February 14, 2020

Okabe Co., Ltd.

(Stock Code: 5959)

Okabe Formulates a Three-Year Medium-Term Management Plan, NEXT100 – PHASE 2

The Okabe Group is pleased to announce that it has developed a three-year medium-term management plan, NEXT100 – PHASE 2, which commences in 2020. Beginning with this management plan, the Group has included its efforts to achieve sustainable development goals (SDGs) based on the idea that incorporating SDGs in the Group's business activities to contribute to society will lead to its medium- and long-term development.

Summary of medium-term strategic plan NEXT100 — PHASE 2

The Group will pursue three key policies to achieve its vision.

1. Vision of the Group

☆ The Group aims to become a global manufacturer that will contribute to resolving global issues by providing comprehensive solutions under its management philosophy: Contributing to society by providing safety and security.

☆ The Group will contribute to achieving sustainable cities and communities, among the other goals of the 17 global goals of the SDGs. The Group will take Group-wide initiatives to contribute to disaster prevention and disaster mitigation in Japan, which has been affected by disasters.



☆ As a corporate group that increases excitement both internally and externally and enhances connections with people through its business activities, the Group reaffirms that connections with people are the basis of everything and will build strong bonds with stakeholders, including shareholders, employees, customers and local residents.

2. Three key policies

(i) Enhancing the ability to plan and propose solutions

The Group will resolve society and customers' issues by planning and proposing new productions, new services and new businesses.

(ii) Promoting global operations

The Group will promote global operations in growth markets based on its business bases in the United States, ASEAN countries and Europe.

(iii) Strengthening the business base by using IT and pursuing the possibilities of human resources

The Group will make full use of IT and will seek to create a work environment where diverse human resources can participate in diverse ways of working. The Group will increase connections between people by promoting both internal and external communication.

3. Performance goals for 2022

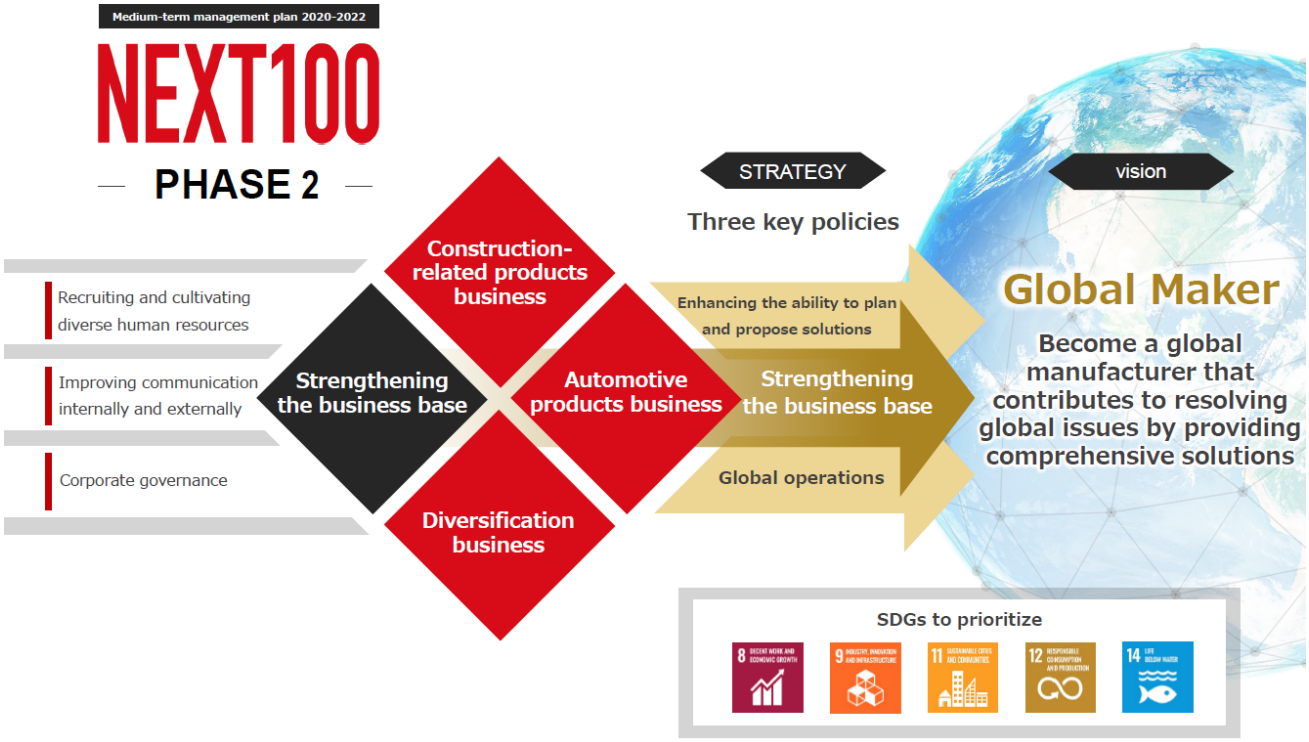
The Group is aiming for net sales of 70.5 billion yen, ordinary profit of 6.7 billion yen and an ROE of 6.7% in 2022.

I. Position of NEXT100 – PHASE 2

Ever since its establishment in 1917, the Group has been promoting product developments and global operations with the corporate mission of "contributing to society by providing safety and security."

In 2017, when the Group marked its 100th anniversary, the Group began executing Medium-Term Management Plan NEXT100 – Exciting Future, which focused on building a foundation for growth for the next 100 years (NEXT100) and strengthened its management foundation through the development of human resources and the improvement of the work environments, which are the foundations of growth strategies.

During the new medium management plan, **NEXT100 – PHASE 2**, the domestic construction market, the main market for the Group, is likely to be stagnant in the medium to long term, and the Group is expected to face a difficult external environment overall. In this environment, the Group will address the global issues described in the **SDGs** and will actively plan and develop new businesses and new products, aiming for medium- to long-term growth.



II. Growth strategies by segment







1. Construction-related products business

1) Assumed business environment

Japan

Demand for construction is expected to be stagnant in the medium to long term. In this environment, there will likely be demand for construction work for disaster prevention and demand for infrastructure improvement in Japan, where natural disasters are a serious issue. There will also continue to be structural problems, including labor shortages due to the aging of workers at building sites. We expect changes in the construction industry due to IT innovations.

Overseas

In the United States, we expect that construction demand will be firm as proactive infrastructure improvement is expected. In Southeast Asia and South Asia, population growth and slow infrastructure building are noticeable, and we expect that construction demand will increase.

2) Major initiatives

Japan

● **Development of new products and new markets**

In addition to the development of new products in response to the need for earthquake resistance, disaster prevention, disaster mitigation and labor saving, which we have pursued for many years, we will actively pursue the development of products and businesses in response to needs for the reinforcement and renovation of existing buildings and structures.

● **Proposals to customers using our sales network**

Making full use of our sales capabilities in the construction market, which is one of our strengths, we will strive to tap into customer needs and expand the sales of our own products and products of other companies.

● **Use of IoT and AI**

As the utilization of IT is increasing in the construction industry, we will use advanced IT. We will promote the Group-wide use of IT and will share information with business partners and suppliers in the entire supply chain to improve efficiency.

● **Promotion of diversity in domestic construction** (in terms of age, gender, nationality, etc.)

We will promote diversity by developing products for weight reduction and labor saving.

Overseas

United States

We will create a building materials sales company using a logistics base established in 2018 to expand our business. In addition, we will add a production function to our business in the United States by building the Group's own plants or M&A with local manufacturers, among other means, to develop business as a manufacturer and increase sales to 10 billion yen in the medium to long term.

ASEAN

Using our manufacturing base in Indonesia as our core function, we will promote one-time sales and market research in countries in the ASEAN region, where significant growth is expected, to commence full-scale business operations.

2. Automotive products business





The Group's battery terminals, the mainline products of the Group, are used in a range of battery boxes of automobiles and industrial machines. As global products targeting a variety of markets, they are used in more than 30 countries. In the automobile market, the Group's battery terminals are used in battery boxes of gasoline vehicles and eco-friendly vehicles, including hybrid vehicles and electric vehicles.

1) Assumed business environment

In the auto market, which is the main market, 94 million vehicles were sold in 2018. By 2025, unit sales are expected to reach 100 million. By region, unit sales are expected to increase significantly, especially in Asia (China, Southeast Asia, and South Asia). We expect that production technology taking sustainability and the environment into consideration will be required.

2) Major initiatives

Reflecting on the excessive emissions of air pollutants from the Group that were discovered in 2019, the Group will prioritize regaining the trust of stakeholders, including local residents and customers, and will strive to develop new environmentally friendly products, improve production technology and update production facilities.

The Group will pursue further growth in sales of bolts and nuts for automobiles in the United States through alliances with other companies and by other means.

3. Diversification business, including marine business







This segment conducts businesses including, among others, the manufacture and sale of industrial machine products and marine materials and the manufacture and sale of fishing sinkers in the United States.

This segment consists mainly of the marine business. The results of the manufacture and sale of fish reefs, the manufacture and sale of sinkers for fishing, and related businesses are posted in this segment.

The Company's basic strategy is to focus on its core businesses. However, the Company will actively seize business opportunities in the diversification business segment if the opportunities align with the Company's management philosophy and the SDGs.

Assumed business environment and major initiatives

KAWAHARA MFG. CO., LTD, which the Company acquired in January 2019, manufactures and sells industrial machine products such as lift tables. It will work to create synergistic effects including the development of lift tables for the construction market through joint development with the Company.

The main product line of the marine business is floating fish bank products, and the Group accounts for 70% of the domestic floating fish bank market thanks to its technical capabilities and the trust that it has developed over many years. To contribute to achieving one of the goals of the SDGs, Life Below Water, the Group will develop high value-added floating fish bank products, expand operations overseas and develop products using the Applied Phycology Research Laboratory.

III. Pursuit of possibilities of human resources, the business base for strengthening connections between people



Recruiting and cultivating diverse human resources

We will actively cultivate or recruit human resources who will become executives, global human resources (including foreign workers), and engineers. We will encourage the employment of female employees.

Ensuring the improvement of internal and external communication and connections between people using advanced IT

Using IT, we will strive to create added value chiefly by enhancing customer service, improve business efficiency and create work environments that will make diverse ways of working possible. We will ensure connections with people by enhancing communication with local residents and other stakeholders.

Corporate governance

We will establish more transparent governance systems by establishing a nomination committee and a compensation committee and reviewing the operating officer system.

IV. Investment plan (three years)

1. Capital expenditure: 15 billion yen

- Construction-related products business
  - ✧ Japan: Investment for improving production bases and R&D ---------- ¥2.6bn
  - ✧ US: Investment for expanding logistics bases and establishing new production facilities, etc. ---------- ¥2.4bn
  - ✧ IT investment, domestic replacement investment, etc. ---------- ¥5.0bn

  Construction-related products business total ¥10.0bn

- Automotive products business
  - ✧ Investment for expanding production facilities, R&D investment ---------- ¥5.0bn

  Automotive products business total **¥5.0**bn

2. M&A investment

- Corporate acquisitions and capital alliances, among other possibilities, which align with growth strategies for the core businesses are being considered. The investment amount will be discussed flexibly for each case.

V. Returning profits, dividend policy

The Group's basic policy is to continue to distribute stable dividends to shareholders for returning profits to the shareholders. The Group will determine dividends, considering consolidated results and internal reserves for strengthening its financial position and developing business operations.

We plan to pay interim dividends and year-end dividends.

We buy back treasury shares as needed, taking into comprehensive consideration the stock price, the need for implementing flexible capital policy, and the effect of the buyback on our financial position.

VI. Consolidated Performance Targets by Segment (FY2020 through FY2022)

(Million yen)

	FY2019 result	Targets for FY2020	Targets for FY2021	Targets for FY2022
Net sales	65,409	66,000	68,300	70,500
■Construction-related products	53,678	54,100	55,300	56,800
〈Japan〉				
-Temporary building and formwork products	7,072	7,100	7,200	7,250
-Civil engineering products	6,517	6,550	6,600	6,650
-Building structural products	21,046	21,250	21,800	22,600
-Building materials	12,412	12,400	12,400	12,500
(Subtotal - Japan)	47,049	47,300	48,000	49,000
〈Overseas〉				
-Building materials	6,628	6,800	7,300	7,800
(Subtotal - overseas)	6,628	6,800	7,300	7,800
■Automotive products	8,809	8,700	9,600	10,100
■Diversification Business	2,922	3,200	3,400	3,600
Operating profit	5,294	5,600	6,100	6,600
■Construction-related products	5,005	4,900	5,050	5,200
■Automotive products	133	400	700	1,000
■Diversification Business	155	300	350	400
Ordinary profit	5,619	5,700	6,200	6,700
Ordinary profit ratio	8.6%	8.6%	9.1%	9.5%
Profit	3,342	3,500	4,000	4,300
ROE	5.9%	5.9%	6.5%	6.7%

Activities for OKABE to Engage in to Reach 2030 SDG Goals

Vision

Global manufacturer that builds connections with people

2020 — 2023 — 2030

Medium-term management plan 2020-2022

Construction-related products business

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Automotive products business

The Group will prioritize regaining the trust of stakeholders, including local residents and customers, and will strive to develop new environmentally friendly products, improve production technology and update production facilities.

Diversification business

To contribute to achieving one of the goals of the SDGs, Life Below Water, the Group will develop high value-added floating fish bank products, expand operations overseas and develop products using the Applied Phycology Research Laboratory.

Pursuit of possibilities of human resources, the business base for strengthening connections between people

- **Recruiting and cultivating diverse human resources**
  We will actively cultivate or recruit human resources who will become executives, global human resources (including foreign workers), and engineers. We will encourage the employment of female employees.
- **Ensuring the improvement of internal and external communication and connections between people using advanced IT**
  Using IT, we will strive to create added value chiefly by enhancing customer service, improve business efficiency and create work environments that will make diverse ways of working possible.
  We will ensure connections with people by enhancing communication with local residents and other stakeholders.
- **Corporate governance**
  We will establish more transparent governance systems by establishing a nomination committee and a compensation committee and reviewing the operating officer system.

SUSTAINABLE DEVELOPMENT GOALS

We will prioritize the following five goals and create new businesses to reach SDG goals.



Sustainability through the next 100 years