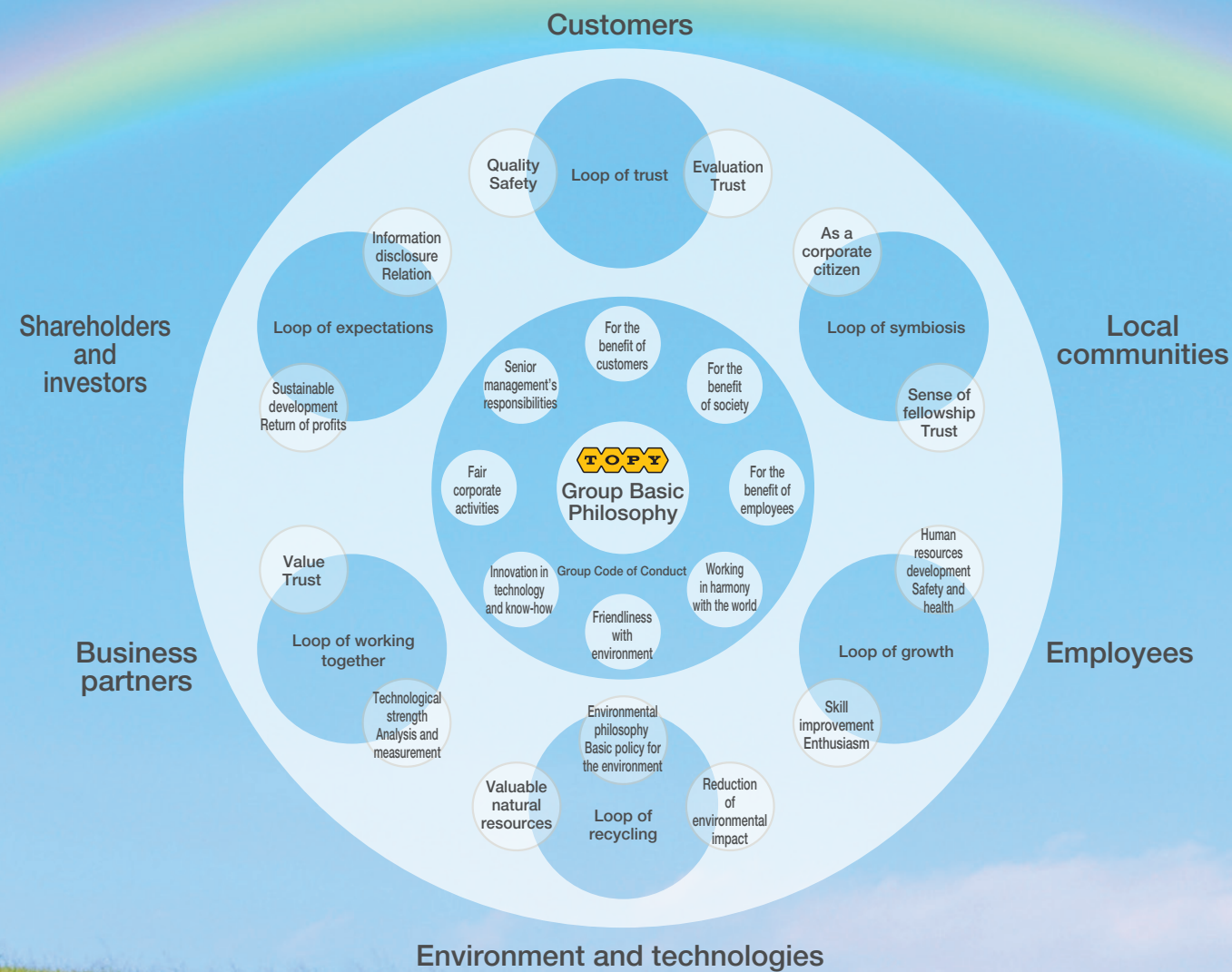
We aim to establish the optimal global production system that will enable us to deliver high-quality products with a production system designed to cater to customer needs in a range of locations worldwide. For this purpose, we at the Topy Industries Group are focusing on establishing new production/sales bases and expanding business with our alliance partners.

Our expansion to Mexico and India has further reinforced our optimal global production system.



Sustainability Initiatives of the Topy Industries Group

At the Topy Industries Group, we see our relationship with our stakeholders as shown below, and aim to achieve sustainable growth by deepening mutual understanding through the six loops.



A loop of "Expectations" with shareholders and investors

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

A loop of "Trust" with customers

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

A loop of "Symbiosis" with local communities

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

A loop of "Working together" with business partners

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

A loop of "Recycling" for the environment and technologies

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

A loop of "Growth" with employees

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

Corporate Basic Philosophy of the Topy Industries Group

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 customers)

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. Co-operate 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 employees)

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)

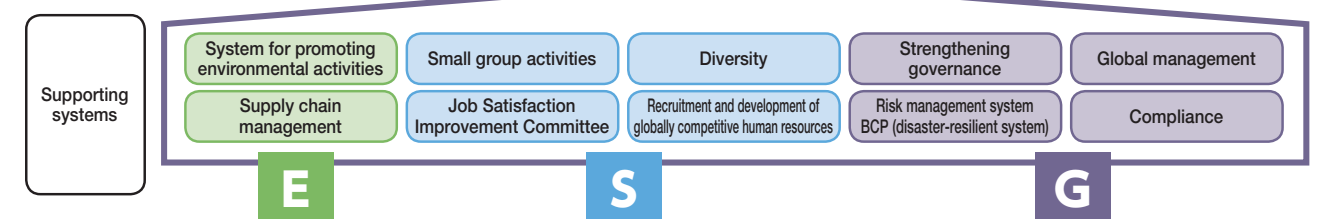
Operate business in a fair and transparent manner under free competition and appropriately keep an arm's length distance from politics and administrative agencies.

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.

ESG Initiatives of the Topy Industries Group

	Environmental and social issues	Approach of Topy Industries, Ltd.		Corresponding SDGs
		Business opportunities	Response to risks / regulations	
E	Increased global warming Depletion of water and resources Air pollution	Development of environmentally friendly products Operation of recycling business	Recycling Initiatives to reduce global warming Chemical management Initiatives to reduce waste	7 AFFORDABLE AND CLEAN ENERGY 12 RESPONSIBLE CONSUMPTION AND PRODUCTION 13 CLIMATE ACTION
S	Shortage of skilled workers Tightening of laws and regulations in countries Local economic development	Products with high work efficiency Supplying safe, secure products (quality assurance)	Promotion of responsible procurement Local job creation	1 NO POVERTY 4 QUALITY EDUCATION 8 DECENT WORK AND ECONOMIC GROWTH



Environmental Philosophy and Basic Environmental Policies

Environmental Management

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:

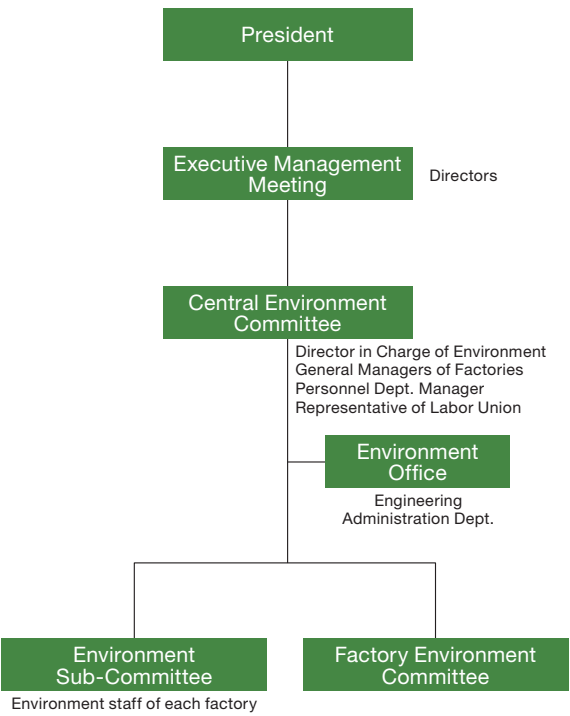
- 1. Complying with the Law**
Topy will comply with all environmental regulations, protocols, and agreements in its manufacturing activities.
- 2. Working out on Energy-Saving and Prevention of Global Warming**
In all the manufacturing processes, Topy will work on proactive energy-saving and greenhouse gas reductions.
- 3. 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.
- 4. 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.
- 5. 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.
- 6. Conserving the Environment in Overseas Business Activities**
Topy will remain mindful of its impact on local environments and implement measures in accordance with the needs of local communities.

ISO 14001 certification status

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

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

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



ISO 14001 Certification Status [Topy Industries, Ltd.]

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

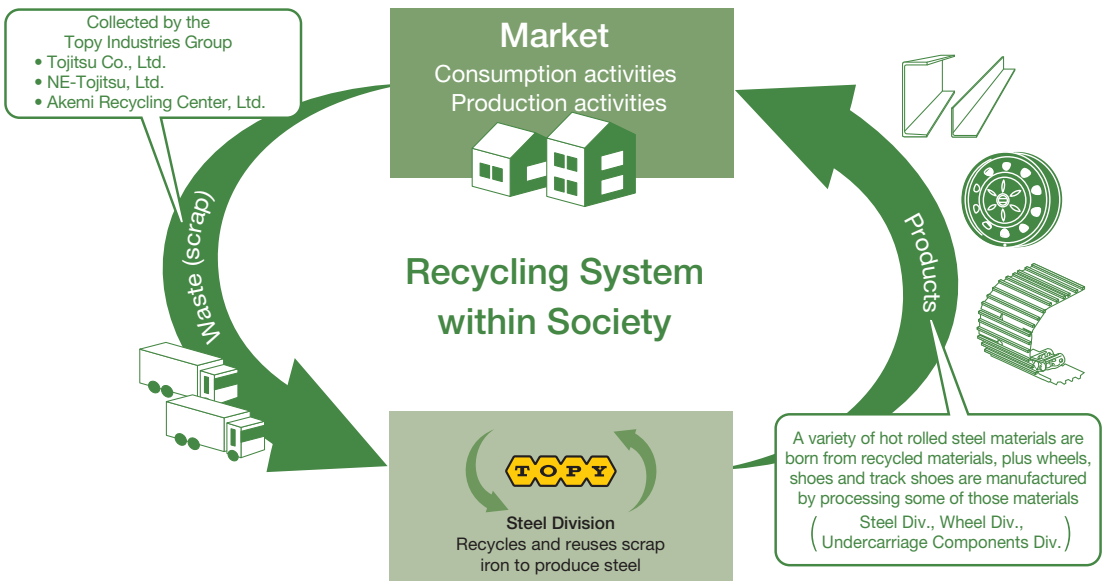
Nature of Our Business

Recycling

Topy Industries is a recycling corporation

Topy Industries, Ltd. manufactures steel products using scrap iron generated over the course of consumption and production activities within society. In this business model, we see ourselves as a com-

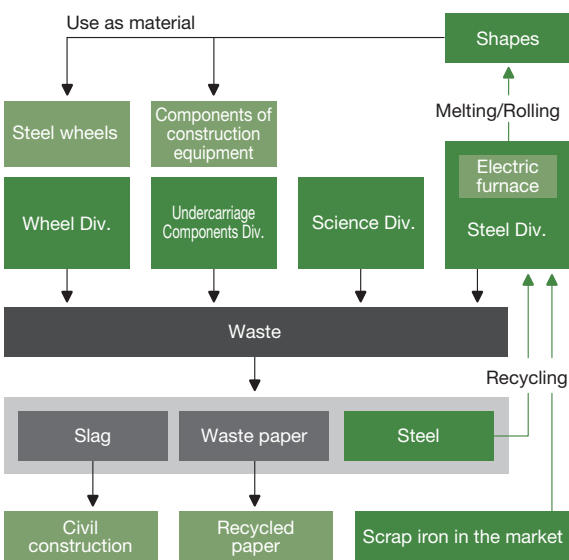
pany assigned to carry out a vital role in the production activities within the recycling system of society. Furthermore, we have implemented an original recycling system within our production flow for the reuse of resources.



Reuse of material

At Topy's Toyohashi Works, 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



Business Opportunities

Operation of recycling business [Akemi Recycling Center, Ltd.]

Recycling of end-of-life vehicles, end-of-life vending machines, and other waste

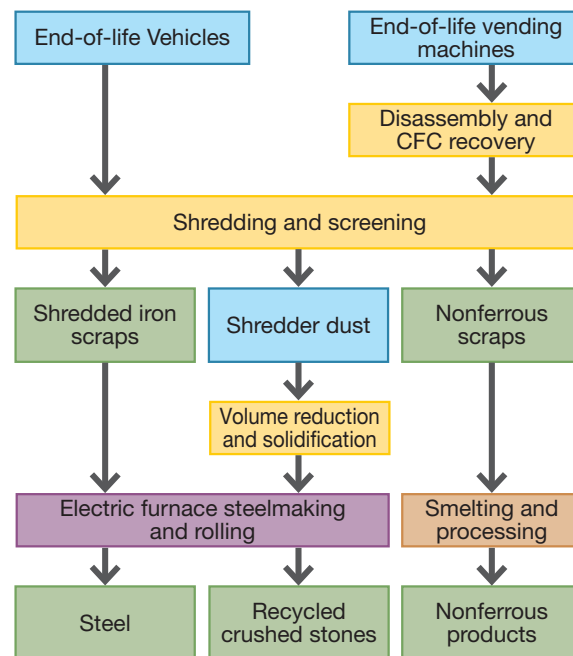
Akemi Recycling Center, Ltd. was established in 1991 as a company that belongs to the Topy Industries Group. Since then, this company has been recycling substantial volume of scraps of iron, end-of-life vehicles and industrial wastes into major raw materials for producing steel and aluminum by making full use of the shredder plant, which is among the largest in Japan.

In 2004, Akemi Recycling Center, Ltd. and Topy Industries, Ltd. jointly developed a technology for recycling automobile shredder residue (ASR), which is generated when shredding ELVs, into an alternative to cokes used for electric furnace. The companies established ASR recycling facilities and created an ideal recycling system which enables zero waste.

In 2013, Akemi Recycling Center, Ltd. significantly improved the quality of iron and nonferrous scraps obtained by shredding ELVs and other industrial waste, by increasing the dust collection capacity of the shredder line and building a new line for screening out nonferrous metals.

In addition, to protect the global environment, the company also recovers CFC from end-of-life vending machines and the similar waste and screens out fluorescent lamps and dry cells in advance.

Recycling flow chart



Shredding and screening

ELVs, end-of-life vending machines, and other waste are crashed into tiny pieces with blades attached to a cylindrical drum that rotates at high speed in the shredder. The shredded pieces go through various screening processes, in which they are sorted out into iron, nonferrous metals (such as copper and aluminum), and shredder dust (such as plastics and rubber).



Shredder

Wind sorter

Volume reduction and solidification

Shredder dust is reduced in volume and solidified into shapes which are optimal for use for electric furnaces. It is thus recycled into a coke alternative and used for the electric furnaces at the Toyohashi Works of Topy Industries, Ltd. for thermal recycling.



A machine for reducing the volume of shredder dust and solidifying it

Combustion improver for the electric furnaces

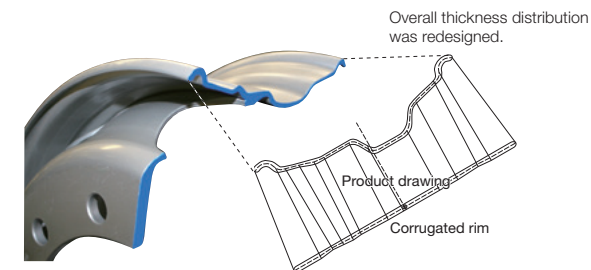
Development of Environmentally Friendly Products

Lightweight wheels

Helping improve fuel efficiency with approx. 15% lighter weight

Topy Industries, Ltd. has developed ISO-compliant wheels, which are about 15% lighter than corresponding conventional wheels, by combining a corrugated rim created with the company's proprietary weight reduction technology with an ECOD-processed disc.

The corrugated rim is made from a rim section with uneven thickness, whose tire-mounting surface is corrugated so that it will have the optimal thickness distribution when roll-formed. The corrugated rim is a product of our integrated production system, which enabled us to combine our proprietary hot-rolling steelmaking technologies with wheel analysis and design technologies. The ECOD disc is formed through cold spinning (rocking die forming) of a tube made of steel plate, which enables a thinner, lighter disc while also ensuring the required strength.



Non-chrome pre-treatment of aluminum wheel painting

An industry first for chromium-free processing

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



Hot-rolled high-strength rim material

Wheels assuring vehicle weight reduction and collision safety

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



Ultra-large diameter wheel for mining dump trucks (SGOR®)

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.



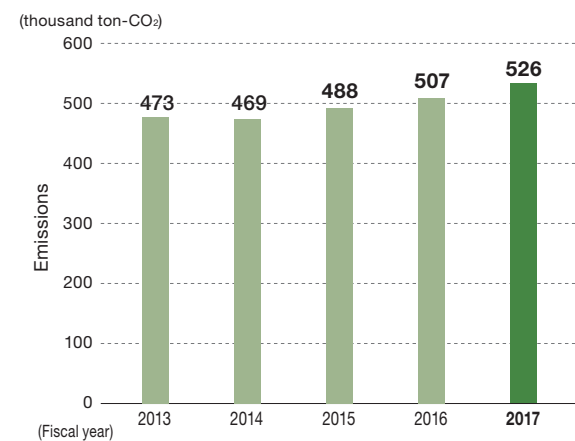
Risk Response

Initiatives for Preventing Global Warming

Reduction of CO₂ emissions

Each factory of Topy Industries, Ltd. is involved in a range of improvement activities that are appropriate for the products and production equipment to achieve the CO₂ reduction target outlined in the Action Plan for Low Carbon Society stipulated by the Japan Business Federation. In FY2017, CO₂ emissions from energy sources at Topy Industries, Ltd. were 526,000 tons, maintaining the volume lower than the FY1990 level as the target. However, the volume has been on an upward trend since FY2015 due to the increase of crude steel production attributed to the commencement of the operation of new steel-making facilities. In view of the anticipated increase in energy usage associated with increased production in the future, we will promote control and improvements further to curb the increase in energy consumption. The amount of CO₂ emitted by Topy Industries, Ltd. is regularly reported to the government authorities in charge by including emissions from its offices in addition to those from the designated energy management factories in accordance with the Revised Act on the Rational Use of Energy that came into effect in 2009. With regard to the Ayase Factory and the Kanagawa Factory in Kanagawa Prefecture, we submit our plans on countermeasures against global warming in business activities in accordance with Kanagawa Prefecture's ordinance to promote global warming measures. In FY2010, we began reporting the actual CO₂ emissions and improvements that we have made in accordance with our reduction plan. For the Toyohashi Works and the Toyokawa Factory in Aichi Prefecture, we submit our plan to tackle global warming to the prefectural government by following the regulations based on a prefectural ordinance.

CO₂ emissions from energy sources [Topy Industries, Ltd.]



Topy Industries wins the Chairman of the Energy Conservation Center, Japan Award in the Energy Conservation Grand Prize.

The Kanagawa Factory was granted the Chairman of the Energy Conservation Center, Japan Award in the Best Practice Category of the Energy Conservation Grand Prize for FY2017, which is hosted by the Energy Conservation Center, Japan. The award presentation ceremony was held on February 14. The factory was granted the award for its activities in promoting energy conservation in the entire factory by introducing an energy conservation program called Energy Conservation Meister. Under the direction of Energy Conservation Meister, the Kanagawa Factory introduced a system that shows power consumption with automatic analysis, which is an advanced form of the visualization of power consumption, thereby encouraging workers to be more proactive in saving energy. With this and other initiatives, the Kanagawa Factory is now capable of promoting energy conservation continuously in a well-planned manner. As quantitative effects of the activities, energy consumption (intensity) at the factory in FY2016 was reduced by around 17% compared to the FY2012 level, and contract demand was reduced by around 28%.



Pilot introduction of a solar power generation facility at the Toyohashi Works

We are promoting Energy Saving Action 2020, whose purposes include the preservation of the global environment through energy conservation. As part of the Promotion of Energy Efficiency Investments, which is the mainstay of Energy Saving Action 2020, we have experimentally introduced a solar power generation facility at the Toyohashi Works and began assessment in March 2014. The facility has a total solar panel space of 270m² with an estimated output of some 46,000 kWh per year. In the pilot introduction, three different panels (single-crystal panel, multi-crystal panel, and CIS panel) were installed at the same time to compare output and power generation characteristics. In another experiment, we laid oxidized slag aggregates produced in-house on the ground of the pilot facility to check the effectiveness of the slag aggregates for preventing weeds and their effects on the pilot equipment and its power generation performance. With these and other initiatives, we are striving to contribute to the protection of the global environment in a range of aspects.

Biodiversity Conservation

Initiatives on Biodiversity

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

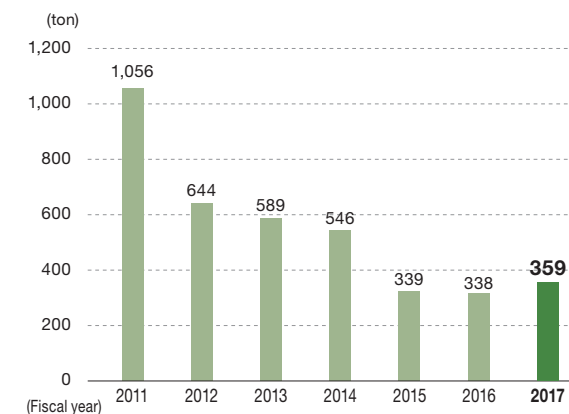
Chemical Management

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 emissions and transfers 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, we use this process to implement the continuous management of chemical substances and emissions reductions..

The emissions of chemical substances, as in the case of carbon dioxide and industrial waste, are heavily affected by variations in production volume. At the company, both

Total amounts of environmental releases and transfers of substances regulated under the PRTR Law [Topy Industries, Ltd.]



emissions and transfer amounts of the materials regulated by PRTR have decreased significantly due to the business integration and other measures taken in FY2012.

Since FY2012, the amount of substances in question has continued to decrease. In FY2017, however, the amount was slightly higher than the FY2016 level. We will continue striving to reduce the amount in a well-planned manner.

Initiatives on air pollution prevention

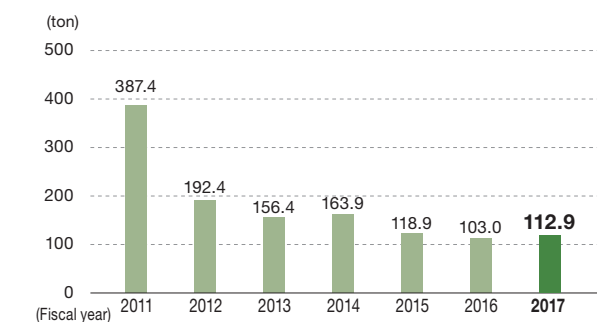
With the revision of the Air Pollution Control Law in May 2004, it became necessary to respond to regulations on emission of VOC, and a reduction of 30% compared to FY2000 on a year-on-year basis was presented as the domestic reduction target by the end of FY2010.

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

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

In FY2017, VOC emissions remained almost unchanged from the FY2016 level. We will continue striving to reduce the emissions in a well-planned manner.

Total amounts of environmental releases and transfers of VOC [Topy Industries, Ltd.]



Risk Response

Initiatives for Reducing Waste [Topy Industries, Ltd.]

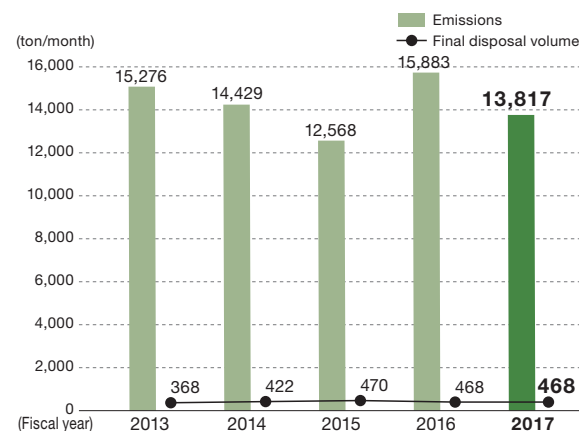
Waste reduction and recycling

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

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

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

Emissions and Final Disposal Volume of Industrial Waste [Topy Industries, Ltd.]



Recycling of machining oil by purification treatment

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

Obtained revised JIS Certification for Oxidized Slag

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

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

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

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

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

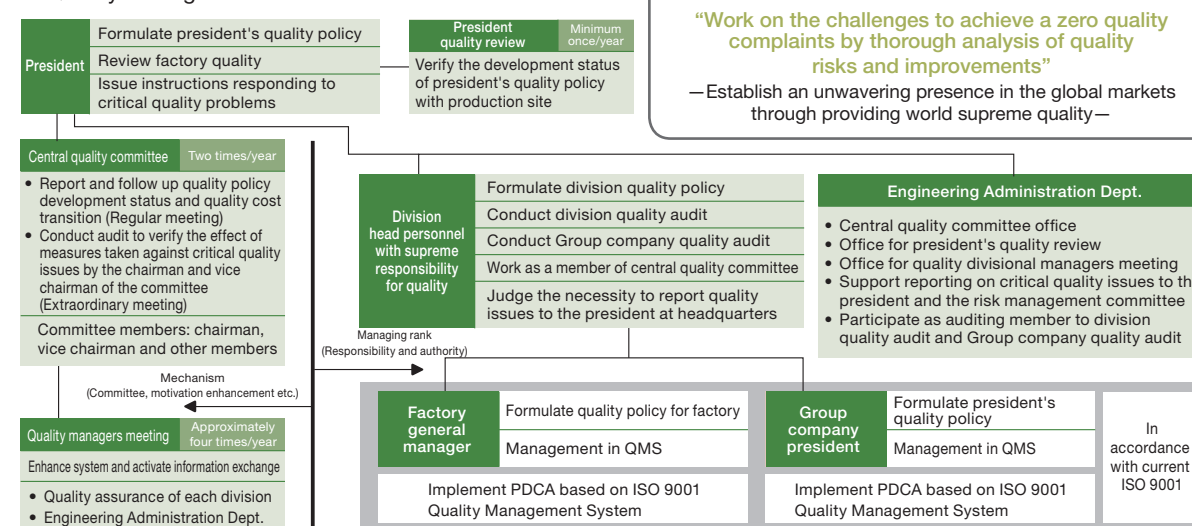
Relationship with Customers

Quality Assurance Philosophy

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

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

Quality Management Structure



FY2016-2017 Quality Policy

"Work on the challenges to achieve a zero quality complaints by thorough analysis of quality risks and improvements"

— Establish an unwavering presence in the global markets through providing world supreme quality —

Awards from Customers

Two divisions of Topy Industries, Ltd. certified by Caterpillar Inc. as highest-level suppliers under SQEP

Two divisions of Topy Industries, Ltd. were certified by Caterpillar Inc. as the highest, Platinum Level suppliers under the Supplier Quality Excellence Process (SQEP) for 2017. SQEP is a program under which Caterpillar Inc. certifies excellent suppliers every year based on its own criteria. Suppliers are evaluated comprehensively in terms of various requirements. There are four levels of certification — Platinum, Gold, Silver, and Bronze — with Platinum being the highest.

This year, we became the first supplier of undercarriage components for construction machinery to be certified as a Platinum Level supplier. In addition, we were certified as a Platinum Level supplier of wheels for mining vehicles for the sixth consecutive year. Of more than 8,000 suppliers, only six companies in total have been certified as highest-level suppliers for six or more consecutive years.

We have also been commended by Honda Motor Co., Ltd. and other customers as a supplier of wheels for automobiles and by Hitachi Construction Machinery Co., Ltd. and other manufacturers as an excellent supplier.



Plaque attesting to Caterpillar SQEP Certification that we received as a supplier of undercarriage components for construction machinery

Relationship with Society

Contribution through Business Products with high work efficiency

A new deformed reinforcing bar TACoil® (launched in autumn 2018)

TACoil® is an advanced solution to problems faced by users from the rebar industry, such as labor shortages, processing losses, and storage space.

- 1) Product name: TACoil®
- 2) Sizes: D10, D13, D16
- 3) Features:



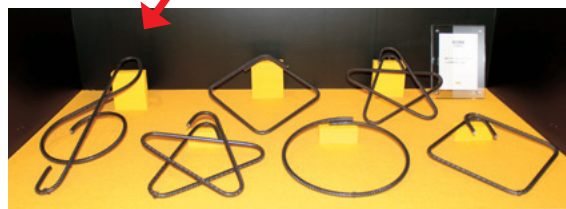
- (1) Combined with an NC machine, it significantly increases processing efficiency and resolves labor shortages.
- (2) It is capable of minimizing the loss generated during the process and increasing the yield rate.
- (3) Because it is highly dense and compact, it saves storage space. It also offers high transportation efficiency.
- (4) Even when the bar is drawn and used as a straight bar, it maintains the same performance as the existing deformed reinforcing bar.



Densely rolled compact coil is drawn and put into the NC machine.



NC machine (exhibited at Tekkin Expo, a trade show on reinforcing steel)



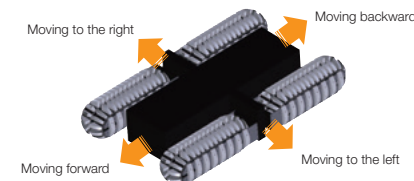
Examples of a TACoil® processed with an NC machine

Crawler mechanism for moving back and forth and left and right OMNICRAWLER®

We are striving to have this product used in a wide range of areas as a tool for addressing the labor shortage faced by a range of industries. It can be used for harvesting and conveying agricultural crops and conveying goods in logistics warehouses, for example.

1) Features

- (1) Providing a high driving force with a wide ground contact area, it enables the vehicle to travel on rough roads.
- (2) The high driving force ensures that it is capable of climbing up and down hills.
- (3) It moves back and forth and left and right in a straight line, making it unnecessary to turn around. It can therefore travel in narrow and intricate spaces.
- (4) Thanks to its high positioning accuracy, it stops precisely at the desired point.
- (5) It drives itself by detecting the landmark (fixed pole) with a laser sensor and with functions for preventing collisions and avoiding obstacles.



Suggestions for saving labor in the field of agriculture

- Spraying chemicals onto agricultural crops, transporting them (automatic follow-up in harvesting), and other farm work

*Joint marketing with Ginza Farm Co., Ltd. (Joint development with this company is planned.)



Suggestions for saving labor in the field of logistics

- Loading and unloading trolleys onto and from trucks and other tasks in a logistics warehouse



Suggestions for saving labor in the field of construction

- Transportation of heavy goods and other tasks on a construction site Crawler TO, a robot assisting transportation



*Jointly developed with Takenaka Corporation and Okaya & Co., Ltd.

Contribution to Local Communities

President Takamatsu attends a reception held by the state government of Tennessee

On October 12, 2017, President Takamatsu attended a reception that was held for Governor Haslam of Tennessee, who was visiting Japan, at the residence of the United States Ambassador to Japan in Akasaka, Minato-ku, Tokyo. People from around 120 Japanese companies were invited to the reception, and our president was invited because the Undercarriage Department of Topy America, Inc. operates a business in Nashville, Tennessee. In his greeting, Governor Haslam said that the State of Tennessee owes a great deal to Japanese companies for its development, referring to the fact that many jobs were created due to the entry of Japanese companies.



President Takamatsu talking with Governor Haslam

Students of Taketoyo Junior High School visit Topy Industries, Ltd. for career education

On May 30, 2018, seven students of Taketoyo Junior High School in Aichi Prefecture visited Topy Industries, Ltd. for career education. This educational program is part of the support for career education provided by the Gakko Support Center (School Support Center), an NPO. It is aimed at assisting students to look at society from a broader perspective and take advantage of what they learn through the program in a productive way in the future. On the day of the visit, we introduced our businesses to them while answering questions that they had prepared by finding out about the company in advance. To deepen their understanding of Topy Industries, we showed them offices in our headquarters. We also enabled them to experience exchanging business cards and gave them other opportunities. The junior high school students were nervous, but appeared to be learning things with interest.



Support for cultural activities and sports

As a good corporate citizen, we continue to support cultural activities and sports in a low-profile manner by working together with local communities. In the field of culture, we co-sponsored Deep Ocean 2017, a special exhibition on the latest study on deep-sea biology and the earth that began to be held at the National Museum of Nature and Science, Tokyo in July 2017.



In the field of sports, we have become an official sponsor of the San-En Neophoenix, a basketball team that started to be based in Toyohashi City in the current season and belongs to a professional basketball league (B. LEAGUE). We will continue to carry out support activities for revitalizing local communities and other purposes in a proactive manner.



Relationships with Employees

Initiatives for employees

Our philosophy and basic policy on human resources development

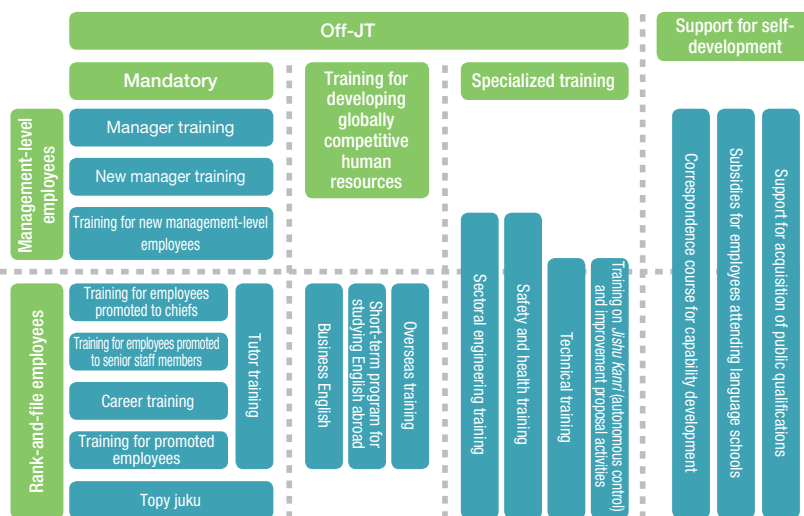
The Topy Industries Group declares in article 3 of the Group Corporate Code of Conduct (for the benefit of employees) that it will “Respect the individual character and personality of employees, and provide safe-working

environments allowing them to work with enthusiasm, and attain fulfilling lives.” We promote initiatives for reinforcing our human resource base in the belief that human resources are our greatest assets and that the improvement of our human assets’ capabilities lies in the source of the value we create.

Policy on human resources development

- Create human resources (human assets) who continue to develop themselves through work.
- Strengthen employees’ capability to respond to environmental changes.
- Support employees in their autonomous career development.
- Continue to produce future business leaders.
- Create an organizational environment that permits diverse human assets to work actively in diverse ways.

Training Programs [Topy Industries, Ltd.]



FY2017 Topy Juku

[Topy Industries, Ltd.]

We provided Topy Juku, a new employee training program, during a period of about four months from the middle of April 2017. The training was provided to 13 trainees, who were divided into four groups and received on-the-job training and practical training separately at four factories. In the on-the-job training, they learned the basics of manufacturing by experiencing work at manufacturing sites. In the practical training, they experienced practical work by practicing part of regular work under the guidance of senior colleagues. On July 28, 2017, a debriefing session on the training was held at the headquarters, and all of the Topy Juku trainees reported on their achievements from the training.



Session for reporting achievements from long-term overseas training

In FY2017, we introduced Long-Term Overseas Train-

ing with the aim of developing young employees who can demonstrate their capabilities in different cultural environments of overseas countries. The employees who undergo this training are dispatched to overseas group companies as trainees and receive practical on-the-job training under the guidance of local managers in accordance with the training plan, thereby experiencing and understanding overseas work. They also acquire the ability to communicate in different languages, along with intercultural skills. On February 9, 2018, the trainees who were dispatched to the production management division of Topy America, Inc. reported on their achievements as a result of the one-year training.

[Outline of the program]

Period: One year

Destination: Overseas group company (FY2017: Topy America, Inc.)

Requirement for trainees: TOEIC® score of 600 or higher



Trainees and production management staff members of Topy America, Inc.

The Second All Topy Small Group Activity Presentation Convention

The Second All Topy Small Group Activity Presentation Convention was held on December 2, 2017. Prior to the presentations on the activities, President Takamatsu gave a speech and told the participants, “I believe that the small group activities are the driving force for solving the problems we face and moving the company forward. I have high hopes for the presentations that will be made today.” This was followed by the commendation of essays on autonomous control activities for FY2017. In the presentations on the activities, a total of ten circles — two from the back-office section, two from the Shonan district, three from the Mikawa district, and three from group companies — participated and competed against each other. After the presentations, a social gathering was held with the participation of Chairman Fujii, President Takamatsu, and other executives. At the gathering, the circles that gave presentations and the employees who were commended for their essays were rewarded for their services in a friendly atmosphere.



Members of the two circles that won the highest award and the award for excellence

Activities of the Job Satisfaction Improvement Committee

Topy Mentoring Program (TMP)

In FY2017, the program was provided for employees in their third year at the company as mentees, with committee and subcommittee members serving as mentors. The mentees were extremely satisfied with the program in terms of the askability of the mentors and the benefits provided by the program, and evaluated it as highly recommendable. The program therefore proved effective for providing psychological support. Many of the mentors also said that they noticed that their listening skills and leadership had improved.

Improvement of meeting environment

As a measure for improving the office environment, we installed automatic height-adjustable tables on an experimental basis in the headquarters’ meeting rooms, thereby permitting standing meetings to be held in the room. This is aimed at enabling meetings to finish more quickly and helping the participants to have lively discussions.

Encouraging employees to make standard greetings

We have been encouraging employees to make standard greetings since January 2017. To expand this measure further as a company-wide movement, we formulated the Topy Greeting Guidelines in July 2017 and put up posters at each manufacturing site to raise employees’ awareness.

Thank-you card

In April 2017, we launched a program under which employees can write their feelings of gratitude on cards and pass them to those of their colleagues who have done a good job or undertaken a good challenge. One card was distributed to each employee from April to June. Of the 565 cards that were distributed, 157 cards were collected.

Discussions with the management

In May 2017, we began providing opportunities for discussions between employees and the management to shorten the psychological distance between them, develop loyalty to the company, and promote understanding of our business strategies including the Medium-Term Management Plan.

Topy Family Day

On March 29, 2018, we held the Topy Family Day for families of employees working at the headquarters. Twenty people from six families participated in the event. The participants made positive comments, such as “We were happy to be able to watch him work.” It seemed that the families became fans of Topy by deepening their understanding of the company. We will continue to encourage employees to balance work and life by creating a workplace atmosphere that values families.



Relationships with Employees

Improvement of work-life balance

Pilot introduction of measures

We implemented a pilot project introducing measures for improving work-life balance in a certain department. We are looking for issues and investigating how to advance the measures to extend them throughout the entire company in the future. (Project period: May to July 2017)

<Main measures>

- Measures for ensuring that no employees work over-time on no-overtime days
- Measures for reducing the time spent on meetings
- Implementing Concentration Time

Action plan based on the Act on Advancement of Measures to Support Raising Next-Generation Children

We are implementing an action plan based on the Act on Advancement of Measures to Support Raising Next-Generation Children, with the aim of enabling all employees to fulfill their potential by balancing work and childcare.

(Period of the plan: July 1, 2015 to June 30, 2020)

- Increase the rate of taking childcare leave to the standard or a higher level during the period of the plan.
Male employees: At least one person shall take the leave during the period of the plan.
Female employees: The rate of taking childcare leave shall be 75% or higher.
- Encouraging employees to take annual paid leave.

Diversity

General employers action plan based on the Act on Promotion of Women's Participation and Advancement in the Workplace

Topy Industries, Ltd. stipulates that it shall "Respect the individual character and personality of employees" in the Topy Industries Group Corporate Code of Conduct and implements initiatives for promoting the active participation of female employees as a measure for promoting diversity.

As one of the initiatives, we launched a diversity promotion project in FY2014. In this project, we identified new issues and determined measures to take by FY2015 and enhanced related programs and introduced measures related to career development support. At present, we are promoting an action plan targeting the following based on the Act on Promotion of Women's Participation and Advancement in the Workplace, with the aim of allowing female employees to participate actively by fulfilling their potential.

(Period of the plan: April 1, 2016 to March 31, 2021)

- We will maintain the percentage of women among new recruits (career-track employees) at 40% or

higher.

- We will be proactive in supporting employees' career development.
- We will increase the percentage of women among management-level employees (managers) by five times compared to the current level.

Improvement of labor health and safety

At Topy Industries, Ltd., we consider that our primary corporate responsibility is to ensure workers' safety and health. We therefore implement a variety of actions to achieve zero accidents. We also conduct statistical surveys on labor accidents and report the results of the surveys in in-house newsletters and via other media to raise the safety and health awareness of each and every employee.

Results of a statistical survey on labor accidents (Period: January to December 2017) [Topy Industries, Ltd.]

Manufacturing site	Total working hours	Number of accidents	Frequency	Severity
Kanagawa	406,892	0	0.00	0.00
Ayase	917,200	2	2.18	0.00
Toyohashi	1,454,614	0	0.00	0.00
Toyokawa	853,608	3	3.51	0.07
Total	3,632,314	5	1.38	0.02

Kanagawa Factory wins award for excellence in steel safety commendations

The 59th Tekko Anzen Hyosho (steel safety commendation ceremony) hosted by the Japan Iron and Steel Federation was held on February 27, 2018. Kanagawa Factory was granted the award for excellence for 2017 as a business establishment with excellent safety performance. In addition, the factory received an award for zero labor accidents together with Toyohashi Works. Kanagawa Factory received the award for zero labor accidents for the fourth consecutive year.



Corporate Governance

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

Basic approach

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

Outline of our corporate governance system

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

The Board of Directors (to be convened once a month or extraordinarily as required, in principle) consists of a total of six members: four executive directors and two outside directors. The Board resolves the matters required by laws and regulations or the articles of incorporation and important issues of the company, including the basic management policy, and oversees management from an independent and objective standpoint. In addition, for the purpose of ensuring efficient deliberations

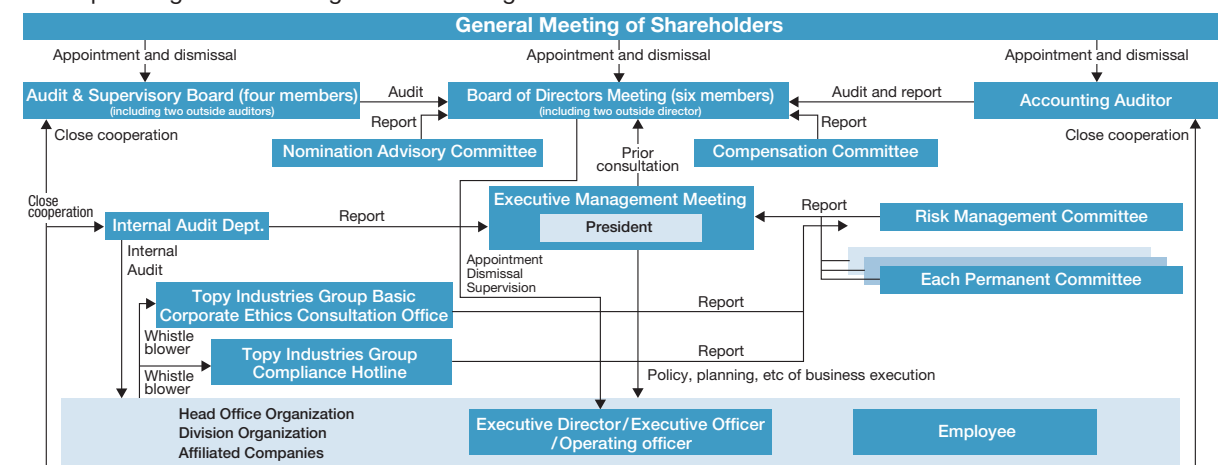
by the Board of Directors, the Executive Management Meeting, which comprises the directors and others, is held (once a week in principle) for prior deliberations of matters to be resolved by the Board of Directors and for discussions on policies, plans and the conduct of business execution, thereby ensuring that appropriate management decisions are made.

Moreover, to respond rapidly to changes in the business environment, the term of the directors and executive officers is set as one year.

The Audit & Supervisory Board consists of a total of four members: two fulltime members and two outside members, conducting fair and neutral audits.

Aside from the statutory organizations, the company has the Compensation Committee, the Nomination Advisory Committee, the Risk Management Committee and other optional organs to strengthen governance functions. The company will establish a voluntary organization when required in its efforts to further enhance its governance capabilities.

Corporate governance organizational diagram



Corporate Governance

Outside Directors and outside members of the Audit & Supervisory Board

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

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

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

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

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

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

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

Compensation for board members

Total amount of compensation, etc., total amount of each type of compensation etc., and number of subject board members by position

Position	Total amount of compensation, etc. (million yen)	Amount of compensation by type (million yen)			Number of subject board members
		Basic compensation	Bonus	Stock-based compensation	
Directors (excluding outside directors)	280	267	–	12	6
Members of the Audit & Supervisory Board (excluding outside members)	40	40	–	–	2
Outside board members	34	34	–	–	4

Contents and method of determination of the policy on the amount of compensation, etc. for board members or method of calculation of the amount

The amount of compensation for our board members is determined as follows. The Compensation Committee deliberates on the level of compensation, which is determined by considering the compensation policy, the business performance of the company, and other factors. Based on the results of the deliberation, the amount of compensation for each director is determined by the Board of Directors, and that of each member of the Audit & Supervisory Board is determined through deliberation by all members of the Audit & Supervisory Board within the total amounts of compensation for which resolutions were passed in advance at the General Meeting of Shareholders.

The Compensation Committee consists of two external members and one internal member and is chaired by an external member to ensure that the compensation system is highly fair and transparent.

The level of compensation, etc. of board members and the compensation structure are designed to match their job responsibilities well, based on the principle that they shall contribute to the sustainable improvement of the company's business performance and its corporate value. In setting the level of compensation, we refer to research data from an external specialty firm and take other measures to set it more objectively.

Executive directors receive cash compensation and stock-based compensation. Cash compensation

includes basic compensation, which consists of fixed amount compensation and compensation based on the business performance for the previous fiscal year, and the bonus.

Of the cash compensation, the compensation based on the business performance for the previous fiscal year is determined based on the company's business performance and the performance of each director for the previous fiscal year. The standard amount of this compensation is 30% of the basic compensation, and it varies within the range of 0% to 75% of it. The portion based on the company's business performance ranges from 0% to 65%, while the portion based on the individual performance is between 0% and 10%.

The amount of compensation based on the company's business performance for the previous fiscal year is determined by combining the number of points determined based on the results of two evaluations. One is the result of quantitative evaluation, which is calculated based on return on equity (ROE) as the key indicator and the levels of achievement of performance indicators such as return on assets (ROA), operating profit on sale, and the debt equity ratio. The other is the result of qualitative evaluation, which is determined in consideration of management activities and other situations.

Stock-based compensation is a stock compensation plan that uses trusts. It is aimed at further clarifying the relationship between the company's business performance and stock value with the amount of compensation for directors, fostering a shared awareness of profits with our shareholders, and motivating directors to contribute to improving the business performance and corporate value of the company in the medium and long term. The amount of this compensation is based on the level of achievement of the Medium-Term Management Plan. The standard amount is 5% of the basic compensation, and it varies within the range of 0% to 10% of it. It is calculated based on the number of points determined by quantitative evaluation, which is based on the levels of achievement of performance indicators set in the Medium-Term Management Plan, including net sales, operating profit, profit attributable to owners of parent, operating profit on sale, ROE, ROA, and the debt equity ratio. The company's stock is issued when each director resigns.

Only basic compensation, which only includes fixed-amount compensation, is paid to outside directors and members of the Audit & Supervisory Board in consideration of their independent standpoint, which is unaffected by the company's business performance.

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

Internal control systems in general

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

Compliance system

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

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

Risk management system

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

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

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

Execution of duties by Directors

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

Business management of the group companies

In accordance with the Group Company Management Regulations, the division of the company supervising the group companies receives reports therefrom regarding their business policies, plans, results and other matters as necessary, while important matters are resolved at the

Corporate Governance

Executive Management Meeting or meetings of the Board of Directors. In addition, the company promotes the autonomous management of each group company and conducts management soundness evaluation to assess the business results and risk management status, among other aspects, of each group company for every fiscal year. Based on the results of the evaluation, the division of the company supervising the group companies provides instructions and support to the group companies.

Audits by the Audit & Supervisory Board

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

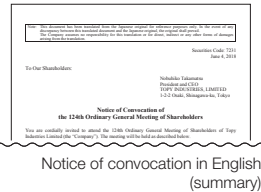
When an issue related to risk management occurs or is likely to occur in the Topy Industries Group, it is also reported to the Audit & Supervisory Board members in accordance with the Group Risk Management Regulations. In addition, the company has developed a structure in which whistleblowing is reported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

Adequate information disclosure

Article 2 (For the benefit of society) of the Topy Industries Group Corporate 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.

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

We are taking the following initiatives to vitalize general meetings of shareholders as a place of communication



Notice of Convocation of the 124th Ordinary General Meeting of Shareholders

between the company, shareholders, and investors to ensure that voting rights can be exercised with ease.

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

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

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



Explanation session for financial results

Explanation sessions for financial results that were held in FY2017

Date	Content	Number of participants
November 22, 2017	Explanation session for the 2nd quarter financial results	23
May 23, 2018	Explanation session for the full-year financial results	28

Stable dividends [Topy Industries, Ltd.]

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

Our 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 form 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 founded
1956	Toto Tekko Co., Ltd. was founded
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. (now Kanagawa Factory of Topy Industries, Ltd.) was established Toyokawa Plant of Japan Motor Wheel Co., Ltd. (now Toyokawa Factory of Topy Industries, Ltd.) was established
1964	Ayase Plant of Japan Motor Wheel Co., Ltd. (current Ayase Factory of Topy Industries, Ltd.) was established Japan Motor Wheel Co., Ltd. Toto Steel Mfg. Co., Ltd., Toto Zoki Co., Ltd. and Toto Tekko Co. Ltd. merged to form Topy Industries, Limited
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 for mining dump trucks 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. Pakoakuina (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	A mill for deformed concrete bars commenced operation at Toyohashi Works
1998	Obtained ISO 9001 accreditation at all production sites
1999	Topy International, U.C.A. Inc. (now Topy America, Inc.) was founded ISO 14001 accreditation was obtained for all production sites
2000	Akemi Electric Power Ltd., which engages in the power supply business, commenced operation
2003	Took a stake in Fujian Yuan Shing Topy Ltd. (now Fujian Topy Autoparts Co., Ltd.)
2004	Hamura Plant of Ayase Factory commenced operation
2007	Topy America, Inc. was founded (merger of Topy International, Inc., Topy Corporation, and Topy International U.C.A. Inc.) Head Office moved to Osaki, Shinagawa-ku, Tokyo
2008	Science Division was established Concluded an agreement with Nippon Steel Corporation to strengthen general business cooperation
2011	Topy Undercarriage (China) Co., Ltd. was founded
2012	Tianjin Topy Machinery Co., Ltd. was founded
2013	PT. Topy Palingda Manufacturing Indonesia was founded PT. Topy Undercarriage Indonesia was founded Topy MW Manufacturing Mexico S.A. DE C.V. was founded
2014	PT. Topy Undercarriage Indonesia commenced operation The new steel making plant commenced commercial operation at Toyohashi Factory
2015	Topy Fasteners Mexico S.A. DE C.V. was founded
2016	The business and capital alliance with MW Italia S.R.L. was strengthened
2017	WIL Car Wheels Ltd., a joint venture with Wheels India Limited, was established (India)
2018	Ring Techs Co., Ltd. was made into a wholly owned subsidiary Asahi Tec Corporation was made into a wholly owned subsidiary

Directors and Members of the Audit & Supervisory Board



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



Senior Managing Director
Norio Saito
1979 Joined Topy Industries, Ltd.
2007 Operating Officer, Deputy General Manager of the Wheel Division
2011 Director, General Manager of the Wheel Division
2013 Director, Managing Operating Officer, Automotive and Machinery Components Business, General Manager of the Wheel Division
2015 Managing Operating Officer, General Manager of Corporate Planning
2017 Director of Topy Undercarriage (China) Co., Ltd. (to present)
Senior Managing Operating Officer, Corporate Planning, General Affairs
Senior Managing Director, Corporate Planning, Financial Matters (to present)
2018 Director of Topy America, Inc. (to present),
Senior Managing Director of Topy Industries, Ltd. (to present),
Director of Topy MW Manufacturing Mexico S.A. DE C.V. (to present),
President & CEO of ATC Holdings Co. Ltd. (to present),
Director of Asahi Tec Corporation (to present)



Senior Managing Director
Satoshi Kumazawa
1980 Joined Orient Watch Co., Ltd.
1989 Joined Topy Industries, Ltd.
2010 Operating Officer, General Manager of General Affairs Dept.
2013 Operating Officer, General Manager of Personnel Dept.
2015 Managing Operating Officer, General Manager of Personnel Dept.
2016 Managing Operating Officer, General Manager of Personnel Dept.
2017 Senior Managing Operating Officer, General Manager of Personnel Dept.
2018 Auditor of PT. Topy Palingda Manufacturing Indonesia (to present),
Senior Managing Operating Officer in charge of General Affairs Dept. and Personnel Dept. of Topy Industries, Ltd. (to present),
Senior Managing Director (to present)



Senior Managing Director
Hiroyuki Kinoshita
1981 Joined Nippon Steel Corporation
2011 Operating Officer, Technical Coordination (Manager, Special Matters) of Topy Industries, Ltd.
2012 Operating Officer, Deputy General Manager of Undercarriage Components Div. and General Manager of Kanagawa Factory, Undercarriage Components Div.
2013 Managing Operating Officer, General Manager of Undercarriage Components Div.
2017 Senior Managing Operating Officer, General Manager of Undercarriage Components Div.
2018 Director of Topy Undercarriage (China) Co., Ltd. (to present),
Director of PT. Topy Undercarriage Indonesia (to present),
Senior Managing Operating Officer in charge of Engineering Administration Dept., Internet of Things Promotion Dept. and Safety of Topy Industries, Ltd., Senior Managing Director (to present)



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



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



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



Statutory Auditor
Koichi Sakamoto
1982 Joined Topy Industries, Ltd.
2015 Operating Officer of Topy Industries, Ltd., Director and CEO of Qingdao Topy Machinery Co., Ltd., and Director and CEO of Topy Undercarriage (China) Co., Ltd.
2016 Operating Officer of Topy Industries, Ltd. and Director and CEO of Topy Undercarriage (China) Co., Ltd.
2017 Councilor of Topy Industries, Ltd. and Director and CEO of Topy Undercarriage (China) Co., Ltd.
2018 Councilor to General Affairs Dept. of Topy Industries, Ltd., Statutory Auditor (to present)



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



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

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

Position	Name	Title or responsibilities
President and CEO	Nobuhiko Takamatsu	Representative Director
Senior Managing Director	Norio Saito	In charge of Corporate Planning Dept., Finance Dept., and Sales Administration Dept.
Senior Managing Director	Satoshi Kumazawa	In charge of General Affairs Dept. and Personnel Dept.
Senior Managing Director	Hiroyuki Kinoshita	In charge of Engineering Administration Dept., Internet of Things Promotion Dept., and overall safety issues
Director	Tsuyoshi Inoue	Outside Director
Director	Sumio Moriwaki	Outside Director
Full-Time Member of the Audit & Supervisory Board	Yukihiro Ogawa	
Full-Time Member of the Audit & Supervisory Board	Koichi Sakamoto	
Member of the Audit & Supervisory Board	Masakazu Kawabata	Outside Member of the Audit & Supervisory Board
Member of the Audit & Supervisory Board	Kazuo Shoyu	Outside Member of the Audit & Supervisory Board
Managing Operating Officer	Ichiro Takeuchi	General Manager of Wheel Div., in charge of Automotive and Industrial Machinery Components Business
Managing Operating Officer	Masayoshi Takezawa	General Manager of Internet of Things Promotion Dept. and Engineering Administration Dept.
Managing Operating Officer	Katsuyoshi Daido	General Manager of Internal Audit Dept.
Operating Officer	Satoshi Fukura	General Manager of Science Div.
Operating Officer	Tsuyoshi Nakamura	General Manager of Steel Div., in charge of Steel Business and General Manager of Toyohashi Works, Steel Div.
Operating Officer	Hiroji Kobayashi	General Manager of Corporate Planning Dept.
Operating Officer	Takanori Kawano	General Manager of Financial Dept.
Operating Officer	Kentaro Oba	General Manager of Ayase Factory, Steel Div.
Operating Officer	Shuichi Tachibana	General Manager of General Affairs Dept.
Operating Officer	Masatoshi Takahashi	Director and Vice President of Asahi Tec Corporation
Operating Officer	Masahiro Abe	Deputy General Manager of Wheel Div.
Operating Officer	Katsuyoshi Tanaka	General Manager of Undercarriage Components Div., in charge of Automotive and Industrial Machinery Components Business
Operating Officer	Tetsuya Sakai	General Manager of Personnel Dept.
Operating Officer	Koji Nanayama	Deputy General Manager of Wheel Div.

As of June 26, 2018

Consolidated Financial Statements for the

Fiscal year		2008	2009	2010	2011
Net sales	(Million yen)	290,333	196,848	221,413	240,534
Operating profit	(Million yen)	6,686	355	7,006	10,554
Ordinary profit	(Million yen)	6,010	626	5,241	7,304
Profit (loss) before income taxes	(Million yen)	5,225	(1,641)	4,765	6,118
Profit (loss) attributable to owners of parent	(Million yen)	2,384	(1,032)	2,072	3,918
Comprehensive income	(Million yen)	—	—	(340)	4,459
Capital investments	(Million yen)	12,401	7,659	7,170	8,982
Depreciation	(Million yen)	11,707	11,195	10,057	9,310
Research and development expenses	(Million yen)	1,649	1,288	1,245	1,271

Net assets	(Million yen)	80,942	81,884	80,165	83,096
Total assets	(Million yen)	202,995	201,138	203,956	212,828
Interest-bearing debt	(Million yen)	63,763	62,255	61,696	58,091

Net assets per share	(Yen)	3,341.56	3,375.33	3,351.63	3,473.70
Net profit (loss) per share	(Yen)	103.88	(42.96)	86.37	165.20
Dividends per share	(Yen)	50	20	40	40

Equity ratio	(%)	39.6	40.3	39.0	38.7
Return on equity	(%)	2.9	(1.3)	2.6	4.8
Price/earnings ratio		13.9	—	25.2	15.6

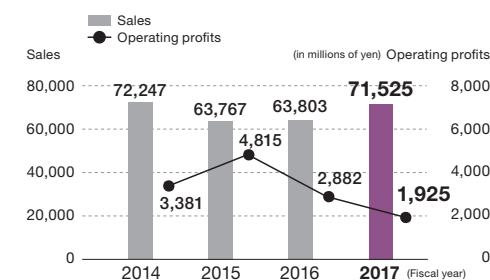
Net cash provided by (used in) operating activities	(Million yen)	21,547	12,010	6,236	16,010
Net cash provided by (used in) investing activities	(Million yen)	(15,908)	(7,507)	(3,681)	(7,703)
Net cash provided by (used in) financing activities	(Million yen)	(287)	(2,236)	(1,952)	(4,983)
Cash and cash equivalents at the end of the current period	(Million yen)	18,293	20,547	18,741	22,124

Number of employees [Average number of temporary employees not included in the above]	(Persons)	4,125 [471]	4,242 [422]	4,151 [432]	4,135 [428]
--	-----------	----------------	----------------	----------------	----------------

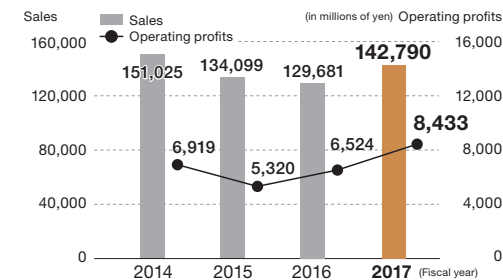
*The company executed a one-for-ten common share consolidation effective on October 1, 2016. Profit (loss) per share, net assets per share, and dividends per share have been calculated on the assumption that the share consolidation took place at the beginning of FY2008.

Segment information

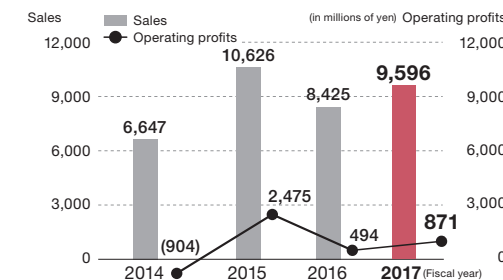
Steel business



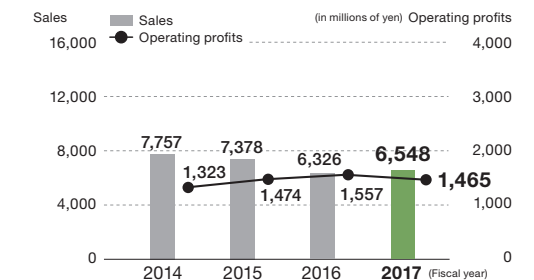
Automotive and industrial machinery components business



Power generation business



Others



Detailed financial data are available on the following page of our official website.
<http://www.topy.co.jp/en/news/irnews.html>

Major Subsidiaries & Affiliates

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

Company name	Head office location	Capital (millions of yen)	Business segment	Holding voting right or owned by (%)
Topy Undercarriage (China) Co., Ltd.	Qingdao, China	606 million renminbi	Automotive and Industrial Machinery Components	100
Topy Fasteners Vietnam Co., Ltd.	Yen My District, Hung Yen Province, Vietnam	6,240,000 U.S. dollars	Automotive and Industrial Machinery Components	100 (80)
PT. Topy Palingda Manufacturing Indonesia	Karawang Regency, West Java, Indonesia	710.5 billion rupiah	Automotive and Industrial Machinery Components	90
PT. Topy Undercarriage Indonesia	Bekasi Regency, West Java, Indonesia	2,850,000 U.S. dollars	Automotive and Industrial Machinery Components	100 (30)
Topy MW Manufacturing Mexico S.A. DE C.V.	Silao City, State of Guanajuato, Mexico	867 million pesos	Automotive and Industrial Machinery Components	95
Topy Fasteners Mexico, S.A. DE C.V.	San Luis Potosi City, State of San Luis Potosi, Mexico	166 million pesos	Automotive and Industrial Machinery Components	100 (100)
Ring-Techs Guangzhou Co., Ltd.	Guangzhou City, Guangdong Province, China	105 million renminbi	Automotive and Industrial Machinery Components	80 (80)
(Unconsolidated subsidiary accounted for under the equity method) Hokuetsu Metal Co., Ltd.	Nagaoka-shi, Niigata Pref.	1,969	Steel	35.6 (1.4)
(Other affiliates) Nippon Steel & Sumitomo Metal Corporation	Chiyoda-ku, Tokyo	419,524	Manufacture and sales of steel products and engineering	0.1 (Owned by) 20.6 (0.1)

As of March 31, 2018

- Notes:
- The respective business segments are listed in the "Business segment" column (excluding other affiliated companies).
 - Topy America, Inc. and Topy Precision Mfg., Inc. have paid premiums of U.S. \$62,999,400 and U.S. \$4,950,000, respectively, aside from the capital mentioned above, totaling capital of U.S. \$63,000,000 and U.S. \$5,000,000, respectively.
 - Topy Enterprises, Ltd., Topy America, Inc., Fujian Topy Autoparts Co., Ltd., Topy Undercarriage (China) Co., Ltd., PT. Topy Palingda Manufacturing Indonesia, and Topy MW Manufacturing Mexico S.A. DE C.V. are categorized as special subsidiary companies.
 - Hokuetsu Metal Co., Ltd. and Nippon Steel & Sumitomo Metal Corporation issue an official financial statement separately.
 - The sales ratio of Topy Enterprises, Ltd. as a proportion of the consolidated sales of the Topy Industries Group exceeds 10% (excluding internal sales among consolidated Topy Industries Group companies).
- Major financial information
- | | |
|--------------------------|------------------|
| (1) Net sales JPY | ¥103,480 million |
| (2) Operating profit JPY | ¥1,195 million |
| (3) Net profit JPY | ¥744 million |
| (4) Net assets JPY | ¥8,177 million |
| (5) Total assets JPY | ¥40,240 million |
6. The values in parentheses in the "Voting rights held or owned by" column represent indirect holding percentages or percentages of voting rights indirectly owned by the company, which are each included in the value above.

IR Information

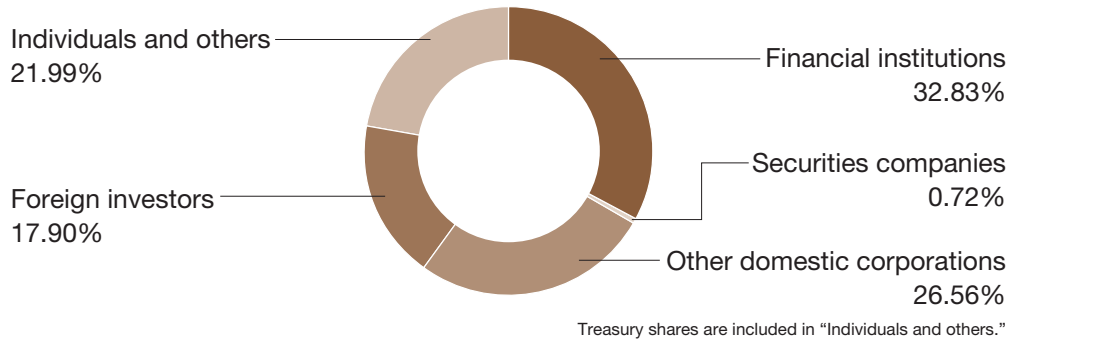
Stock exchange listings	Tokyo Stock Exchange and Nagoya Stock Exchange (securities code: 7231)
Number of authorized shares	88,300,000
Number of outstanding shares	24,077,510
Number of shareholders	10,729

Top 10 major shareholders

Name	Number of shares held	Shareholding ratio (%)
Nippon Steel and Sumitomo Metal Corporation	4,818,264	20.46
Topy Fund Business Association	1,029,110	4.37
Meiji Yasuda Life Insurance Co.	975,134	4.14
Mizuho Bank, Ltd.	787,802	3.34
The Master Trust Bank of Japan, Ltd. (trust account)	713,900	3.03
Japan Trustee Services Bank, Ltd. (trust account)	653,419	2.77
Sompo Japan Nipponkoa Insurance Inc.	574,600	2.44
DFA Intl Small Cap Value Portfolio	545,200	2.31
Employee Shareholding Association of Topy Industries, Ltd.	544,743	2.31
Mizuho Trust & Banking Co., Ltd.	489,300	2.08

- Notes: 1. Topy Industries, Ltd. owns 523,512 treasury shares but is excluded from the major shareholders listed above.
2. The shareholding ratios were calculated by excluding treasury shares.
3. Topy Fund Business Association is the name of the shareholding association of Topy Industries, Ltd., its affiliates, and its business partners.

Breakdown of shareholders by type



Fiscal year end	March 31
Ordinary general meeting of shareholders	June
Record date	March 31 (ordinary general meeting of shareholders, year-end dividend) September 30 (interim dividend)
Share unit number	100
Shareholder registry administrator (special account management institution)	Sumitomo Mitsui Trust Bank, Limited 1-4-1 Marunouchi, Chiyoda-ku, Tokyo
Contact for inquiries	Stock Transfer Agency Business Planning Dept. Sumitomo Mitsui Trust Bank, Limited 2-8-4 Izumi, Suginami-ku, Tokyo 168-0063 Phone: 0120-782-031 (toll free)

As of March 31, 2018

MEMO

MEMO
