

**Kyokuto Kaihatsu Kogyo Co., Ltd.****Announcement of Establishment of New Medium-term Management Plan 2016-18 “Value up to the Next”**

Please be informed that Kyokuto Kaihatsu Kogyo group has established its new Medium-term management plan 2016-18 "Value up to the Next" for the three fiscal years until the period ending in March 2019 as described below.

Our group's previous medium-term management plan "Next Step 2015" to make the next step forward completed in March 2016. We have achieved the group's performance goal, as the domestic market for special purpose vehicles has substantially exceeded expectations. Challenges remain, however, in several priority themes, including the share target for key products for sales expansion and securing earnings from overseas business. In light of these challenges, we have established the new three-year plan described below to ensure development and growth over the next three years and beyond.

**1. Plan name** Medium-term management plan 2016-18 " Value up to the Next"

**2. Target Period** April 1, 2016 to March 31, 2019 (Three-year plan)

**3. Premise of Market Environment**

Considering the market environment surrounding our group, a certain level of market demand due to events such as Olympics-related construction works is expected in Japan on a mid-term basis (the period of this plan), while the market for special purpose vehicles is expected to regain some stability toward the latter half of the period of this plan. On a long-term basis, the environment is expected to be severe due to factors such as the shrinking domestic market resulting from Japan's declining birthrate and aging population and constraints on public works due to Japan's financial reconstruction.

For overseas markets, the current unclear situation is likely to continue in Asian countries, our group's main target market, due to factors such as the decelerating Chinese economy. Given the active demand for infrastructure in this region, however, developmental growth is expected on a long-term basis.

**4. Performance Goal** [Fiscal year ended March 2019]

Consolidated net sales: 100 billion yen or more

Consolidated operating income: 9 billion yen or more

**5. Basic Policies**

Our group is fostering consistent developmental growth and striving to become a corporate group widely chosen by customers and society at large by taking measures to establish a firm earning foundation and secure new sources of earnings, and is aggressively channeling management resources into these measures.

**(1) Enhancing a domestic earning foundation**

In Japan, promoting selection and concentration from the long-term and company-wide perspectives, and enhancing the earning foundation and improving the profit ratio through efforts such as expanding the shares of logistics- and environment-related products and expanding stock business

**(2) Establishing overseas sales**

Putting overseas businesses on the growth track as key sources of future earnings through efforts across the Kyokuto Kaihatsu group

**(3) Promoting M&A and new businesses**

Promoting strategic M&A and new businesses aggressively and seeking new growth drivers

#### **(4) Improving corporate quality**

Based on the provision of merchandise (products and services) of higher standards of quality, the safety, and the compliance, focusing on the establishment of a healthy corporate culture to create sustainable growth

### **6. Key Strategies**

#### **(1) Special purpose vehicles business**

- [1] Expanding shares of key products (e.g., tailgate lifters, refuse trucks, detachable body trucks, and freezing vans)
- [2] Reconstructing a strategic and flexible production system from a far-sighted, long-term perspective
- [3] Improving customer satisfaction and enhancing the foundation of the stock business by expanding regular visit service and locations on 24-hour duty
- [4] Building industry-leading product groups with world-class performance and quality

#### **(2) Environmental business**

- [1] Securing orders by strengthening sales and proposal capabilities and participating in joint ventures with other companies for recycling facilities
- [2] Increasing earnings from after-sales service and operation acceptance through measures such as energy saving proposals and enhanced group collaboration
- [3] Promoting the establishment of businesses in new fields and products such as biogas plants

#### **(3) Parking business**

- [1] Focusing on renewal and after-sales service for mechanical multistory parking equipment
- [2] Securing earnings through measures such as developing new business locations, including large facilities for pay-by-the-hour parking lots
- [3] Securing new earnings sources through measures such as developing overseas markets based on group collaboration

#### **(4) Overseas business**

- [1] Securing and expanding the production volume and shares of plants in India and Indonesia, and establishing the production and sales system of the plant in Thailand at an early stage
- [2] Promoting collaboration with local partners and expanding exports through measures such as developing untapped markets
- [3] Promoting the development of human resources overseas and enhancing collaboration across the group to develop products for overseas markets

#### **(5) Improving corporate quality**

- [1] Striving to improve quality awareness and address quality control from the customer perspective, and establishing the quality to be chosen continuously
- [2] Building the foundation of a healthy corporate culture (e.g., by creating a secure and safe work environment, ensuring compliance, and building a scheme of technology and skill tradition)
- [3] Establishing human resources and an organization that create sustainable growth (e.g., by developing next-generation leaders and building a scheme to support the enhancement of overseas businesses)
- [4] Improving stockholder satisfaction by implementing effective stockholder return measures (approximately 20 to 30% of the expected consolidated dividend payout ratio)

### **7. Long-term Vision**

In promoting these measures, our group's goal for the period during and after this plan is summed up by the slogan **“KYOKUTO with sustainable and developmental growth and widely chosen.”** We endeavor to achieve **(1) a domestic operating profit ratio of 10% or more, (2) overseas sales of 10 billion yen or more, and (3) a sales increase through M&A and new businesses reaching consolidated net sales of 120 billion yen or more.**

\* All statements in this document regarding future matters such as business forecasts are based on the information available on the date of publication. Actual values may differ from the estimates due to various unforeseen factors.