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Announcement of the Third Medium-term Business Plan

The Takeuchi Group has formulated its Third Medium-term Business Plan, which covers the three-year period beginning with the fiscal year ending February 2023.

1. Background of the Third Medium-term Business Plan

Our compact construction equipment continues to support people's daily lives in housing-related construction, infrastructure development, public and private-sector construction projects, and in some cases, disaster relief work. Our products are deeply related to housing, which is necessary for life, and are indispensable for essential businesses that support social infrastructure. For this reason, the end-user business has remained strong during the time of the COVID-19 pandemic, and demand for our products is stronger than the pre-pandemic level. This fact has great meaning for our Group, which is engaged in BtoB business.

Looking back on our Second Medium-term Business Plan (FY2019-FY2021), we were able to increase our production volume by approximately 30% during the period of this plan as a result of our efforts to build a procurement network that enables stable procurement in terms of quality and quantity, and to strengthen our production capacity. On the development side, we launched our first battery-powered compact excavator in July 2021, and on the sales side, we opened a US training center and a European parts center to strengthen our after-sales service. As a result, sales of track loaders in North America and compact excavators and other products in Europe showed a remarkable growth, while sales of aftermarket parts also expanded steadily. In order to further develop our business in the future, we recognize that increasing production capacity to meet strong product demand and strengthening sustainable management are important management issues.

Under the Third Medium-term Business Plan (FY2022-FY2024), we will focus on launching new factories in Japan and the US from FY2022 to FY2023, and challenge to achieve consolidated net sales of 240 billion yen in FY2024, the final year of the plan. Further, we fully recognize that to achieve the Group's sustainable growth we need to strengthen non-financial initiatives, such as ESG, in addition to financial growth, such as sales and profits. We position the resolution of social issues as the basis of our management and share our management vision with our stakeholders to enhance the corporate value of the Group.

2. Slogan, Basic Policy

Challenge to increase sales by 100 billion yen by Power up, Speed up, and Scale up.

- ◇ Power up: Invest in human capital and bring out the best in each employee.
- ◇ Speed up: Accelerate product development to respond to the construction machinery market, which is undergoing a period of change through electrification and automation, etc.
- ◇ Scale up: Increase production capacity and expand sales network in anticipation of business expansion.

3. Key measures

(1) Investment in human capital

Based on the recognition that "human capital is the source of corporate strength" and "distribution to people is not a cost but an investment in the future," we will vigorously promote measures to maximize each employee's potential and create opportunities for them to play an active role. By building a personnel and salary system that motivates employees, strengthening education and training, implementing health management, and improving the work-life balance of employees, etc., we will improve employee motivation, attract excellent human capital, and further enhance our competitiveness as a company.

(2) Speed up product development

- ① We will speed up product development to expand our lineup of battery-powered machines, while developing the strengths of our products, such as power, durability, operability, and comfort.
- ② Construction sites in many countries are experiencing labor shortages, and shortages of construction equipment operators and skills are becoming an issue. Therefore, we are working on the development of machines that can perform certain tasks automatically, and we will push forward to bring these machines to market.
- ③ In research and development of advanced technologies for electrification and automation, we will work in collaboration with other companies and industry-academia collaboration.

(3) Production capacity expansion

- ① We believe that demand for our products, which are deeply related to housing and indispensable for essential businesses that support social infrastructure will continue to grow steadily, and we will strengthen our production capacity by establishing new factories in Japan and the US.

[Production capacity in FY2024 when FY2021 is set as 100%]

Model	Production capacity	Factors of increase
Compact excavators and excavators	150%	Aoki Factory (planned to start operation in August 2023)
Track loaders	140%	US Factory (planned to start operation within 2022)
Total	148%	

- ② By incorporating labor-saving equipment, automation equipment, and IT into our production sites, we aim to make factories safer and more efficient, and at the same time, to create factories where a variety of human capital can play an active role and work.

(4) Expand sales network and aftermarket parts sales

- ① In response to the increase in production capacity, we will strive to expand our sales network, especially in our main markets of Europe and the US. And we will try to achieve consolidated net sales of 240 billion yen.
- ② We aim to establish a more stable revenue base by expanding aftermarket parts sales through our US subsidiary and European part center.

(5) Promote sustainable management

With the Sustainable Development Goals (SDGs) adopted at the United Nations Summit in mind, the Group hopes to contribute to the realization of an earth-friendly and affluent society. In order to realize the sustainable society we aim for, we have set the following seven targets and will work mainly on the following measures.

What	By when	What to do
1. CO2 emissions from product use	FY2030 (compared to FY2010)	Reduce by 30%
2. CO2 emissions at factories	FY2030 (compared to FY2015)	Reduce by 50%
3. Occupational accidents resulting in absence from work for one day or more	Every year	Zero
4. Training hours per person	Every year	To be disclosed
5. Ratio of employees taking childcare leave (by gender)	Every year	To be disclosed
6. Collection rate of agreement forms for our CSR procurement policy	Every year	95% or more
7. Female Director (*) Ratio of female managers to female staff Ratio of local staff in management positions in subsidiaries	FY2023 FY2030 Every year	Appoint one Director Achieve gender-equality in managers To be disclosed

*The target year for the appointment of a female director was changed from FY2024 to FY2023.

① Sustainable cities and communities (SDGs goal No. 11)

This is exactly the business domain of us. We will contribute to achieving this goal through the development, manufacture, and sale of safer, more efficient, and cleaner construction equipment.



② Climate action (SDGs goal No. 13)

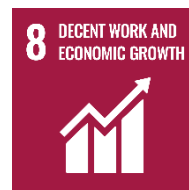
We recognize that it is urgent to assess the risks and opportunities that global warming poses to our business and formulate a long-term business strategy through scenario analysis. We will strive to promote activities in line with TCFD recommendations and work toward the disclosure of information recommended



by the TCFD.

③ Decent work and economic growth (SDGs goal No. 8)

We will make efforts to maintain and improve a safe and healthy work environment and promote system reforms to motivate employees to play an active role. We will also work to respect human rights throughout our supply chain, and will strictly reject unfair labor practices, such as child labor and forced labor, which have become international social issues.



④ Gender equality (SDGs goal No. 5)

Currently, the percentage of females among our directors, managers, and general employees is low, and we will correct the imbalance between males and females over the medium to long term. We will promote the recruitment of human capital with an awareness of diversity, including gender and internationality.



Dividend policy, shareholder returns

Our basic policy is to strive to maintain a stable dividend payout with a target consolidated dividend payout ratio of 30% in mind, while securing the internal reserves necessary to strengthen the management structure and develop future businesses. In addition, we will implement share buybacks as appropriate, taking into consideration stock price levels, capital efficiency, and other factors.

4. Numerical targets

		FY2021 (Results)	FY2024 (Mid-term plan target)
Net sales		140.8 billion yen	240 billion yen
Operating profit		17.7 billion yen	24 billion yen
Earnings per share		279.91 yen	377.00 yen
ROE		13.8%	14.0%
Exchange rate	US dollar	111.72 yen	115.00 yen
	British pound	153.06 yen	152.00 yen
	Euro	130.57 yen	127.00 yen
	Yuan	17.12 yen	18.00 yen

※ Exchange rates for FY2021 are the average rates for the 12 months period.

※ Based on the following CAPM formula, we recognize a cost of equity of 8%.

$$\text{Risk free rate (1\%)} + \text{beta (1.2)} \times \text{Market risk premium (6\%)}$$