

PRESS RELEASE**Announcement of Establishment of Manufacturing Subsidiary in Vietnam**

TOKYO KEIKI INC. passed a resolution establishing a subsidiary company, "TOKYO KEIKI PRECISION TECHNOLOGY CO., LTD (tentative name)" in Da Nang City in the Socialist Republic of Vietnam at its board of directors meeting on 23 July, 2012

As a wholly-owned overseas manufacturing subsidiary, TOKYO KEIKI PRECISION TECHNOLOGY CO., LTD ("TPT") will serve as a manufacturing base that will bolster the marketing of TOKYO KEIKI hydraulic equipment in the Asiatic region with the production of solenoid directional valves as the major product line. Considerations involving future expansion plans will include the manufacture of the SQP Series of vane pumps.

1. Purpose

In the Japanese domestic market environment for fluid power equipment, electrification of plastics injection molding machinery has depressed demand for hydraulic equipment in this sector and the trend toward globalization in the machine tool market projects a period of reduced domestic demand. But in Asia, newly emerging economies promise sustained or growing demand for hydraulic equipment, a situation which is intensifying competition among manufacturers in Taiwan and China as well as Japanese, US, and European-capitalized companies eager to make inroads into this lucrative market.

TOKYO KEIKI hydraulic equipment manufacturing is currently centered at our factories in Tochigi Prefecture. However with the anticipated growth in the developing countries of Asia, overseas manufacture is deemed crucial to boosting competitiveness in order to win in this environment. The establishment of TPT is expected to enhance our presence and help us increase share in the plastics forming machinery, machine tool, and diecast machinery markets in this region.

2. Products

Hydraulic equipment to be manufactured at TPT will first focus on solenoid operated directional valves for which there is a large projected market in these emerging countries. Solenoid valves provide directional control of actuators and are an essential component in hydraulic systems. Multiple solenoid valves are used in a single system so the volumes involved are substantial.

Future expansion plans for TPT include production of our SQP series of vane pumps.

3. Selection of Vietnam

Factors considered in selecting Vietnam for our hydraulic equipment overseas production base included, in addition to favorable labor costs, worker attributes of diligence and dexterity – character traits which lend affinity to the Japanese and which also instill confidence that, with proper training and education, higher standards of quality and efficiency can be achieved.

The Vietnamese city selected, Da Nang, offers relatively developed infrastructure, proximity and access to the airport and international maritime ports – aspects which are deemed advantageous as a distribution point to other Asian countries.

4. Staff and workforce

Operation is set to begin in April, 2013 with a staff and workforce of 34 (including 3 from Japan). The plan is to increase this number to 70 in 2014 and in 5 years, to 160 in 2017.

5. Production plan

TPT's monthly production target is 55,000 valves in 2017 which is 3 times current monthly production in Japan.

As an overseas subsidiary focused on production, TPT will not have a sales function.

[Outline of TPT]

1. Name : TOKYO KEIKI PRECISION TECHNOLOGY CO., LTD. (tentative)
2. Location : Da Nang City, Socialist Republic of Vietnam
3. President : Michio Saruhashi
4. Business : Manufacture of TOKYO KEIKI products and parts
5. Date of establishment : September, 2012 (plan)
6. Capital: 700 million yen
7. Shareholding: TOKYO KEIKI INC., 100%

TOKYO KEIKI INC.

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