

July 28, 2011

Company Name: TOPY INDUSTRIES, LIMITED

Representative: President and CEO, Yasuo Fujii

(Code: 7231 Tokyo, Osaka and Nagoya Stock Exchange; first section)

Announcement regarding subsidiary establishment  
and new factory construction in China

During the board meeting of July 28, 2011, Topy Industries passed the resolution to establish a wholly-owned subsidiary, and construct a manufacturing facility in China for the production and sales of construction machinery undercarriage components.

1. New Company Establishment and New Facility Construction Purpose

A long-term growth of the global construction machinery market is expected, backed by investment in construction and demand for resource exploitation in China and developing countries. In this market, the Topy Group holds a large portion of the global shares for hydraulic shovel track groups and shoes. Our specialty is in our unique technology of integrated manufacture from material to products. In conformance with the growth of the market, the Topy Group has engaged in the enhancement of shoe rolling capacity at the material level (steel business), heat treatment process ability at the processing level (automobile and industrial machinery components business), and track assembly capacity.

The majority of the current global demand for construction machinery is derived from the Chinese market with growth that is expected to continue. Regarding the Topy Group's business development of undercarriage components for construction machinery in China, Qingdao Topy Machinery Co., LTD, as currently known, was established in 2002 within the Qingdao Economic and Technical Development Zone. The production capacity at Qingdao Topy Machinery Co., LTD has undergone sequential enhancement pursuant to the growth of the Chinese market.

In order to improve our local procurement ratio, and to respond to increased demand for track groups, we will establish a subsidiary (Topy Undercarriage (China) Co., LTD) within the Qingdao Economic and Technical Development Zone and construct a new manufacturing facility. Start of operation at this new facility will strengthen the competitiveness of the Topy Group by improving the local procurement ratio of main component parts from around 30% to around 70%. Furthermore, track assembly

capacity will increase by 40%, implementing a structure that enables the annual supply of 50 thousand track groups. The new company will unify its operation with Qingdao Topy by using it as a distribution outlet and will consolidate the basis of track business within China. The Topy Group will strive toward larger growths in the construction machinery undercarriage components business by formulation of a “framework for the supply of 100 thousand track groups” within the global market.

## 2. Overview of the New Company

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|-----------------------------------|---|
| (1) Name                          | 東碧履帯（中国）有限公司  |
| (Japanese Name)                   | トピー履帯（中国）有限公司   |
| (English Name)                    | TOPY UNDERCARRIAGE (CHINA) CO., LTD.  |
| (2) Location Address              | Qingdao Hi-tech Industrial Development Zone   |
| (3) Representative Title and Name | Chairman, Astuo Mochizuki (Topy Industries, LTD.<br>Director and Undercarriage Division General<br>Manager, Qingdao Topy Machinery Co., LTD.<br>Chairman) |
| (4) Business Description          | Production and sales of undercarriage components<br>for construction machinery  |
| (5) Capital                       | 6 Billion Yen   |
| (6) Investment Ratio              | 100% Topy Industries, LTD.  |
| (7) Establishment Date            | August 2011 (schedule)  |
| (8) Number of Employees           | 400 persons (initially)   |

## 3. Overview of the New Manufacturing Facility

- |                                  |   |
|----------------------------------|---|
| (1) Location Address             | Qingdao Hi-tech Industrial Development Zone   |
| (2) Production Content           | Heat treatment process of shoes, forge and heat<br>treatment process of links, heat treatment process of<br>pins and bushes, assembly of tracks |
| (3) Facility Size                | Site area: 178,000m <sup>2</sup><br>Construction area: 29,000 m <sup>2</sup> (initially)  |
| (4) Scheduled Start of Operation | October, 2012   |

## 4. Future Prospects

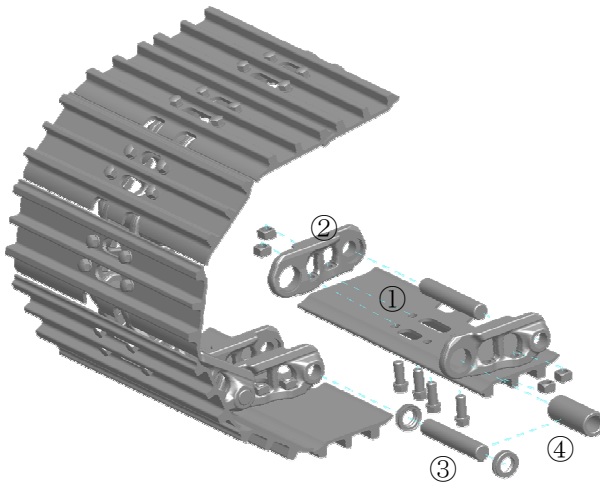
Little effect is expected from this project to the consolidated business performance for year ending March 2012.

## 【Reference】

### Track group

Construction machinery can be divided into 2 types; ones that run on tires like automobiles and others that run on iron belts. Iron belts used in the later type are called “track groups”.

The contact area of a track group is large compared to the contact area of a tire which enables great reduction in the load per unit area (ground contact pressure). This prevents the vehicle body from sinking even on marshy or rough roads, and thus is able to acquire its characteristic ability to cover large ground area.



#### ① Shoe

Process and heat treatment of rolling material (special steel), bind to links with bolts and nuts. This component calls for high durability and toughness to withstand constant ground contact.

#### ② Link

This component connects the front and back links, pins, bushes and shoes.

#### ③ Pin

This component acts as a joint connecting one link to another. Weight of the main body is relayed here from the bush, and so its strength becomes important.

#### ④ Bush

This component inserts the pin into its inner cylinder and smoothes the movement of the joint. The interior slides against the pin while the exterior slides against the sprocket and so it must be highly tolerant of friction.

Map of undercarriage components production sites in China

