

September 30, 2003

Kyokuto Kaihatsu Kogyo Co., Ltd.

**Wholly owned subsidiary in China develops the local production of special purpose vehicles.**

**Kyokuto Kaihatsu establishes a special purpose vehicle plant in China (Kunshan City, Jiangsu).**

Kyokuto Kaihatsu Kogyo Co., Ltd. (Manufacturing and marketing the special purpose vehicle and environment related equipments/facilities, Head office: Koshienguchi 6-1-45, Nishinomiya-shi, Hyogo, Japan 663-8545, President: Mr. Katsushi Tanaka) establishes a wholly owned subsidiary in Kunshan City, Jiangsu, China to further expand the main business: special purpose vehicles by constructing a plant and starting its production from October 2004.

Japanese domestic market of special purpose vehicles is experiencing rapid growth of replacement demands mainly in metropolitan area from the second half of 2003 fiscal year due to gaseous emission regulation of diesel-engine vehicles to be enforced from October 2003. However, the market will have basically continued severe environments because of controlling investment in public sectors. On the other hand, the export of mixer and concrete pump vehicles to China is drastically increasing.

To further expand the special purpose vehicle business, it is required to increase the price competitiveness and focus on the overseas markets. Among the markets, China and other Asian countries having active construction investments are very important to develop. To maintain the price competitiveness and expand the business, a local manufacturing plant is necessary.

This new plant is a first overseas plant in Kyokuto Kaihatsu group. Kyokuto Kaihatsu's wholly owned subsidiary (Kyokuto Kaihatsu (Kunshan) Machinery Co., Ltd., Chairman: Mr. Ichiro Fujinami) obtains the land and building and

operates the plant. In the initial stage plan (starting the production from October 2004), we will start the production of construction related mixer and concrete pump vehicles. After that, monitoring the demands in Chinese market, we will expand the product line-up to garbage collection trucks, etc.

The special purpose vehicles produced in the new plant are not only for Chinese market but also for South East Asian market. The plant will also supply the parts and kits to Japan to support the cost reduction in the head plant.

The amount of investment from Kyokuto Kaihatsu Kogyo to the local subsidiary is US\$ 8,000,000. The subsidiary's investment of plant construction & facilities is planned to approximately JPY 1,000,000,000.

<Contact for information>

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<<Outline of new plant in China>>

(1) Company name Kyokuto Kaihatsu (Kunshan) Machinery Co., Ltd.

(2) Address Japanese Industrial area, Economic and technical development zone, Kunshan City, Jiangsu, China

(3) Board of directors and management organization

Title	Name	Overseas posing	Section in charge at new plant Actual section in charge at head office in ( )
Chairman	Ichiro Fujinami	Non-resident	(Actually operating officer in head office, general manager of overseas operations development)
Director (Managing director)	Tomoki Ueyama	Resident	General administration

			(Actually operating officer in head office, deputy production chief, general manager of Yokohama plant)
Director (General manager)	Masao Mitsudome	Resident	Manufacturing & production engineering  (Actually general manager of Hachinohe plant of Kyokuto Kaihatsu Tohoku Co., Ltd.)
Director (General manager)	Yoshihiro Ishiura	Resident	Procurement (also holding the post of managing director of Kyokuto Special Purpose Vehicle Trading (Shanghai) Co., Ltd.) (Actually managing director of Kyokuto Special Purpose Vehicle Trading (Shanghai) Co., Ltd.)
Director (General manager)	Takeo Norimitsu	Resident	Planning, market development, general affairs, human resources, and financial  (Actually manager of management planning division)
Director (General manager)	Kazuo Takami	Resident	Technical, quality control, and procurement  (Actually in charge of overseas procurement project in overseas operations development division of head office)

(4) Workforce	First year (FY 2005; Jan. 1 to Dec. 31, 2005) 100 personnel (Local staff: 95) 5 <sup>th</sup> year (FY 2009; Jan. 1 to Dec. 31, 2009) 250 personnel (Local staff: 245)
(5) Main product	Mixer, concrete pump, garbage collection vehicles, etc.
(6) Production volume	First year (FY 2005)      400 units 5 <sup>th</sup> year (FY 2009)      800 units
(7) Sales budget	1 <sup>st</sup> year                      3 <sup>rd</sup> year                      5 <sup>th</sup> year (FY 2005)                      (FY 2007)                      (FY 2009)
Sales in million yen	2,200                          4,700                          5,600
(8) Plant area (land)	83,140m <sup>2</sup>
(9) Plant area (building)	15,000m <sup>2</sup>

(10) Paid-up capital	US\$ 8 million (wholly owned by Kyokuto Kaihatsu Kogyo Co., Ltd.)
(11) Total investment	US\$ 20 million
(12) Capital investment	Approximately JPY 1,000 million
(13) Time schedule	Establishment of local subsidiary: August 5, 2003 Already obtained the sales license. Starting the plant construction: February 2006 Completion of the plant construction: September 2006 Starting the production: October 2004