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## **Announcement of the Second Medium-term Business Plan (FY2020 to FY2022)**

The Takeuchi Group has adopted its Second Medium-term Business Plan, which covers the three-year period beginning with the fiscal year ending in February 2020.

### **1. Reasons for the Second Medium-term Business Plan**

The compact construction machinery provided by the Takeuchi Group is deeply related to necessities of human life, for example, Takeuchi machinery is used for homebuilding, social infrastructure projects, and public and private-sector construction projects. As a result, the Takeuchi Group has consistently played a role in supporting the day-to-day activities of people worldwide. More people are living in cities on a global scale and there are no signs of a slowdown in the construction of more urban environments. Accordingly the demand for Takeuchi Group products is expected to continue growing for the construction of new buildings and facilities, maintenance projects, sometimes disaster recovery, and other activities. During the previous Medium-term Business Plan, which covered the three-year period that ended in February 2019, the Takeuchi Group focused resources on making quantitative and qualitative improvements to sales networks in the United States and Europe, the Group's primary markets. Resources were used to launch products that accurately reflected the needs of users and to increase production capacity in anticipation of growth in the volume of orders. Due to these activities, there were significant increases in sales of track loaders in North America and compact excavators in Europe. Another highlight was strong sales of a 15-ton excavator, Takeuchi's largest excavator, primarily in Europe. The success of this excavator opens the way to adding more business segments to our current core business category of compact construction machinery.

Consolidated sales have increased fivefold during the past nine years and have doubled during the past five years\*. With the cooperation of suppliers and other business partners, there has been progress with developing, manufacturing and selling products. Takeuchi believes that this progress along with initiatives for the growth of business activities is responsible for this large increase in sales. However, significant issues still need to be resolved with regard to maintaining a reliable supply of parts. This is why Takeuchi needs to reinforce the foundation for all of its operations in order to continue growing.

- Consolidated sales were 23.1 billion yen in FY2010, 53.6 billion yen in FY2014 and 110.1 billion yen in FY2019.

Having surpassed 100 billion yen in sales in the past fiscal year, Takeuchi has structured the Second Medium-term Business Plan with the goal of opening the door to the company's next stage of growth. The first half of this plan is a period for building a powerful foundation closely integrated with our business operations. The plan's second half will be a period for starting rapid growth with a long-term perspective. Making steady progress with a medium-term growth strategy and achieving more growth are the central goals. In addition, Takeuchi aims to give all stakeholders, our customers, suppliers, shareholders, employees and others, a thorough understanding of the Takeuchi management vision and work together to accomplish this vision. Takeuchi believes that this will strengthen the Group's corporate values.

## 2. Slogan for the new plan

Open a New Doorway to Progress

- Having surpassed sales of 100 billion yen, take on new challenges for more growth.
- Retain a firm commitment to the Takeuchi theme of "From World First to World Leader."

## 3. Key initiatives

### (1) **Build a purchasing framework capable of consistent procurement activities in terms of both quality and quantity**

During the budget process for the fiscal year ending February 2020, it became clear that procurement of parts is unlikely to meet volume demands. Consequently, there is a pressing need to establish processes for the stable procurement, manufacturing and sales activities needed to meet the increasing demand for Takeuchi products. Furthermore, this infrastructure must maintain the high quality of these products with no decline at all in the digging power, durability, ease of operation and comfort that are the defining strengths of all Takeuchi construction machinery. Our people involved with procurement, product development and quality assurance will work closely together in order to accomplish the following goals.

- 1) Establish stronger ties with current suppliers;
- 2) Locate and start using new suppliers globally; and
- 3) Provide new suppliers with assistance involving technology, quality audits and other quality assurance activities

### (2) **Build a more powerful sales network**

The quality of after-sales services will become increasingly important in order to ensure that Takeuchi products remain the first choice of customers. Takeuchi must provide maintenance and repair services with ever more speed and accuracy. To accomplish this goal, maintenance and repair training programs have taken place in Europe and the United States. During this new plan, these programs will be further improved. Another goal is enlarging the after-sales parts and service business, which includes repair and maintenance services, sales of replacement parts, and other associated activities.

#### 1) New training and parts centers and warehouse enlargement

Takeuchi U.S. will purchase more land in order to establish a maintenance and repair training center. This company also plans to enlarge its warehouse in order to hold a larger inventory of replacement parts. We have plans to open a Replacement Parts center in Europe.

2) New data and communication systems

Machinery sold in North America has GPS-compatible data communication units and we are also installing this technology on machinery sold in Europe. Using this technology improves customer satisfaction by monitoring equipment on a real-time basis and making quick responses possible when a problem occurs. Furthermore, Takeuchi is using its IT system for after-sales services to start building a comprehensive management system for the integrated management of these services. Normally, there is separate after-sales service oversight for each sales partner. This integration will improve services by allowing the pooling of know-how that has until now been held separately by individual Subsidiaries and sales partners.

**(3) Reinforce product development capabilities**

The ability to continue to respond to users' needs with speed and accuracy requires clear definition of standards (durability, ease of operation, comfort) that must be met as well as constantly improving the quality of designs. Furthermore, our machines must do more than simply comply with emission and other regulations. Creating battery-powered excavators and other environmentally responsible machines must also be a priority of new product development activities. To develop products that customers will continue to choose over those of competitors, Takeuchi will combine our experience and expertise acquired over many years with the latest advances in engineering technologies and other knowledge.

**(4) Increase production capacity**

Takeuchi Group's production volume continues its remarkable growth and we recognize that increasing production capacity is an important management issue. Construction of a third factory at the head office was completed in February 2016 and expansion of the first head office factory was completed in February 2018. In China, work to enlarge the factory of our manufacturing subsidiary is scheduled for completion in May 2019 with production in the new factory to begin the following month. At head office manufacturing operations, a conveyor will be added to a production line, the factory layout will be revised to create more assembly space, and other labor-saving, efficiency measures are planned. In addition, combining these measures with an employee-driven improvement campaign is expected to further increase production capacity at the head office.

**(5) Sustainable management**

The Takeuchi Group is dedicated to making contributions that reflect the United Nations Sustainable Development Goals to creating a society that is prosperous and environmentally responsible. Goal number 11 is "sustainable cities and communities," which is precisely the business domain of the Takeuchi Group. Everyone at the Group is determined to contribute to society by developing, manufacturing, selling and maintaining construction machinery that helps build communities that are safer, cleaner and more efficient. Environmental activities are a priority. The Takeuchi Group will continue to develop battery-powered excavators and other environmentally responsible products, install solar panels at factories and take other actions to protect the environment. People are another priority. As the Group's workforce grows along with the scale of business operations, we will work to maintain pleasant and healthy workplace environments where people can realize their full potential. Workforce policies also include a commitment to diversity concerning gender, nationality and other characteristics.

#### 4. Goals for the plan's final year, 2022

		Fiscal year ended Feb. 2019 Actual	Fiscal year ending Feb. 2022 Goals for the plan's final year
Net sales		110.1 billion yen	130.0 billion yen
Operating income		15.4 billion yen	15.5 billion yen
Operating margin		14.0%	11.9%
Pct. of parts purchased outside Japan		30.1%	35.0%
Exchange rate	Yen to the U.S. dollar	110.06 yen	108.00 yen
	Yen to the British pound	145.91 yen	140.00 yen
	Yen to the Euro	129.16 yen	122.00 yen
	Yen to the Yuan	16.64 yen	15.90 yen

\* The FY Feb. 2019 exchange rates are average rates for the fiscal year.

\* Main reasons for the expected decline in the operating margin

1) Foreign exchange rates	-1.60 billion yen
2) Higher expenses for building a stronger foundation for operations	-1.25 billion yen
3) Higher selling and transportation expenses	-1.00 billion yen
4) Higher cost of raw materials	-0.35 billion yen
Total	-4.20 billion yen