March 31, 2025

For Immediate Release

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Action to Implement Management that is Conscious of Cost of Capital and Stock Price (Updates)

We are pleased to announce that we have analyzed and evaluated the current situation and updated our future action policy for improvement "Action to Implement Management that is Conscious of Cost of Capital and Stock Price" in order to achieve sustainable growth and enhance corporate value over the medium to long term.

Please see the attached for details.

This release is an updated version of the "New Medium-Term Management Plan OX-2026 Okabe Transformation 2026" disclosed on February 19, 2024 (updated on March 1, 2024).

Note: This document has been translated from the original Japanese version for reference purposes only. In the event of any discrepancy between this translated document and the original Japanese version, the original shall prevail. The Company assumes no responsibility for this translation or for direct, indirect or any other forms of damages arising from the translation.

Action to Implement Management that is Conscious of Cost of Capital and Stock Price

Medium-Term Management Plan OX-2026

Okabe Co., Ltd. (Stock Code: 5959)

Update March 31, 2025

Future figures stated in financial forecasts and elsewhere in this material are forward-looking statements based on currently available information and involve risks and uncertainties. Investors are therefore asked not to make investment decisions based solely on these forecasts. Please note that actual results may differ materially from the forecasts due to various key factors. These factors that may impact actual results include economic circumstances surrounding the Company's business domains and fluctuations in foreign exchange rates against the U.S. dollar and other currencies.

This is an English translation of the original Japanese document. If there is any discrepancy between this translation and the Japanese original, the Japanese original shall prevail.

BUSINESS

Construction-related products

Diversification business

STRATEGY

Implement human capital management

Strengthen the foundation of management

Customer-centric initiatives

Promote digital transformation

VISION

Up to now, and into the future,

we are striving to be a global solutions provider
that provides safety and security
in the lives of people around the world by cultivating

Creativity × Connectivity × People Power

as a manufacturer of earthquake-resistant
construction materials that support construction.

SDGs to prioritize

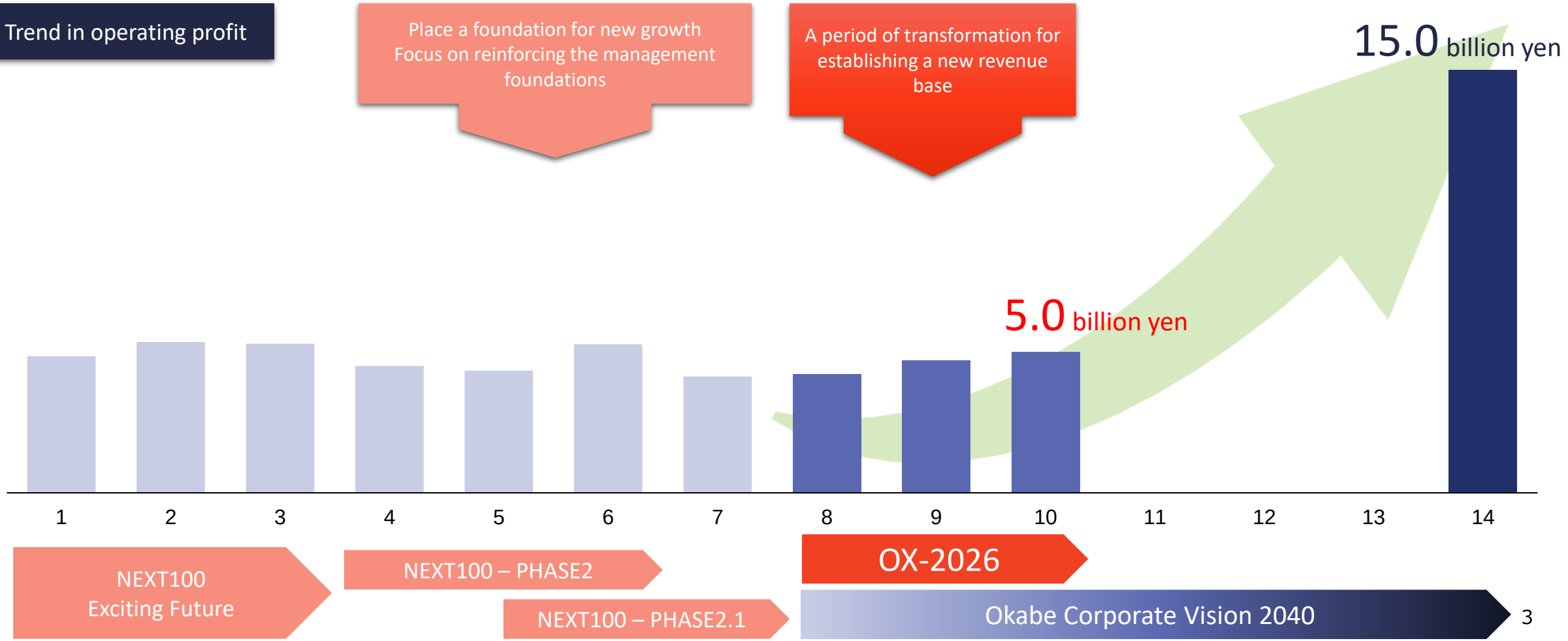


Positioning of the Medium-Term Management Plan

Towards realizing Okabe Corporate Vision 2040

We aim to maintain our profit level while swiftly responding to changes in the external environment, positioning the next three years as a transformation period toward establishing a new revenue base, with the goal of achieving sustainable growth in corporate value.

Trend in operating profit



Numerical Management Targets under the OX-2026

In FY2024, operating profit and ordinary profit exceeded the planned figures, however, the company recorded a net loss due to extraordinary losses related to the U.S. lawsuit.

OX-2026

Consolidated financial results and return on capital

	FY2023 results	FY2024 targets	FY2024 results	FY2025 plan	FY2026 plan
Net sales	78,152 million yen	70,000 million yen	67,806 million yen	72,500 million yen	75,500 million yen
Operating profit	4,082 million yen	4,100 million yen	4,194 million yen	4,700 million yen	5,000 million yen
Operating profit margin	5.2 %	5.9 %	6.2 %	6.5 %	6.6 %
Net Profit	(5,472)million yen	2,800 million yen	(874) million yen	3,120 million yen	3,320 million yen
ROE	(8.5) %	4.7 %	(1.4) %	5.2 %	6.0 %

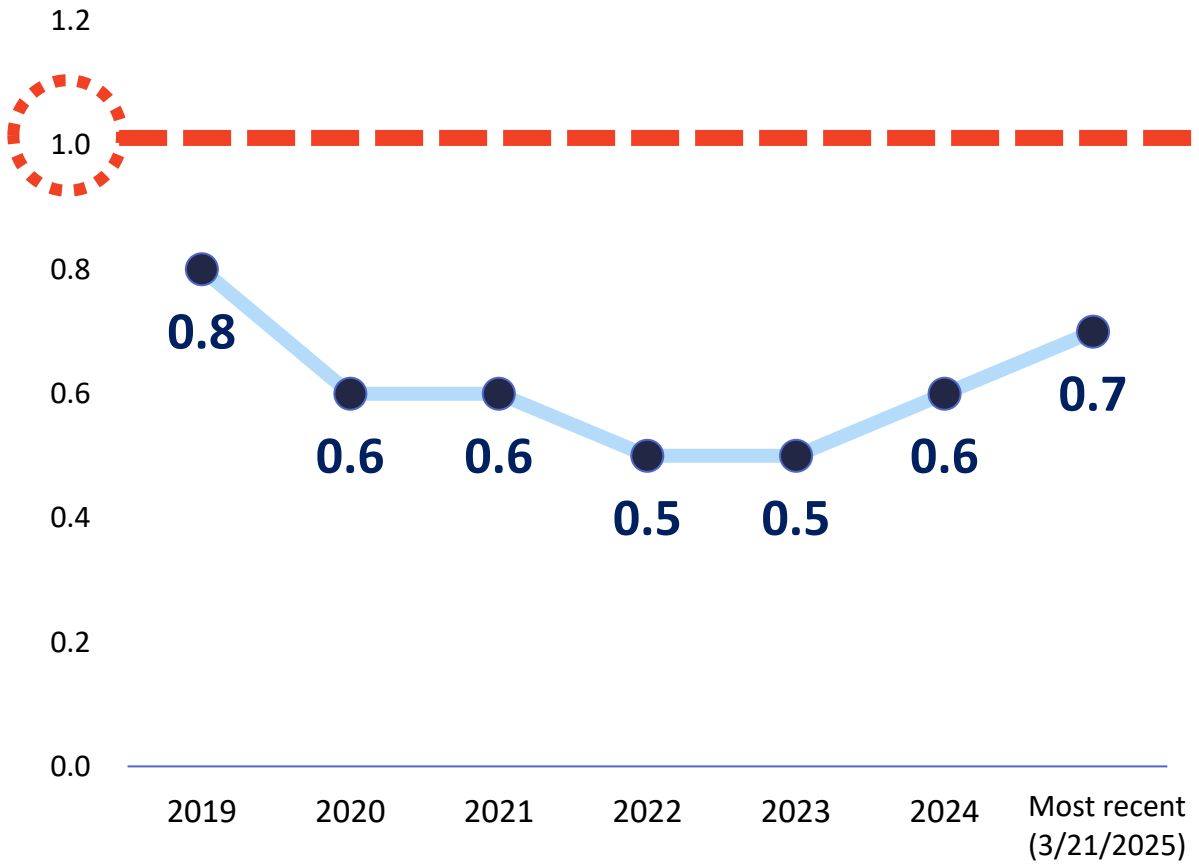
Shareholder returns

	FY2023 results	FY2024 targets	FY2024 results	FY2025 plan	FY2026 plan
Payout ratio	—	49.5 %	—	60.8 %	at least 40 %
DOE	1.8 %	2.2 %	2.7 %	3.2 %	Target of 3 %

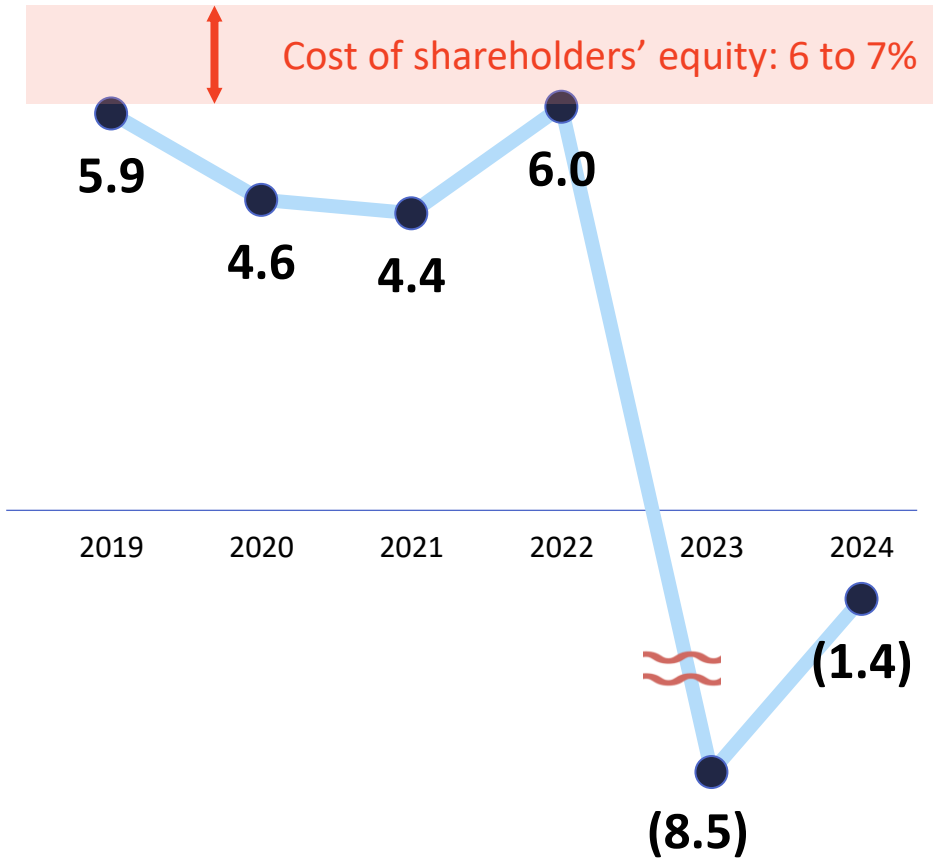
Analysis of Present Status

PBR has remained below 1. The current ROE level does not meet the cost of shareholders' equity sought by the market.

PBR (times)



ROE (%)

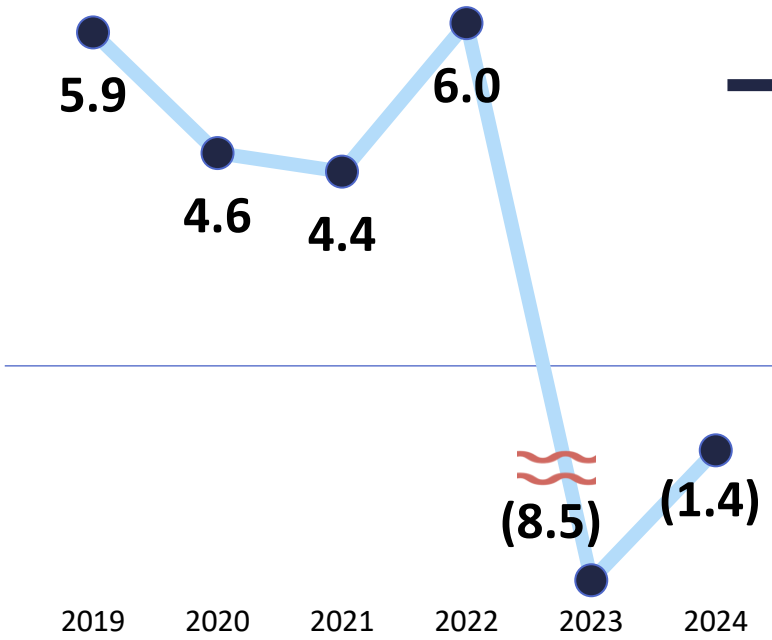


Analysis of Factors for Poor ROE (DuPont Analysis)

Increase profitability and streamline the balance sheet to achieve an ROE level that exceeds the cost of shareholders' equity at an early stage.

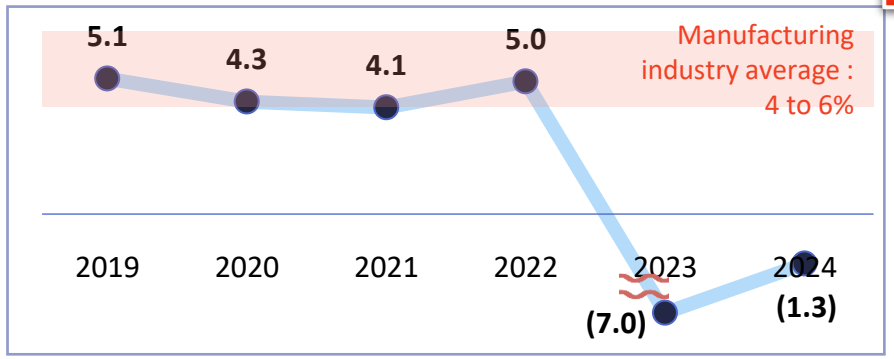
ROE (%)

Manufacturing industry average: Approx. 7 to 10%



Degree of priority

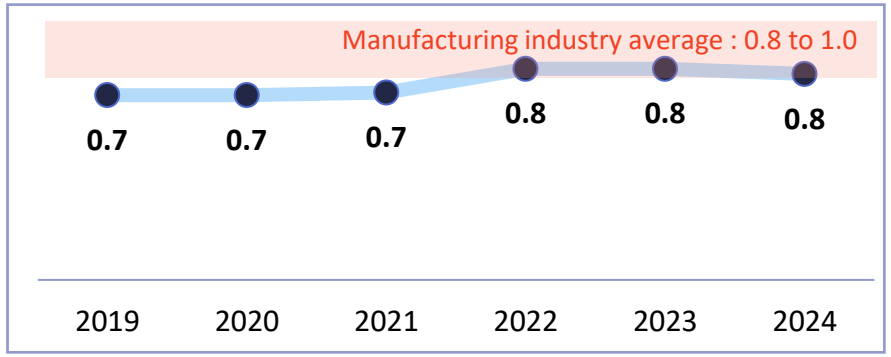
Net Profit margin (%)



High

We will increase profit by growing existing businesses, launching new businesses, and expanding business through M&A.

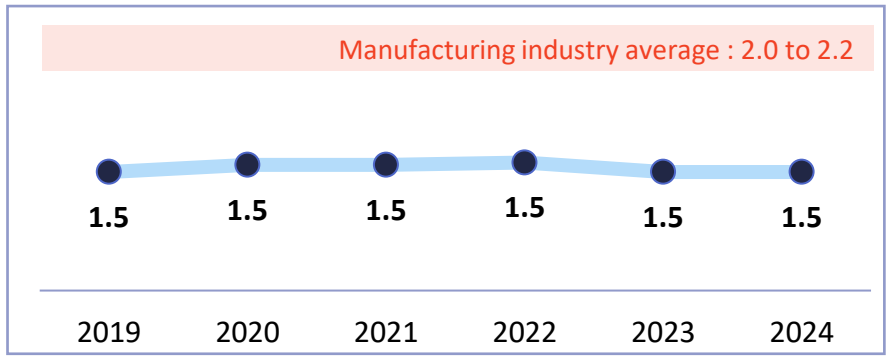
Total asset turnover rate



Medium

We will improve the cash conversion cycle of working capital by shortening the turnover days of inventory and accounts receivable.

Financial leverage



High

We will leverage debt and reduce capital costs while maintaining financial soundness.

Change in Shareholder Return Policy

After change

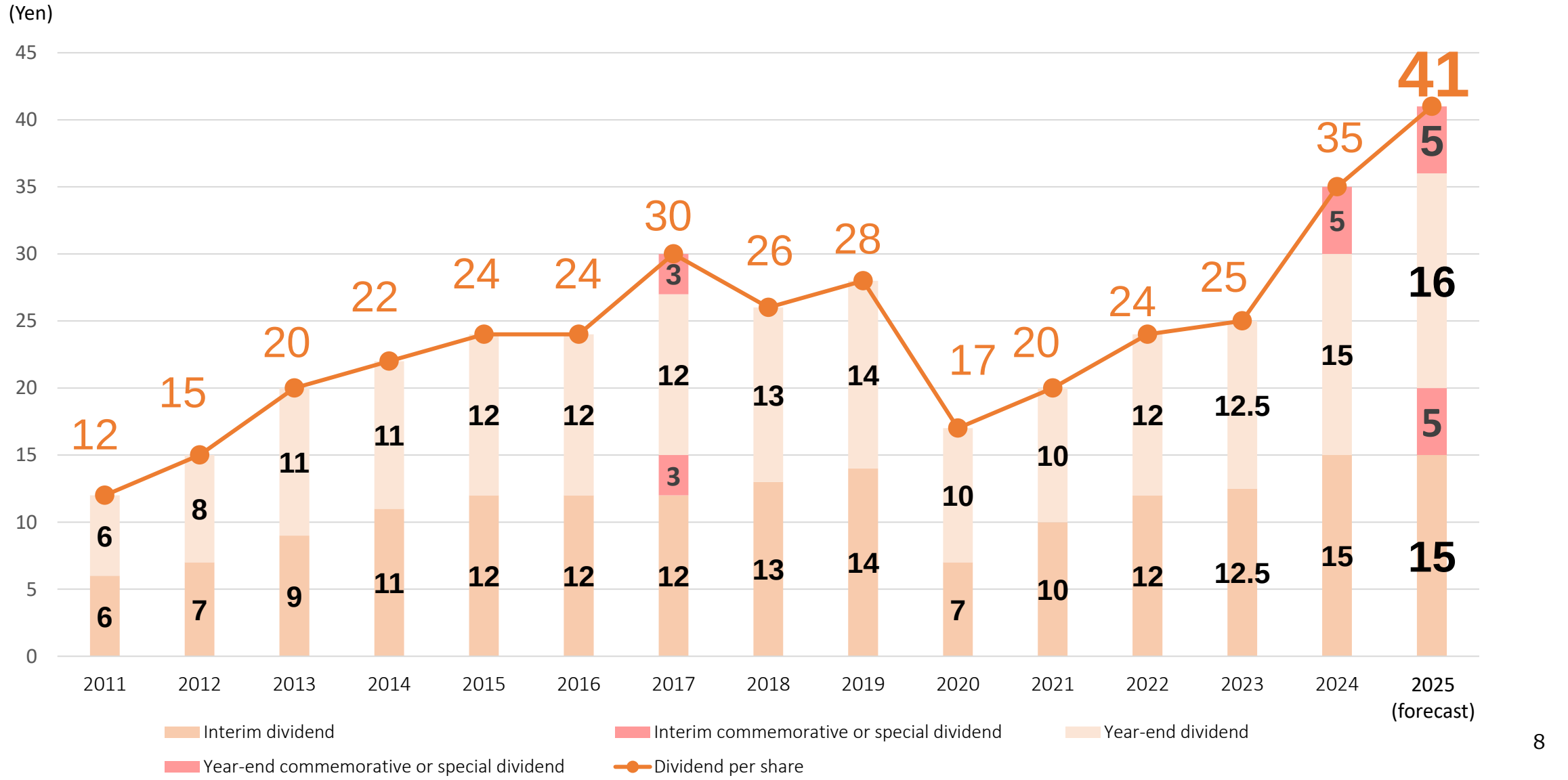
The Company considers shareholder returns to be a crucial aspect of management and acknowledges the significance of capital efficiency. In principle, it aims to distribute its profit based on its business performance while maintaining its financial soundness. In addition, based on its basic policy, it seeks to achieve a stable and sustainable increase in dividend levels over the medium to long term by achieving sustainable growth.
The Company aims for a dividend payout ratio of at least 40% and a dividend on equity (DOE) target of 3% for each fiscal year.
In addition, the Company will implement a special dividend and purchase treasury shares based on comprehensive judgment, taking into consideration the stock price level, the need to implement a flexible capital policy, and the impact on its financial position, in order to improve ROE and achieve a P/B ratio of over 1x by optimizing its capital structure in conjunction with strengthening earning power.
The Company's basic policy for dividends of surplus is to pay both an interim dividend and a year-end dividend each year.

Main points of change

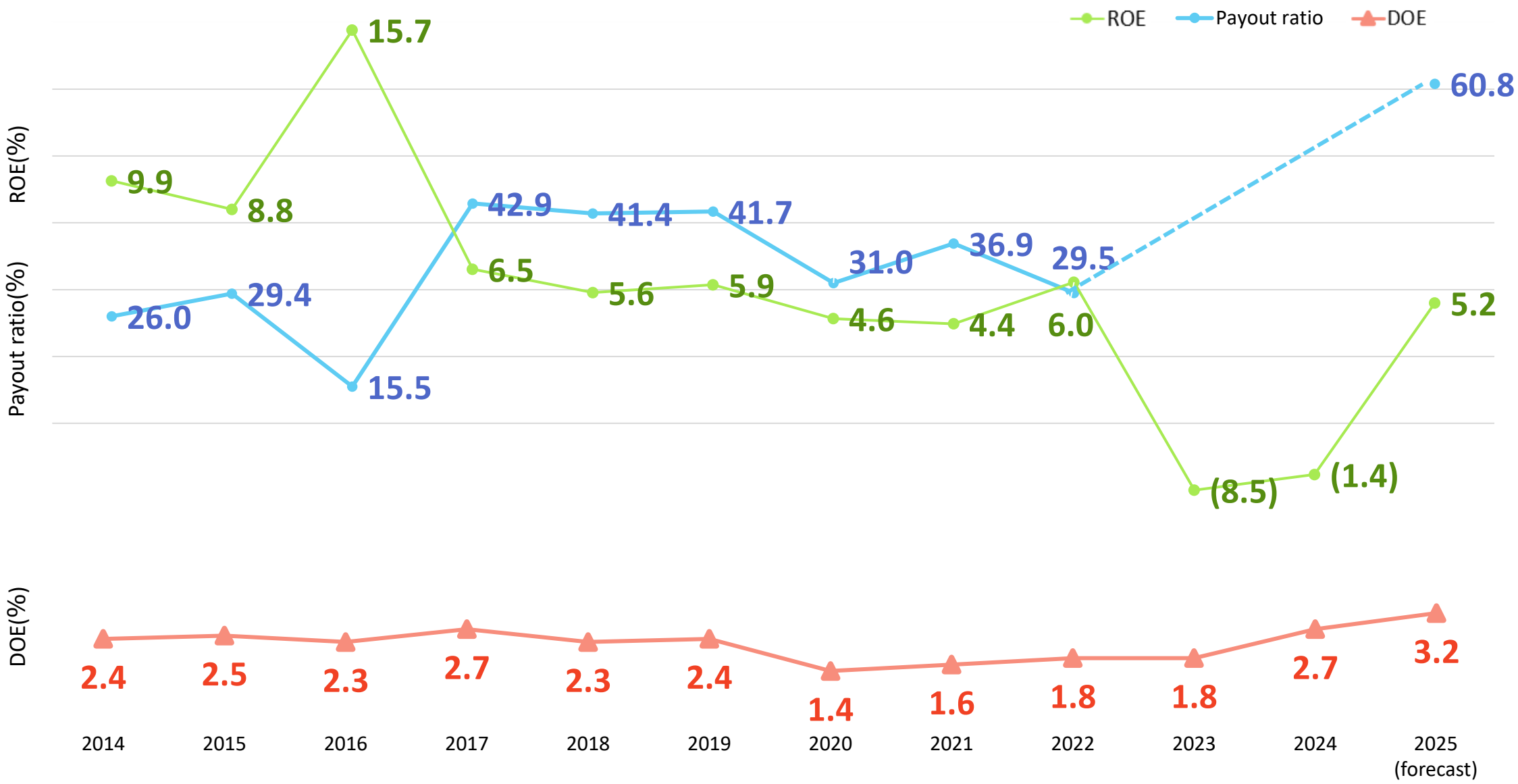
- Payout rate: Rough target of 30% or more ⇨ **40% or more**
- Dividends on equity (DOE): **Target of 3%**
- **Pay special dividend** and flexibly acquire treasury shares

Trends in Dividends per Share

Based on the new shareholder return policy, we will strive to achieve a stable increase in the level of dividends over the medium to long term.



ROE × Payout ratio = DOE



Payment of Special Dividends and Purchase of Treasury Shares

In contrast to the ordinary dividend, which aims to achieve a stable increase in the dividend level over the medium to long term, the special dividend is primarily intended to optimize the capital structure. From FY2025 onward, the Company will flexibly implement share buybacks as well as special dividends based on a comprehensive assessment.

Payment of special dividends

- Fiscal year ended December 31, 2024
  Special dividends: 5 yen (0 yen interim dividend and 5 yen year-end dividend)
- Fiscal year ending December 31, 2025 (forecast)
  Special dividends: 10 yen (5 yen interim dividend and 5 yen year-end dividend)

Purchase of treasury shares

(i) Class of shares acquired:	Common stock of the Company
(ii) Total number of shares that can be purchased:	850,000 shares (maximum) (1.83% of the total number of outstanding shares (excluding treasury stock))
(iii) Total acquisition value of shares:	600 million yen (maximum)
(iv) Acquisition period:	February 17, 2025 to July 18, 2025
(v) Acquisition method:	Purchase at the Tokyo Stock Exchange (Discretionary investment through a securities company)

Investment Plan

We will invest a total of 21 billion yen over the three-year period from 2024 to 2026 with a view to realizing Okabe Corporate Vision 2040. Major investments planned include strategic investments, investments in human capital and initiatives related to DX and decarbonization.

Capital investment
Approx. 10 billion yen

- Replace production facilities
- Invest in decarbonization
- Invest in DX and others

Strategic investment M&A
Approx. 10 billion yen

- Carry out M&A projects chiefly in the areas of construction-related products businesses in and outside Japan and in business areas helpful to sustainability management.

Human capital investment
Approx. 1 billion yen

- Increase personnel expenses (by 5 to 7% per year)
- Expenses for training and others

Total investments during the three-year period: 21 billion yen

Towards Reaching 1 or More in PBR

Through sustained profit growth and improved balance sheet efficiency, we aim to achieve an ROE that exceeds the cost of equity. By implementing our three pillars, we will maximize our corporate value and achieve a P/B ratio over 1.0 with the share price at reasonable level.

Capital cost management and dialogue with investors

- ROE of 8.0% or more
- Optimization of our business portfolio
- Presentation of long-term strategy and proactive disclosure of ESG-related information



Growth strategy and investment

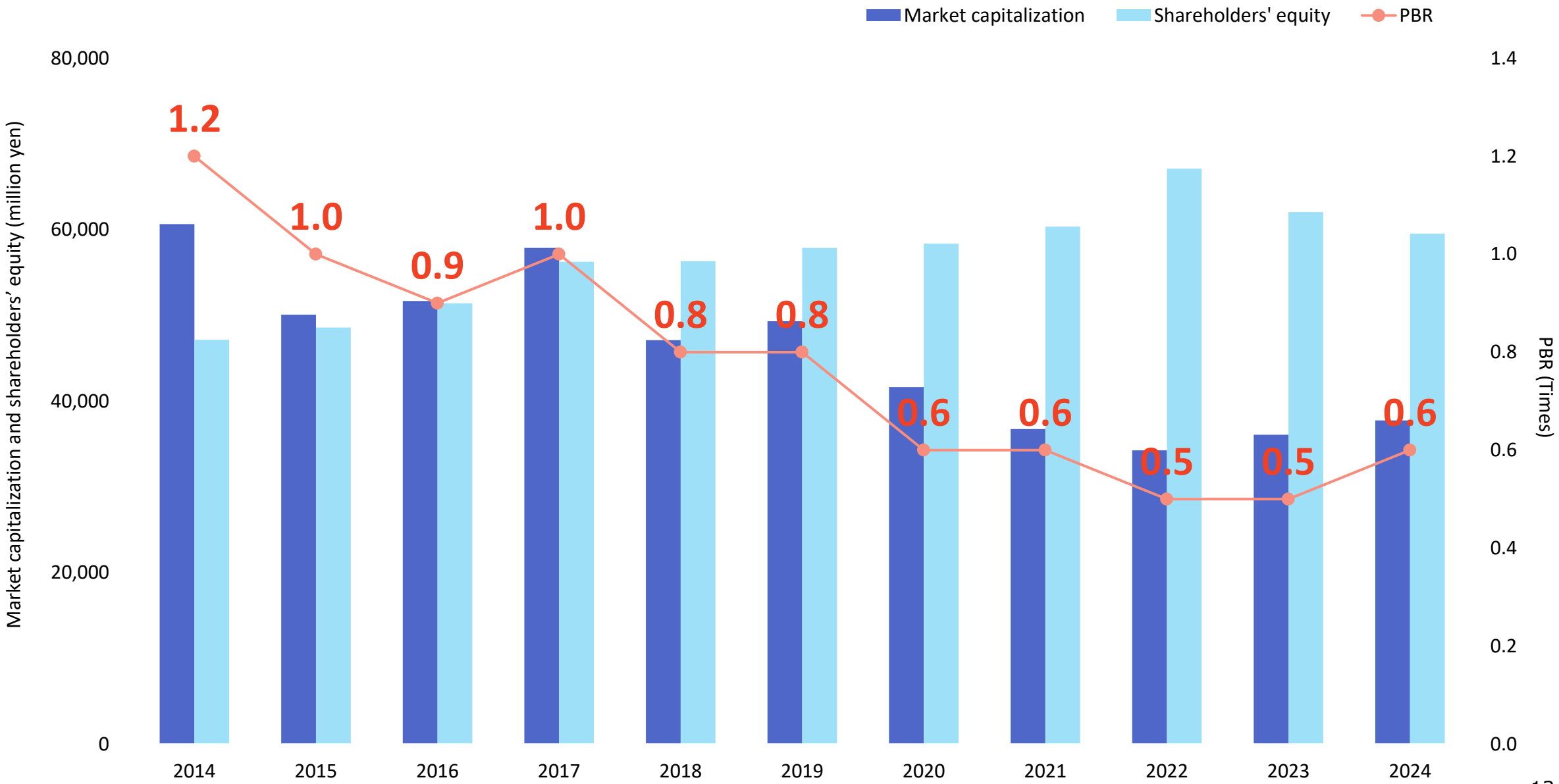
- Capital investment for sustainable growth
- M&A
- Strategic investment
- Human capital Investment

Enhanced shareholder returns

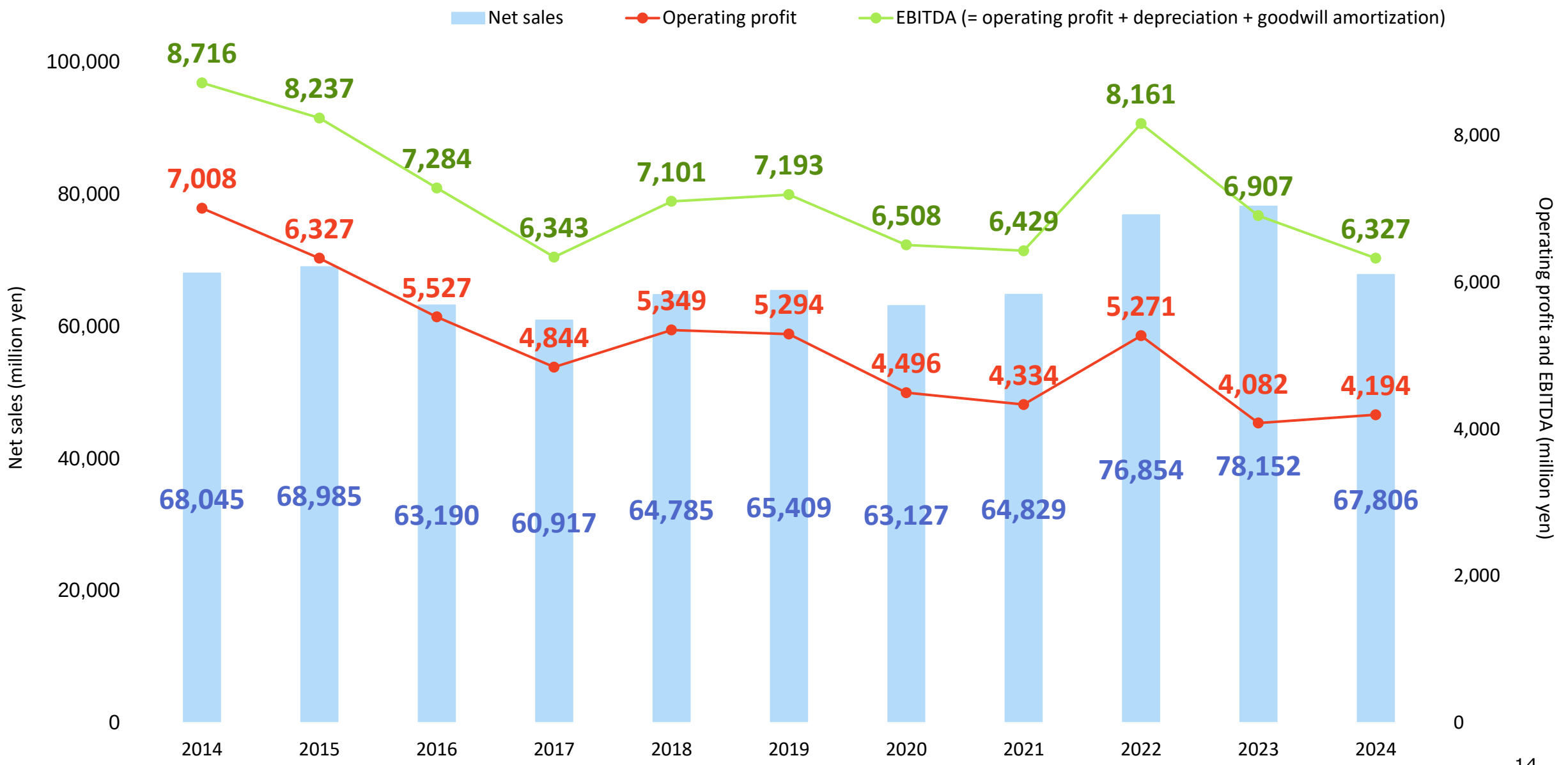
- Payout ratio of 40% or more
- DOE target of 3%
- Purchase of treasury shares

Financial soundness

Trends in PBR, Market Capitalization and Shareholders' Equity



Trends in Net Sales, Operating Profit and EBITDA



ESG Targets

E
Environment

- Continuously reduce greenhouse gases by, for example, developing environmentally friendly products and methods
- Reduce environmental impacts by reviewing production processes and others
- Launch a blue carbon business to step up efforts towards carbon neutrality.

S
Social

- Develop new products and methods to address intensification of earthquakes, rainfall and other disasters
- Work on diversity and inclusion and on health and productivity management to realize human capital management
- Conduct educational CSR activities and take part in regional communities for regional contribution

G
Governance

- Establish corporate governance with high effectiveness to build a structure that can swiftly respond to changes
- Continuously improve risk management across the Group, including overseas subsidiaries
- Carry out corporate activities with fairness and high transparency to practice compliance

Medium-Term Targets in Major KPIs

Materiality	Major KPIs	Unit	FY2024 results	FY2026 targets	Target SDGs
1 Increasing severity of earthquakes, heavy rains, and other disasters 2 Changes in construction business environment 3 Declining population and aging society of Japan	Sales of building structural products	Million yen	20,207	22,300	8 DECENT WORK AND ECONOMIC GROWTH
	Sales of civil engineering products	Million yen	6,892	8,000	
	Number of new products launched	Products	11	10 in the full year	
4 Personal relationships and human capital management	Number of universities participating in joint research	Universities	Contractual relationship: 6 Cooperative relationship: 0	10	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
	Ratio of female managers	%	5.8	10.0	
	Ratio of employees taking childcare leave	%	55.6	100.0	11 SUSTAINABLE CITIES AND COMMUNITIES
	Number of employees with disabilities	%	2.5	2.7	
	Number of IT-related qualifications held	Qualifications	114	600	
	Investment in social and community contribution activities	Million yen	27	26	
5 Climate change and global warming 6 Achieving environmental conservation, decarbonization, and resource recycling 7 Maintenance of marine resources	CO_2 emissions (Scope 1 and 2) total	t-CO_2e	7,311	6,174	12 RESPONSIBLE CONSUMPTION AND PRODUCTION
	CO_2 emissions (Scope 3 Category 1 and 4) total	t-CO_2e	307,594	335,913	
	Number of seaweed seedlings shipped that will be helpful to CO_2 absorption and fixation	Seedlings	2,988	2,000	
	Total recycled waste volume	Tons	2,711	3,396 (+5% year on year)	14 LIFE BELOW WATER
	Number of used plastic D cones recycled	Thousand	800	3,000	
8 Strengthening of governance	Ratio of Outside Directors	%	46.1	1/3 or more	16 PEACE, JUSTICE AND STRONG INSTITUTIONS
	Ratio of female Directors	%	15.3	16.7	
	Ratio of Outside Directors on the Audit & Supervisory Committee	%	75.0	50 or more	

* For details about the KPIs, refer to the **Collection of Financial and Non-Financial Data** on the Sustainability webpage of our website.


okabe