

June 2, 2004

KYOKUTO KAIHATSU KOGYO CO., LTD.

6-1-45, Kosienguchi
Nishinomiya, Hyogo Japan

President and Representative of the Board of Directors, CEO
Katsushi Tanaka

(Code: 7226 –the first section of Tokyo and Osaka Stock Exchange)

Where to call:
Managing Director, General Manager,
Administrative Division
Hiroki Uoi
Tel (0798)66-1000

Outline of Medium-term Management Planning

Severe business environment in the sector of SPV (Special Purpose Vehicles), which has always been our core has long surrounded us. However, since the latter half of the fiscal year 2002, due to strengthening of exhaust emission regulations for the diesel engine vehicles, replacement demand for trucks including SPV centered around the Metropolitan area has been increased. On the other hand, as to our export business, we consider it is even more important to continue our aggressive overseas marketing activities mainly in China, where they continue having very active construction investment.

As to Environmental Equipment business, we are concentrating our activities in manufacturing and receiving orders for recycling related equipments as our core and Refuse Pyrolysis Gasification and Melting System for which we can expect growing demand in the future. Due to restriction of public investment of local governments which results in more severe competition, we need to make even harder effort to secure orders and improve our profitability of our products.

As to Real Estate Rental Division, we concentrate our activities in securing stable revenue by effective utilization of unemployed assets and toll parking business, for which we can expect growth.

Under such circumstances, we, together with our group companies launched the New Medium-term Management Plan called “Plan 2004” on April 1, 2004.

In this plan, we, as a manufacturer, continue to pursue unparalleled competitive

advantage in the market by technological advancement as our core to strengthen our brand. By enhancing engineering staff members and education system and while promoting development of new products and strengthening of competitiveness of existing products, we make our further effort to expand our market share, increase our total sales amount, and improve our profitability. To make our contribution in the world as one of the global company, we will promote our overseas business activities with an emphasis on Chinese market. And by emphasized injection of managerial resources by way of “Selection and Concentration” and by aggressive approach to enter into the new fields of business, we commit ourselves to build a solid business basis and to improve our corporate value.

Essential feature of the Medium-term Management Planning: “Plan2004”

《Term》

April, 2004 to March, 2007

《Basic Policy》

By reinforcing our management base, we committed to promote the progress of our company and improve our corporate value.

Strengthening our brand by enhancing our core technologies

Aggressive and global business activities in overseas market

Restructuring of business infrastructure by “Selection and Concentration” and exploitation of new fields of business

《Business objectives》 (Consolidated as of March, 2007)

Sales:	66.5 billion yen
Ordinary Income:	4.47 billion yen
Profit of the term:	2.65 billion yen
ROA:	3.1%
ROE:	4.6%

《Major strategy》

1. Enhancement of core technologies in the existing business and strengthening of business infrastructure and upgrading competitiveness and after-sale service activity by “Selection and Concentration.”

A. Reinforcement of competitiveness in SPV business and improvement of its profitability

Develop products which can make contribution in the world enhancing technologies and strengthening our competitiveness.

To secure orders of the trucks by the special demand due to exhaust emission regulations

- Reinforcement of sales force in the Metropolitan area
- Strengthening of service network

Cost reduction

- Strengthening of price competitiveness by effective utilization of parts sourcing bases and production bases in China
- Major products: Cost reduction by more than 10% within the term

B. Further strengthening of environmental business and focus on new business field

Recycle Plaza and Recycling Center

To secure sure orders based on the long standing achievements and reputation as leading manufacturer

Contracted operation and maintenance

To secure orders of contracted operation and maintenance based on the group power

Sales expansion of next generation refuse incinerator and focus on new business field

- Construction of 1st facility of Refuse Pyrolysis Gasification and Melting System and securing of continuous orders

- Expansion to bio-venture market

C. Expansion of M&A and business tie-up and review of the non-profitable products

Expansion of business tie-up by mutual OEM and marketing with competitors and improve profitability

Review unprofitable products to integrate them

D. Securing steady revenue from real estate leasing business and focus on growing business area

Effective utilization of unemployed assets

Expansion of toll parking business

Strengthening of used vehicle sales

2. Aggressive expansion of overseas business and development of future core business

Aggressive overseas marketing activities focusing on Chinese market

Establishment of production base in China

Expansion of parts sourcing bases from China

Development of new business harnessing core technologies and cooperation among government, industry, and academia

3. Enhancement of personnel, organizational, information and financial strategies and corporate governance in order to promote the management strategy

Fostering and revitalization of personnel by reform of personnel system

Promotion of globalization of management and streamlining of

operations by utilization of IT

Effective employment of group management resources

Environmental-friendly management through ISO14001 and transparency and strict risk management by upgraded corporate governance

《Major management index》 (Consolidated)

(Unit: hundred million yen)

	March, 2003 Result	March, 2004 Result	March, 2007 Plan
Sales	552.69	574.28	665.00
Ordinary Income	16.25	29.18	44.70
Profit of the term	2.01	13.28	26.50
ROA (%)	0.3	1.6	3.1
ROE (%)	0.4	2.5	4.6
Number of employees	1,378	1,331	1,597