



November 5th, 2015

Company Name: TOPY INDUSTRIES, LIMITED
Representative: President and CEO, Yasuo Fujii
(Code: 7231 Tokyo and Nagoya Stock Exchange; first section)
Contact: Operating Officer and General Affairs Dept. GM,
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Notice regarding the allocation of extraordinary loss due to integration etc.
of the manufacturing sites in China

Topy Industries, Ltd. has, in efforts to improve profitability of the automobile/industrial machinery components business, decided in the Board of Directors Meeting held today, to undergo structural reformation by integrating the manufacturing sites within China. As a result, we have allocated extraordinary loss in our second quarter, 2015 FY.

1. Integration of the Manufacturing Sites for Construction Machinery Undercarriage Components

(1) Reason for Integration

Topy Industries established Qingdao Topy Machinery Co., Ltd. (hereinafter, “Qingdao Topy”) in 2002 and Topy Undercarriage (China) Co., Ltd. (hereinafter, “Topy Undercarriage”) in 2011 for the reinforcement of the supply capability for construction machinery undercarriage components within China in response to expanding demand of construction machinery. However, due to the effects of the rapid decline in demand from slowdown in the Chinese economic growth etc., and even with cost improvement efforts such as optimum placement of human resources and combining business management of the two companies, demand recovery cannot be expected in the short-term. Therefore, we have decided to cease operation at Qingdao Topy and to integrate all businesses to Topy Undercarriage in order to cut fundamental fixed costs.

With regards to Topy Undercarriage, in view of the circumstances from here on and from a financial health point of view, we will allocate impairment loss for business assets of Topy Undercarriage and we will exert our efforts as a group in order to improve profitability by further cost improvement methods and the establishment of a production structure that can respond to the various needs of construction machinery manufacturers.

(2) Summary of Consolidated Subsidiary

Name of Company	Qingdao Topy Machinery Co., Ltd.
Address	177 Kaituo Rd., Qingdao Economic Technology Development Zone, China 266510
Representative	Hiroyuki Kinoshita
Business Content	Manufacture and sales of construction machinery undercarriage components
Capital	60 million Chinese Yen
Date of Establishment	October, 2002

Ownership	Topy Industries, Ltd.	85%
	Topy Enterprise, Ltd.	10%
	Komatsu (China), Ltd.	5%

Name of Company	Topy Undercarriage (China) Co., Ltd.	
Address	Qingdao Hi-tech Industrial Development Zone, The East of Xiang Yuan Road, China	
Representative	Hiroyuki Kinoshita	
Business Content	Manufacture and sales of construction machinery undercarriage components	
Capital	491 million Chinese Yen	
Date of Establishment	August, 2011	
Ownership	Topy Industries, Ltd.	100%

2. Dissolution of Subsidiary Manufacturing Ultra-large Wheel Components for Mines

(1) Reason for Dissolution

In response to the expansion in demand for mining machinery, Topy Industries established Tianjin Topy Machinery Co., Ltd. (hereinafter, “Tianjin Topy”) in 2012 to increase supply capability of ultra-large wheels for mines and to achieve diversification of component procurement. We addressed cost improvement methods such as minimization of human resources; however, due to the effects of rapid decline in demand from down-scale in mining development, in view of demand from here on, and as a result of overall consideration of the production structure of the Topy Industries Group, we have decided to dissolve Tianjin Topy.

Hereafter, the manufacture and assembly of ultra-large wheel components for mines will be performed at Ayase Factory. We will enforce cost reduction and further technology improvement, and reinforcement of our revenue base.

(2) Summary of Consolidated Subsidiary

Name of Company	Tianjin Topy Machinery Co., Ltd.	
Address	No. 28, 5 th XEDA branch road, Xiqing Economic-Technological Development Area Administrative Committee, Tianjin China 300385	
Representative	Shinichi Kijima	
Business Content	Manufacture and sales of ultra-large wheel components	
Capital	103 million Chinese Yen	
Date of Establishment	May 2012	
Ownership	Topy Industries, Ltd.	100%
Completion of Liquidation	March, 2016 (scheduled)	

3. Allocation of Extraordinary Loss

In our second quarter consolidated settlement of accounts for 2015 FY, we have allocated into extraordinary loss, business restructuring loss of about ¥5,200 million Yen due to impairment loss at Topy Undercarriage caused by decline in profitability, and loss due to ceasing operation at Qingdao Topy and dissolution of Tianjin Topy. As for our non-consolidated settlement of accounts, we have allocated into extraordinary loss, affiliated company capital appraisal loss of about ¥2,800 million Yen as a result of impairment loss at Topy Undercarriage.

Also, in our consolidated settlement of accounts for 2015 FY, we expect to allocate into extraordinary loss, business restructuring loss of about ¥4,500 million Yen after about ¥700 million Yen setoff from foreign currency translation adjustments etc. after completion of liquidation at Tianjin Topy. In our non-consolidated settlement of accounts for 2015 FY, we expect to allocate into extraordinary loss, about ¥3,400 million Yen after adding about ¥600 million Yen of affiliated company capital appraisal loss etc. due to the dissolution of Tianjin Topy.

Affiliated company capital appraisal loss is eliminated in the consolidated settlement of accounts.

4. Effects on Business Performance

For information regarding the effect of this matter to the financial forecast for this fiscal year, please refer to today's announcement: "Notice Regarding the Difference between Second Quarter Financial Forecasts and Actual Financial Results AND Notice Regarding Revision of Full-Year Business Financial Forecast".

All the above has been prepared with information that was available at the date of this announcement. Actual results may change due to various effects from hereon.

Note: This document has been translated from the original Japanese version for reference purposes only. In the event of any discrepancy between this translated document and the original Japanese version, the original shall prevail.

The original disclosure in Japanese was released on November 5th, 2015 at 13:30(GMT+9).

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