

**Okabe Formulates Medium-Term Management Plan: NEXT100 - PHASE 2.1**

The Okabe Group is pleased to announce its medium-term management plan, **NEXT100 - PHASE 2.1**, for the period from July 2021 to December 2024. Based on assumptions of the external environment after the pandemic, we have developed this plan to focus on addressing the Sustainable Development Goals (SDGs) through management, including decarbonization initiatives, and the use of digital transformation (DX), while maintaining the orientation of the previous medium-term management plan towards continuous growth together with society.

**Summary of Medium-Term Management Plan NEXT100 - PHASE 2.1**

The Group will intensively address three key policies in a bid to realize the Vision of the Group.

**1. Three Key Policies**

**(1) Addressing the SDGs through management**

- We will contribute to the SDGs not only in existing businesses, i.e. the conventional construction-related products business and the marine business, but in new businesses as well.

In the construction-related products business, we will work with business partners towards decarbonization and zero emissions from construction sites through our products and construction methods.

In the marine business, we will make fish reefs and seaweed bed banks that absorb CO<sub>2</sub> increasingly used to help achieve the world achieve carbon neutrality.

- We will set medium-term KPI targets related to the SDGs and endeavor to meet them.

**(2) Actively utilizing DX**

- We will make active use of DX in the supply chain to improve customer service.
- We will use digital tools to streamline operations and to develop a working environment supporting diverse staff and diverse work styles.
- We will construct a business system under which we can resiliently respond to potential risks.

(Business continuity plan (BCP))

**(3) Accelerating global expansion**

- We will accelerate global expansion of the construction-related products business, particularly to the United States and ASEAN.

**2. Performance goals in three years**

The Group is aiming for net sales of 70.0 billion yen, ordinary profit of 5.8 billion yen and an ROE of 6.0% or higher in three years, namely for FY2024.

**3. Capital investment: 11.0 billion yen (in three-year cumulative total for 2022-2024)**

Investments to be focused on: New businesses related to the SDGs, decarbonization initiatives and utilization of DX

**4. Strategic investments (including M&A): 10.0 billion yen (in three-year cumulative total for 2022-2024)**

M&A target domains: Business domains that contribute to the SDGs (the construction-related products business, the marine business and their peripheral businesses)

## I. 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, one 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 severely 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.

## II. Position of **NEXT100 - PHASE 2.1**

Since its foundation, the Group has been working on product development, global expansion and other activities under a management philosophy of *contributing to society by providing safety and security*. We celebrated our centennial in 2017. That year, we developed and put in place a three-year medium-term management plan called NEXT100 - Exciting Future. It placed an emphasis on building the foundations for our next 100 years (NEXT100). Announced in February 2020, the medium-term management plan NEXT100 - PHASE 2 had a focus on achieving continued growth together with society by working to resolve global-scale problems specified in the SDGs and by positively planning and developing new businesses and products. However, shortly after this announcement, the COVID-19 pandemic began and forced us to withdraw our performance goals and to slow our medium-term measures and investment plans.



The recently established **NEXT100 - PHASE2.1** maintains the orientation of the previous plan towards continuous growth together with society and aims to address the SDGs, including decarbonization initiatives and active utilization of DX as key policies on the assumption of a post-pandemic external environment in a medium and long term.

**III. Growth strategies by segment****1. Construction-related products business****1) Assumed business environment****Japan**

Demand for construction is expected to be stable, although no significant growth is anticipated in the medium- and long-term future. On the assumption that the COVID-19 pandemic will gradually diminish as the vaccine rollout advances, construction demand will be strong from the second half of this year, although there is concern about a shortage of materials and a surge in material prices following a sharp recovery in demand.

Among different needs in the construction market, those for disaster prevention in Japan, where natural disasters are worsening, and those for work on infrastructure are expected to rise. In addition, there will be demand for labor saving given the labor shortages associated with the aging of on-site construction workers and needs for energy conservation for decarbonization initiatives on construction sites. It is anticipated that DX will bring considerable changes to the construction industry.

**Overseas**

In the United States, demand for construction is expected to be brisk over the medium to long term on the assumption that the COVID-19 pandemic will begin to ease following the spread of vaccination, as well as the prospect of active infrastructure construction under the new administration.

In ASEAN, some countries are delayed in measures against the pandemic. It may take time for regional economies to recover. However, in view of population growth and a notable delay in infrastructure development, demand for construction is expected to grow considerably over the medium to long term.

**2) Major initiatives**

On the basis of the assumptions of the business environment mentioned above, we will pursue the following initiatives in the construction-related products business.

**Japan**

- **Contribute to disaster prevention, disaster mitigation and decarbonization**

(Disaster prevention and mitigation)

For the construction sector, we will expand the lineup of Basepack column base methods for steel construction, which are our mainstay earthquakeproof products. For the civil engineering sector, we will offer comprehensive solutions to prevent cliff failure. These are part of our initiatives to address the social impact of increasingly devastating natural disasters and our contribution to sustainable cities and communities.

(Decarbonization)

Our products are so easy to set up that they enable shorter work periods, labor saving and energy conservation on construction sites. We offer a broad array of products helpful to decarbonization. We will actively propose and promote our products to help reduce carbon emissions on construction sites.

(Demand for large redevelopments and others)

There are plans for a redevelopment project in the Tokyo Metropolitan area, development related to the Chuo maglev link, work related to Expo 2025, and Tenjin Big Bang and other large-scale construction projects. We will positively propose our earthquakeproof products, labor saving products and others.

(New products and businesses)

In an effort to address social issues and needs for repairs to aged and deteriorated slope

reinforcement work in addition to disaster prevention, disaster mitigation and decarbonization mentioned above, we not only offer solutions based on our existing products but are also working on new products and businesses.

- **Contribute to zero emissions on construction sites**

We will launch a service of collecting and recycling the part of our products that will become industrial waste on construction sites. We will thus make our best possible contribution to zero emissions on construction sites, which means a status in which no waste is produced at all.

- **Utilize DX**

We will make use of DX throughout the supply chain in the construction industry where DX is advancing, to improve customer service and operational efficiency.

## **Overseas**

**United States** - Become the number one manufacturer of concrete accessories in the United States

We will capitalize on our existing sales network to actively capture future possible demand for infrastructure construction in the United States. In this country as well, we will operate as a manufacturer, as we do in our business in Japan, to increase net sales to 10.0 billion yen over the medium term.

We will actively invest in strengthening the foundation of this business to become the number one manufacturer of concrete accessories in the United States in the future.

**ASEAN**

We will study expansion of existing businesses as well as new businesses in ASEAN countries where significant growth is expected with our manufacturing base in Indonesia as a core base.

## **2. Automotive products business**



Battery terminals are mainstay products in this segment. They are adopted in a wide range of battery boxes mounted on automobiles and industrial machinery. As global products targeting various markets, they are used in at least 30 different countries around the world. In the automobile market, they are used in battery boxes for ordinary gasoline-powered vehicles as well as for hybrid cars, electric vehicles and other environmentally friendly vehicles.

### **1) Assumed business environment**

In the automobile market, the main market we serve in this segment, annual global car sales are expected to reach 84 million units in 2021 and 93 million units by 2024, according to the current forecast materials after the COVID-19 outbreak, although there is concern about semiconductor shortages and other factors. In addition, the market will continue to strictly require production technologies with sustainability considerations.

### **2) Major initiatives**

We will address the top priority issues of improving capabilities in production technologies with environmental considerations, including decarbonization and updating production facilities. In tandem with this, we will step up communication with finished products manufacturers of battery boxes for automobiles and for industrial machinery in an effort to increase earnings strength.



### 3. Diversification business

In this segment, we engage in manufacturing, sales and other activities involving industrial machinery products and marine materials as well as those of fishing sinkers in the United States. While pursuing a basic strategy of concentrating on core businesses, we will seize business opportunities to work actively on businesses consistent with our management philosophy and with the SDGs.

#### Key measures

##### Marine business

Floating fish banks are our mainstay products, and we hold a market share of around 70% in the Japanese market on the basis of our technological strengths and trust built over years. With a view to contributing to life below water as one of the SDGs, we will work actively to remodel products for improvement and to boost sales of sinking fish reefs, proliferation banks and seaweed bed banks.

We will also work to expand the business overseas, to develop products with the use of the Applied Phycology Research Laboratory and to develop new businesses.

Seaweed seedlings cultivated at our research laboratory are placed on our seaweed bed banks to grow seaweed. The seaweed will absorb carbon dioxide in the sea. As of 2020, the seaweed absorbed less than one ton of carbon dioxide, but it began offsetting carbon emissions.

It is said that seaweed in coastal areas, which makes up less than 1% of the vast oceans that constitute around 70% of the Earth's surface, absorbs nearly 40% of carbon dioxide in the sea. It is important to restore seaweed in coastal areas and we will contribute to this.

##### Industrial machine products business

We will work to enrich our lineup of material handling equipment used in large logistical warehouses and other facilities to support labor saving and improved logistics efficiency.

### IV. Medium-term SDGs-related KPIs


We have set quantitative medium-term targets as part of our efforts towards the SDGs. Principal key performance indicators (KPIs) are as follows. For more details, please refer to our website at: <https://www.okabe.co.jp/sustainability/>

#### ☆ KPI on decarbonization

SDGs	KPI	Unit	2020 Performance	Numerical Target (FY2030)
	Total CO <sub>2</sub> equivalent emissions * Measurement underway for part of the CO <sub>2</sub> emissions	tco2	13,836	50% reduction


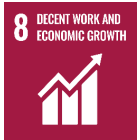
As mentioned above, we will not only reduce CO<sub>2</sub> emissions but also increase CO<sub>2</sub> absorption in the marine business with the aim of becoming a carbon-neutral company in the future.

☆ **KPIs on contribution to sustainable cities and communities**

SDGs	KPI	Unit	2020 Performance	Numerical Target (FY2024)
	Sales of products that contribute to quake proofing and seismic isolation (building structural products)	Million yen	10,423	11,170
	Sales of products that contribute to the reinforcement of embankments, etc. (civil engineering products)	Million yen	3,543	3,720

With the aim of consistently increasing these sales, we are aware that it is important to ensure that a wide range of personnel can display their strengths and to create an environment for research and development. Consequently, we have set the following KPIs.

☆ **KPIs on the active participation of diverse personnel and creation of an R&D environment**

SDGs	KPI	Unit	2020 Performance	Numerical Target (FY2024)
	Number of personnel engaging in product	People	24	28
	Number of employees holding doctorates	People	3	5
	Number of female researchers	People	1	3
	Number of universities (academic experts) participating in joint research		6 in contractual relationships 6 in partnerships	10 (in total of those in contractual relationships and in partnerships)
	Number of contributions published		13	5
	Ratio of employees taking childcare leave	%	13.3	20 or more
	Average overtime working hours	Hours	14.6	13 or less
	Employee turnover rate	%	3.4	3 or less
	Number of female managers	People	6	13 or more
	Ratio of females promoted	%	6.3	8 or more

We believe that improvements in these personnel and R&D indicators will sustainably build product sales and ultimately contribute to sustainable cities and communities.

☆ **KPIs on corporate governance**

We will step up corporate governance, share standards of conduct, enforce statutory compliance and implement risk management to ensure an autonomous response to changes in the external environment. We will thereby aim to continuously increase our corporate value and contribute to constant growth of society.

KPI	Unit	2020 Performance	Target (FY2024)
Ratio of outside directors	%	1/3 or more (33.4)	1/3 or more
Ratio of outside directors in the Audit and	%	More than 50 (80)	50 or more
Ratio of outside directors in the Nomination	%	More than 50 (57.1)	50 or more
Ratio of female directors	%	16.7	16.7

**V. Medium-term investment plan (2022-2024)****1. Capital expenditure: 11.0 billion yen**

● Construction-related products business	
◇ Japan: Investment for improving productivity and technology development -----	¥2.5bn
◇ Japan: Investment for DX and digitalization-----	¥2.2bn
◇ US: Investment for launch of a new base following business expansion -----	¥1.5bn
◇ ASEAN: Strategic investment -----	¥0.5bn
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Construction-related products business total	¥6.7bn
● Automotive products business	
◇ Investment for improving productivity -----	¥2.5bn
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Automotive products business total	¥2.5bn
● Diversification business	
◇ Investment for new businesses contributing to the SDGs-----	¥0.6bn
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Diversification business total	¥0.6bn
● Initiatives for decarbonization	
Groupwide total	¥1.2bn

**2. Strategic investment (including M&A): 10.0 billion yen**

We will invest an approximate total of 10.0 billion yen for a three-year period from 2022 to 2024 in the acquisition of businesses, capital alliances and the equivalent in business domains that contribute to the SDGs (i.e. the construction-related products business, the marine business and their peripheral businesses).

**VI. Financial management**

We will make an appropriate allocation of cash flows to investment for growth, returns to shareholders and retained earnings, with attention paid to capital costs with the aim of continuously increasing our corporate value. We will finance the capital expenditure, M&A-related investment and other expenditures mentioned above with cash inflows created from businesses and with new loans we will take as needed.

**VII. Return to shareholders (payout ratio of 30% or more and flexible purchases of treasury shares)**

The Group has a basic principle of continuing stable dividend payments in accordance with a standard payout ratio of 30% or more in order to enrich its return to shareholders. We will adopt a policy of determining dividends in consideration of consolidated business performance and sufficient retained earnings in preparation for strengthening our corporate structure and for future business expansion. We are scheduled to pay dividends twice a year, namely interim dividends and year-end dividends. We will purchase treasury shares as appropriate on the basis of overall consideration and judgment on the share price level, the need to carry out flexible and prompt capital policies, impacts on our financial position and other factors.

**VIII. Consolidated performance targets by segment (2021-2024)**

(Million yen)

	FY2020 result	FY2021 forecast	Targets for FY2022	Targets for FY2023	Targets for FY2024
<b>Net sales</b>	<b>63,127</b>	<b>65,000</b>	<b>66,250</b>	<b>68,500</b>	<b>70,000</b>
■ <b>Construction-related products</b>	<b>52,384</b>	<b>53,000</b>	<b>53,650</b>	<b>55,400</b>	<b>56,600</b>
<Japan>					
- Temporary building and formwork products	6,691	6,700	6,700	6,950	7,100
- Civil engineering products	7,527	7,300	7,350	7,850	8,000
- Building structural products	19,613	19,770	19,900	20,200	20,600
- Building materials	11,799	11,800	11,900	12,350	12,600
<b>(Subtotal - Japan)</b>	<b>45,630</b>	<b>45,570</b>	<b>45,850</b>	<b>47,350</b>	<b>48,300</b>
<Overseas>					
- Building products and materials	6,755	7,430	7,800	8,050	8,300
<b>(Subtotal - overseas)</b>	<b>6,755</b>	<b>7,430</b>	<b>7,800</b>	<b>8,050</b>	<b>8,300</b>
■ <b>Automotive products</b>	<b>7,374</b>	<b>8,500</b>	<b>8,700</b>	<b>8,870</b>	<b>9,060</b>
■ <b>Diversification business</b>	<b>3,368</b>	<b>3,500</b>	<b>3,900</b>	<b>4,230</b>	<b>4,340</b>
<b>Operating profit</b>	<b>4,496</b>	<b>4,900</b>	<b>5,100</b>	<b>5,390</b>	<b>5,600</b>
■ <b>Construction-related products</b>	<b>4,537</b>	<b>4,280</b>	<b>4,350</b>	<b>4,540</b>	<b>4,700</b>
■ <b>Automotive products</b>	<b>-193</b>	<b>310</b>	<b>350</b>	<b>380</b>	<b>410</b>
■ <b>Diversification business</b>	<b>152</b>	<b>310</b>	<b>400</b>	<b>470</b>	<b>490</b>
<b>Ordinary profit</b>	<b>4,702</b>	<b>5,000</b>	<b>5,300</b>	<b>5,600</b>	<b>5,800</b>
<b>Ordinary profit ratio</b>	<b>7.4%</b>	<b>7.7%</b>	<b>8.0%</b>	<b>8.2%</b>	<b>8.3%</b>
<b>Profit</b>	<b>2,686</b>	<b>3,050</b>	<b>3,450</b>	<b>3,640</b>	<b>3,770</b>
<b>ROE</b>	<b>4.6%</b>	<b>5.2%</b>	<b>5.6%</b>	<b>5.7%</b>	<b>6.0%</b>