



February 19, 2024

For Immediate Release

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Notice of Formulation of Medium-Term Management Plan
okabe Transformation 2026 (OX-2026) and Change in Dividend Policy

Okabe Co., Ltd. announces that the Okabe Group has formulated its new medium-term management plan for the three-year period from fiscal 2024 to fiscal 2026, entitled *okabe Transformation 2026 (OX-2026)*.

Under the previous medium-term management plan for the period from July 2021 to fiscal year 2024, the Group worked hard to address priority issues including management for the sustainable development goals (SDGs) including decarbonization and use of digital transformation (DX) while maintaining its orientation of seeking continuous growth together with society on the basis of assumption of the external environment after the COVID-19 pandemic.

Meanwhile, the preconditions for the plan changed significantly, such as soaring prices of goods and the severe labor shortage in the construction industry. In addition, the Tokyo Stock Exchange made a request to listed companies in March 2023. In response, it is vital to recognize the importance of establishing management with an awareness of capital costs and share prices and to address it by harnessing the full strength of the Group.

On the basis of this understanding, the Group placed emphasis on transforming itself instead of being a mere extension of the past management and introduced a term of transformation to the title of its new medium-term management plan. Without being swayed by past decision-making and mindsets, the Group will aim to transform itself intrepidly in the three-year period. It will upgrade its strategy with a view towards continuous growth.

1. Formulation of okabe Corporate Vision 2040

The Group has formulated *okabe Corporate Vision 2040*. It represents what the Group aspires to be like in 2040 in accordance with its management philosophy of contributing to society by providing safety and security. The Group believes that concerted efforts by all its individual personnel to carry out their respective duties with a view to realization of *okabe Corporate Vision 2040* will lead to higher corporate value and to common interests for shareholders.

okabe Corporate Vision 2040

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.

2. Position of medium-term management plan *okabe Transformation 2026 (OX-2026)*

The Group has defined the next three years as a period of transformation for establishing a new revenue base with a view to realizing *okabe Corporate Vision 2040*. For the purpose of determining specific activities, the Group has drawn up a new medium-term management plan entitled *okabe Transformation 2026 (OX-2026)*.

With the OX-2026, the Group will see changes in business environment and risks as opportunities. It will aim to provide solutions for material issues in Japan and beyond. For attaining continuous growth, the Group will revise its business portfolio and concentrate its management resources to implement sustainability management.

3. Outline of the business strategy under the OX-2026

(1) Customer-centric initiatives

(prioritizing the development of a system to solve customers' problems and the implementation of initiatives to solve them)

- ◆ Develop products that will solve issues faced by customers and society
- ◆ Develop new products and create new businesses to meet emerging needs
- ◆ Establish a Product & Solution Planning Department that will specialize in construction in Japan
- ◆ Offer solutions suitable for the North American and ASEAN markets to accelerate global expansion of the construction business
- ◆ Launch a business focusing on blue carbon in the marine business

(2) Implement human capital management and strengthen the foundation of management

- ◆ Set challenging non-financial key performance indicator (KPI) targets, especially for KPIs related to human capital, and work to achieve them
- ◆ Improve governance of overseas subsidiaries

(3) Promote digital transformation

- ◆ Upgrade the main systems and transform business processes
- ◆ Promote digital transformation to differentiate the Group from its competitors, create new business opportunities and consider and implement initiatives that will increase sales
- ◆ Establish an IT Strategy Department

4. Numerical management targets under the OX-2026

	FY2023 results	FY2024 targets	FY2025 plan	FY2026 plan
Net sales	78,152 million yen	70,000 million yen	72,500 million yen	75,500 million yen
Operating profit	4,082 million yen	4,100 million yen	4,700 million yen	5,000 million yen
Operating profit margin	5.2%	5.9%	6.5%	6.6%
Profit	-7,097 million yen	2,800 million yen	3,120 million yen	3,320 million yen
ROE	-11.1%	4.7%	5.4%	6.0%

5. Investment plan

The Company will invest a total of 21 billion yen during the three-year period from 2024 to 2026. Major investments planned include strategic investments such as M&A transactions as well as investments in human capital and in activities related to DX and decarbonization.

6. Changes in the dividend policy

The Company has pursued a dividend policy of determining the dividend of surplus in overall consideration of consolidated financial results, strengthening of the corporate structure, the increase of retained earnings in preparation for future business expansion and other factors, while following a basic principle of maintaining stable dividends. Going forward, although the Company will retain this basic stance, it will put a greater emphasis on its own continued growth and long-term interests for shareholders and pay attention to the dividend on equity (DOE) ratio and aim to raise its level in the medium- and long-term future with a view to increasing dividend stability.

The Company will set a rough payout ratio target of 30% or higher. However, in overall consideration of the management environment, future business developments and others, it will maintain stable dividends for a medium- and long-term future with attention paid to the DOE ratio and continue its positive actions for returning profits to shareholders.

The Company will not change its policy on the purchase of treasury shares. It will purchase them 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.

Before change	The Company's basic policy is to maintain stable dividends, a payout ratio of 30% or more, to enhance the return of profits to shareholders. The dividend is also linked to consolidated business results and comprehensively reflects the need to bolster internal reserves to strengthen the Company's financial position and fund future business operations, among other needs. The Company's basic policy for dividends of surplus is to pay both an interim dividend and a year-end dividend each year.
After change	The Company's basic policy is to <u>allocate profits according to performance while maintaining a healthy financial position on the basis of positioning the return of profits to shareholders as a top priority management issue and recognizing importance of capital efficiency. Maintaining a payout ratio of 30% or more, it also basically seeks to steadily raise the dividend level by paying attention to the return on equity (ROE) ratio, by achieving continuous growth and others.</u> The Company's basic policy for dividends of surplus is to pay both an interim dividend and a year-end dividend each year.

For details about the new medium-term management plan *okabe Transformation 2026 (OX-2026)*, refer to the attached material entitled *New Medium-Term Management Plan okabe Transformation 2026 (OX-2026)*.



New Medium-Term Management Plan **OX-2026** **Okabe Transformation 2026**

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

February 19, 2024

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.

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Okabe Corporate Vision 2040

Management Philosophy

Contributing to society by providing safety and security

Okabe Corporate Vision 2040

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.

Management Strategy

OX-2026 (Okabe Transformation 2026), a new medium-term management plan

Concept behind 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.

For over 100 years since our founding, we have been selecting what we should maintain and what we should change in line with the times.

One thing that we have valued is **Creativity**.

We will strive to be a company that supports the safety and security of buildings and people through our creative technological capabilities.

We will continue to utilize new technologies to create solutions for the automation of construction work, zero emissions, and more.

Another thing is **Connectivity**.

This represents the power to connect with people, which is created through communication with customers, shareholders/investors, subcontractors/suppliers, employees, and local communities, and the power to connect critical components and materials used in construction sites to enhance safety.










Yet another is **People Power**.

As stated in our corporate creed, “We will endeavor to cultivate human resources for sustainable development,” and “The Group will be a workplace that employees will not regret devoting their lives to,” we believe that the foundation of everything we do lies in “People Power,” and this will remain unchanging even in 2040.

Underlying these three strengths is our desire to “contribute to society by providing safety and security.”

While we envision various changes in our external environment, we are committed to being a company that can contribute to a sustainable society as a member of the global community so that the global environment and humankind can change for the better.

Okabe Group's Materiality

Category	Type of activities	Materiality		Target SDGs
 Social	Creating a sustainable society through safety and security	1	Increasing severity of earthquakes, heavy rains, and other disasters	  
		2	Changes in construction business environment	
		3	Declining population and aging society of Japan	
		4	Personal relationships and human capital management	
 Environment	Environmental considerations and resource conservation	5	Climate change and global warming	 
		6	Achieving environmental conservation, decarbonization, and resource recycling	
		7	Maintenance of marine resources	
 Governance	Improving managerial soundness and transparency	8	Strengthening of governance	

Results under Previous Medium-Term Management Plan

- Net sales, profit and other figures remained above the targets on the whole until FY2022. However, profit declined significantly for FY2023.

	FY2021 results	FY2022 results	FY2023 results
Net sales	64,829 million yen	76,854 million yen	78,152 million yen
Operating profit	4,334 million yen	5,271 million yen	4,082 million yen
Ordinary profit	4,726 million yen	5,471 million yen	4,303 million yen
Ordinary profit ratio	7.3%	7.1%	5.5%
Profit	2,627 million yen	3,848 million yen	-7,097 million yen
ROE	4.4%	6.0%	-11.1%

- While capital investment is falling below the planned figure for the three years from 2022 to 2024, strategic investment has been higher.

	Three-year investment plan	FY2022 results	FY2023 results	Achievement rate (at the lapse of two years)
Capital investment	11.0 billion yen	0.8 billion yen	1.8 billion yen	2.6 billion yen (24.3%)
Strategic investment (including M&A)	10.0 billion yen	7.7 billion yen	0.2 billion yen	7.9 billion yen (79.1%)
Total	21.0 billion yen	8.5 billion yen	2.0 billion yen	10.5 billion yen (50.4%)

Awareness of the External Environment

Social infrastructure

- Growth in public investment amid the intensification of disasters and deterioration of infrastructure in Japan
- Existence of infrastructure projects that drive the construction market in North America
- Rising demand in ASEAN and elsewhere due to delays in infrastructure development
- Increase in capital investment for achieving carbon neutrality

Low birthrate and aging population DX

- Decreases in population and in the construction workforce, spread of inflation and acceleration of the fall in the birthrate and aging of the population
- Climbing demand for labor-saving that will help shorten construction periods
- Climbing demand for automated, unmanned operation and other operations using digital technologies and changes in the construction industry through DX

Market demands

- Actions for management with an awareness of capital cost and share prices (to swiftly reach 1 in PBR)

Diverse society

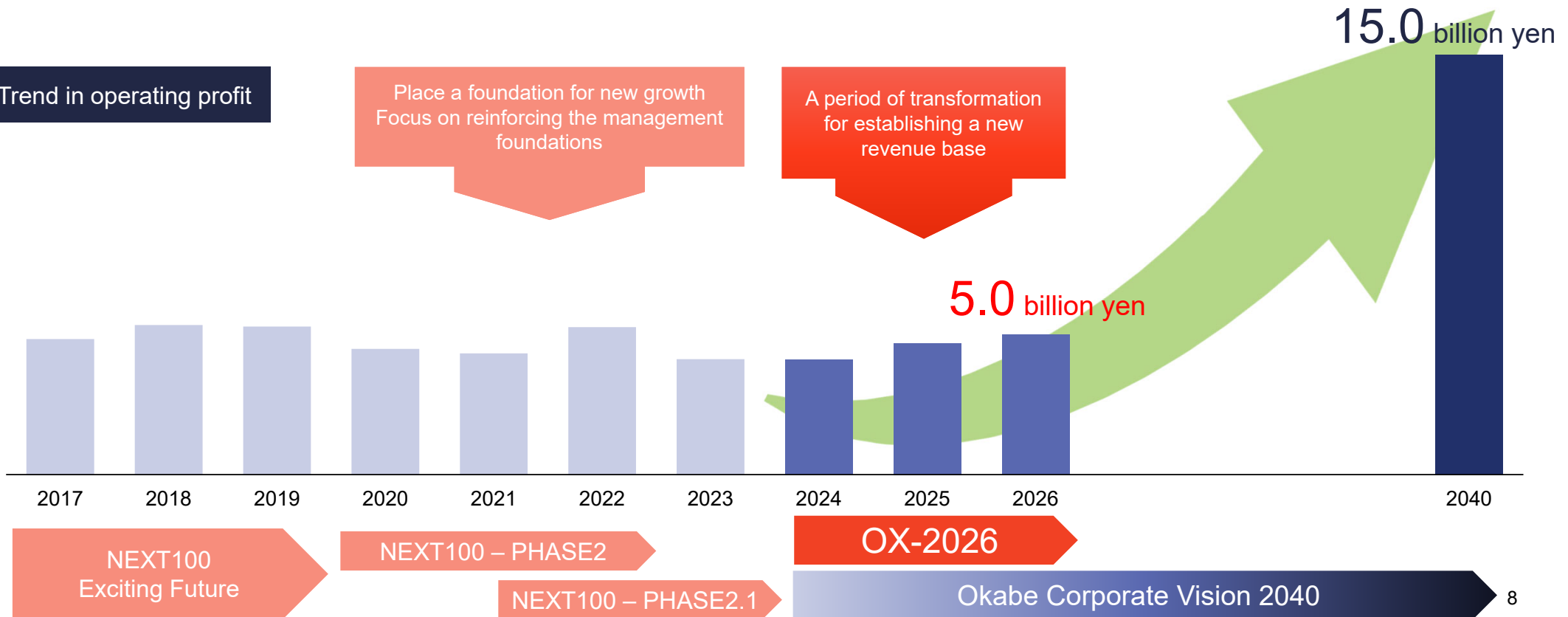
- Diversification of work styles, learning styles and lifestyles and respect for diversity

Positioning of the New Medium-Term Management Plan

Towards realizing Okabe Corporate Vision 2040

Maintain the profit level while quickly responding to changes in the external environment with a view to continuous growth in corporate value and define the next three-years as a period of transformation for establishing a new revenue base

Trend in operating profit



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
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SDGs to prioritize



Outline of Business Strategy

Customer-centric initiatives

(Prioritizing the development of a system to solve customers' problems and the implementation of initiatives to solve them)

- ◆ Develop products that will solve issues faced by customers and society
- ◆ Develop new products and create new businesses to meet emerging needs
- ◆ Establish a Product & Solution Planning Department that will specialize in construction in Japan
- ◆ Offer solutions suitable for the North American and ASEAN markets to accelerate global expansion of the construction business
- ◆ Launch a business focusing on blue carbon in the marine business

Carry out (and enhance) sustainability management

Provide solutions to address material issues in Japan and overseas, review its business portfolio, and concentrate management resources in attaining sustainable growth

Promote digital transformation

- ◆ Innovate the main systems and transform business processes
- ◆ Promote digital transformation to differentiate the Group from its competitors, create new business opportunities and consider and implement initiatives that will increase sales
- ◆ Establish an IT Strategy Department

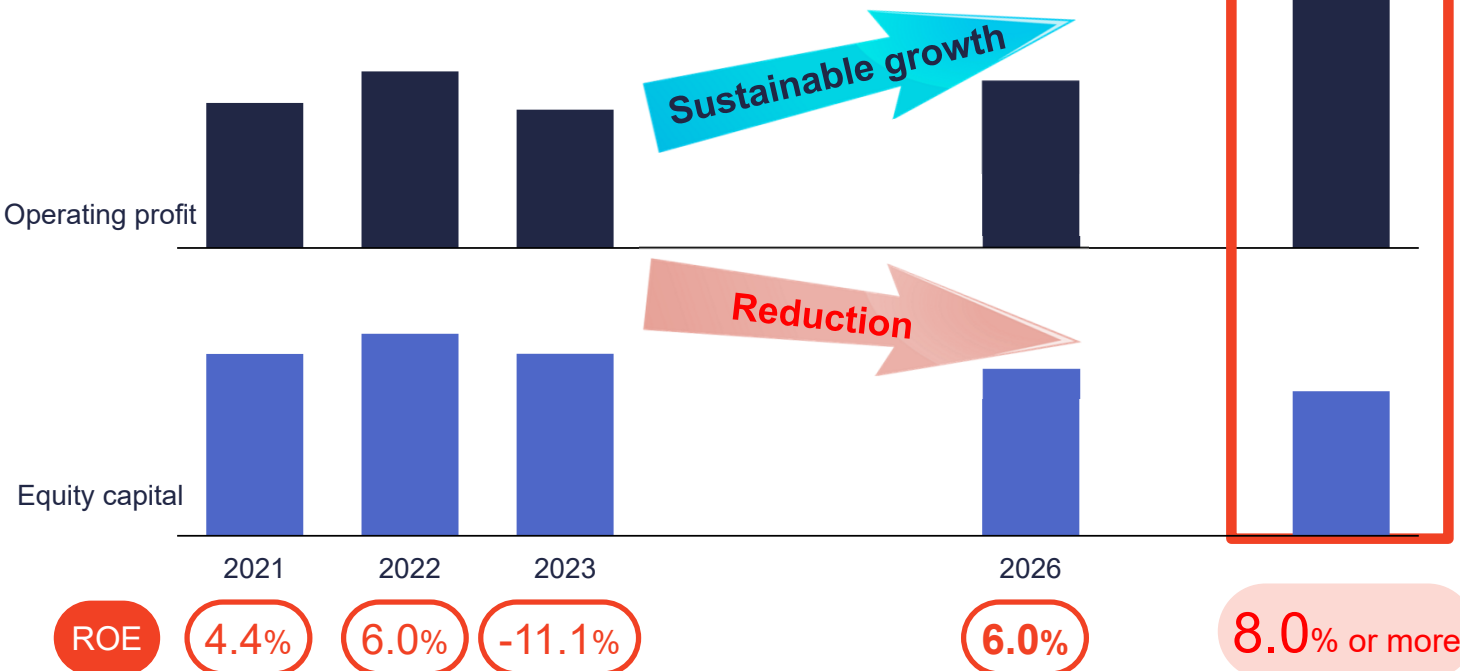
Implement human capital management and strengthen the foundation of management

- ◆ Set challenging non-financial key performance indicator (KPI) targets, especially for KPIs related to human capital, and work to achieve them
- ◆ Improve governance of overseas subsidiaries

Basic Policy for Financial Strategy

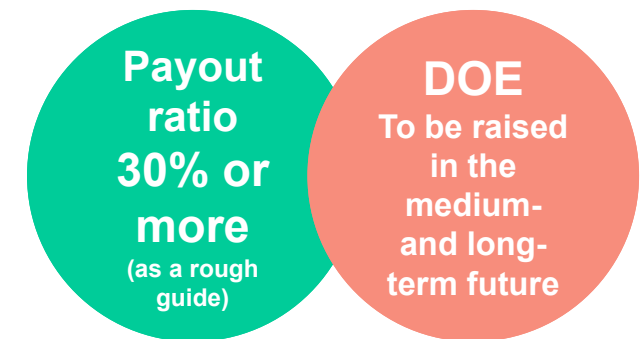
Future revenue and capital structures

- Endeavor to quickly achieve an ROE ratio that exceeds the cost of capital (i.e. 8% or more).
- Reduce shareholders' equity (to an equity ratio of approximately 50%) on the basis of the operating profit target through the business strategy with a view to continuously increasing the return on capital.



Shareholder returns policy

- Pay attention to the dividend on equity (DOE) ratio as a principal indicator of shareholder returns for the purpose of increasing the stability of dividends and strive to improve their level in the medium- and long-term future.



Numerical Management Targets under the OX-2026

Consolidated financial results and return on capital

	FY2022 results	FY2023 results	FY2024 targets	FY2025 plan	FY2026 plan
Net sales	76,854 million yen	78,152 million yen	70,000 million yen	72,500 million yen	75,500 million yen
Operating profit	5,271 million yen	4,082 million yen	4,100 million yen	4,700 million yen	5,000 million yen
Operating profit margin	6.9%	5.2%	5.9%	6.5%	6.6%
Profit	3,848 million yen	-7,097 million yen	2,800 million yen	3,120 million yen	3,320 million yen
ROE	6.0%	-11.1%	4.7%	5.4%	6.0%

Shareholder returns

	FY2022 results	FY2023 results	FY2024 targets	FY2025 plan	FY2026 plan
Payout ratio	29.5%	—	49.5%	Under consideration	
DOE	1.8%	1.8%	2.3%	Under consideration	

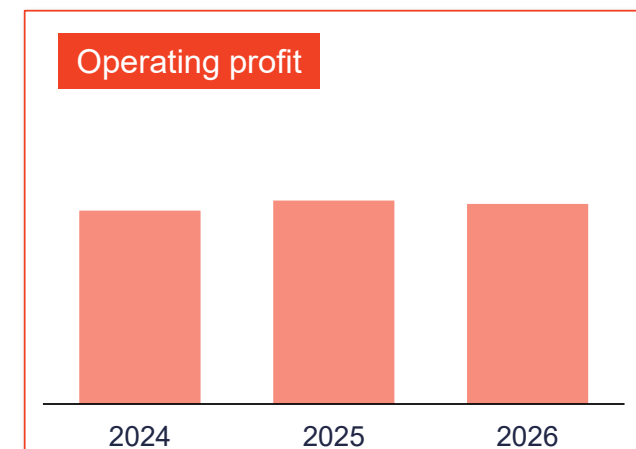
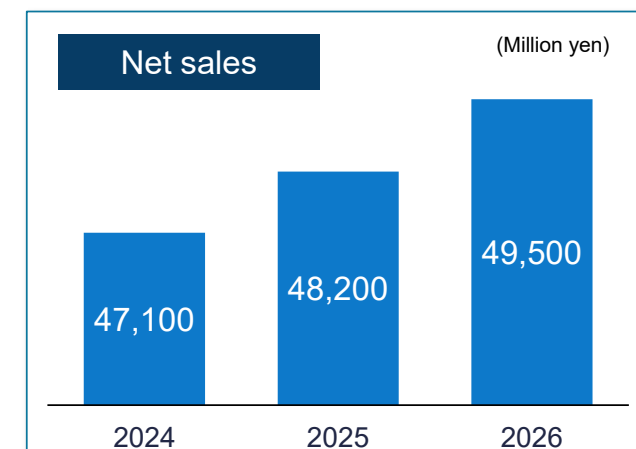
Construction-Related Products in Japan

Customer-centric initiatives

- ◆ Innovate and strengthen the sales structure and build organized one-stop sales operations
- ◆ Reconstruct a structure to ensure a swift and accurate response to customers' needs
- ◆ Offer new products and services that prioritize the resolution of issues faced by customers and society

Promote digital transformation

- ◆ Carry out DX to provide customers with new additional value
- ◆ Improve business processes and increase their productivity



Construction-Related Products outside Japan

Customer-centric initiatives



U.S.

- ◆ Improve the logistics and production systems to swiftly answer customers' needs
- ◆ Provide new products and services



Indonesia

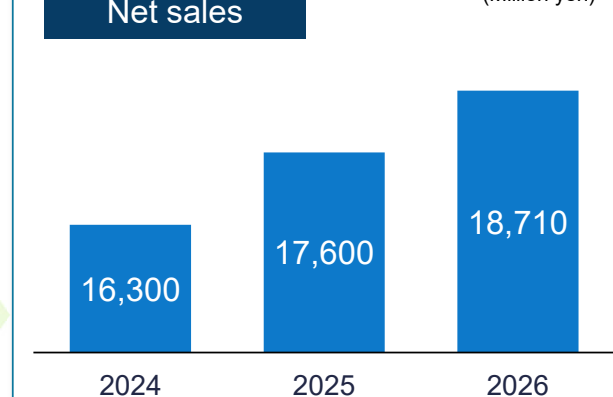
- ◆ Conduct marketing based on an accurate understanding of the growing needs of customers
- ◆ Build a business foundation for OKABE GALLERY, a newly launched store that deals in building materials, and carry out new endeavors

Implement human capital management

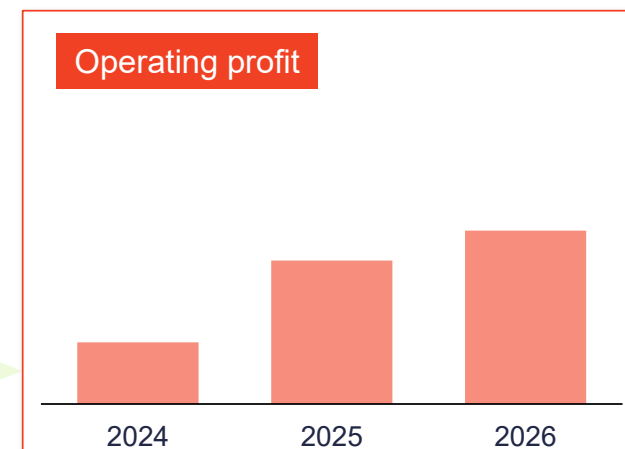
- ◆ Develop and secure overseas personnel and construct a pool of human resources

Net sales

(Million yen)



Operating profit



Performance Targets by Segment

		FY2024 targets	FY2025 plan	FY2026 plan
Net sales		70,000	72,500	75,500
Construction-related products		63,400	65,800	68,210
Japan	- Temporary building and formwork products	7,300	7,500	7,600
	- Civil engineering products	7,500	7,800	8,000
	- Building structural products	21,000	21,500	22,300
	- Building materials	11,300	11,400	11,600
	Total	47,100	48,200	49,500
Overseas	- Building products and materials	16,300	17,600	18,710
	Total	16,300	17,600	18,710
Diversification business		6,600	6,700	7,290
Operating profit		4,100	4,700	5,000
Construction-related products		3,530	4,080	4,240
Diversification business		570	620	760
Operating profit margin		5.9%	6.5%	6.6%
Ordinary profit		4,400	4,800	5,100
Profit		2,800	3,120	3,320
ROE		4.7%	5.4%	6.0%

Implementing Human Capital Management

Management Philosophy

Contributing to society by providing safety and security

Okabe Corporate Vision 2040

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.

Diverse human resources working for the Okabe Group = A source of new value creation

Secure human resources

Improve engagement

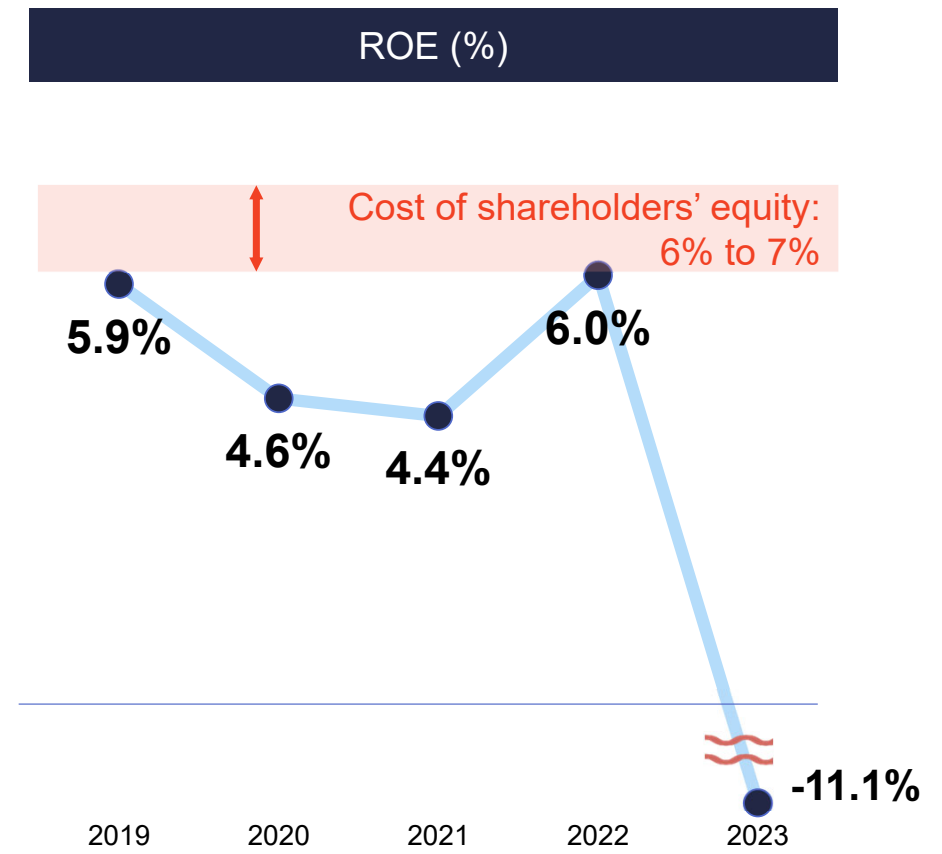
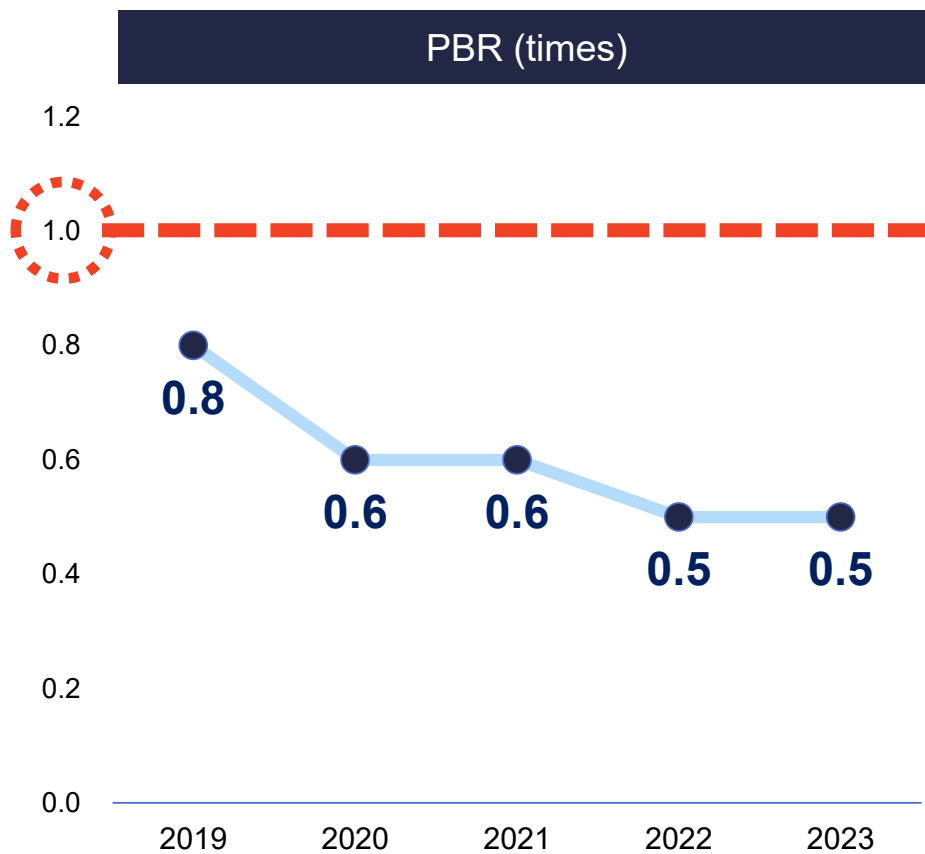
Offer the environment and opportunities for development

Health and productivity management

Invest in human resources proactively to boost corporate value

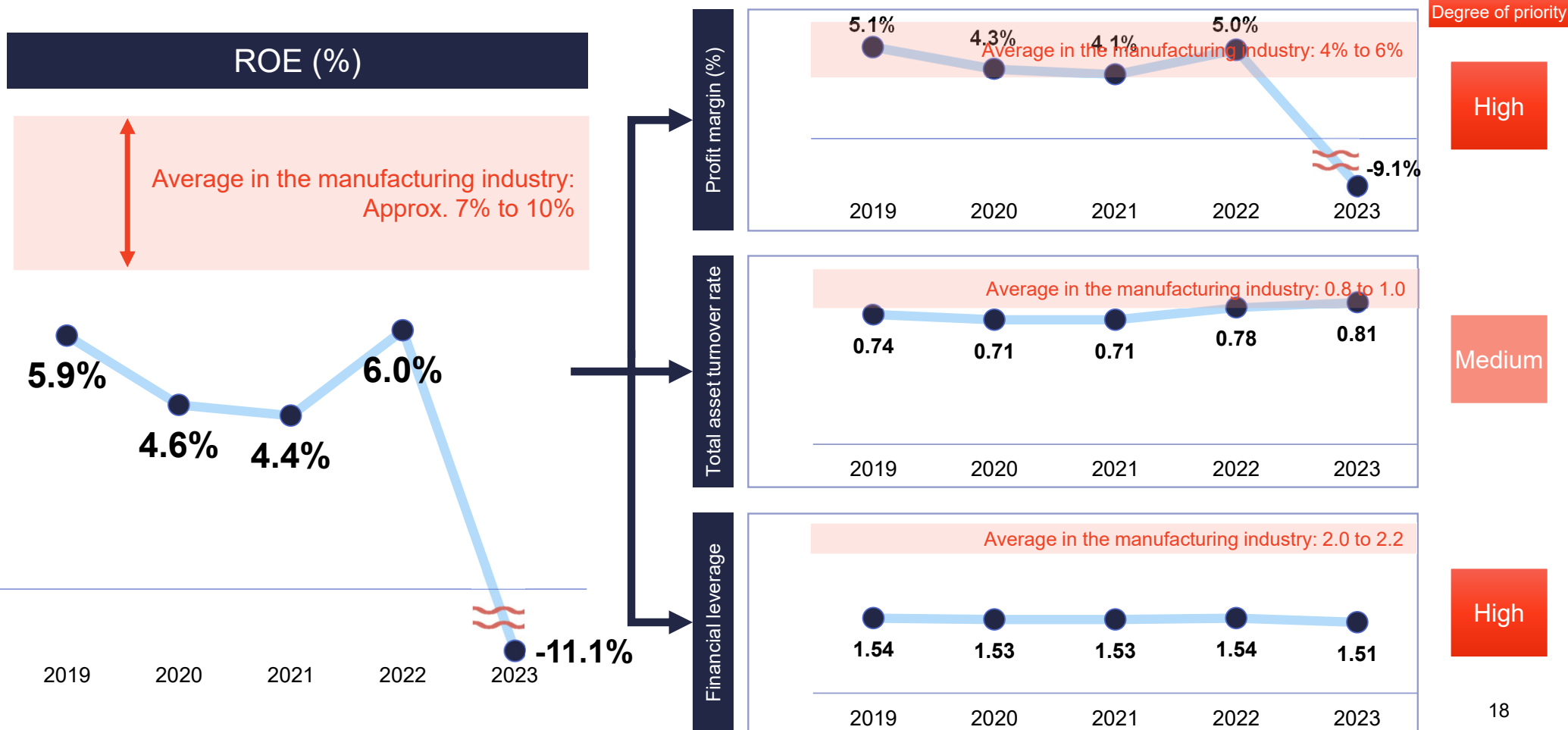
Analysis of Present Status

PBR stayed below 1. The current ROE level fails to reach the level of the cost of shareholders' equity sought by the market.

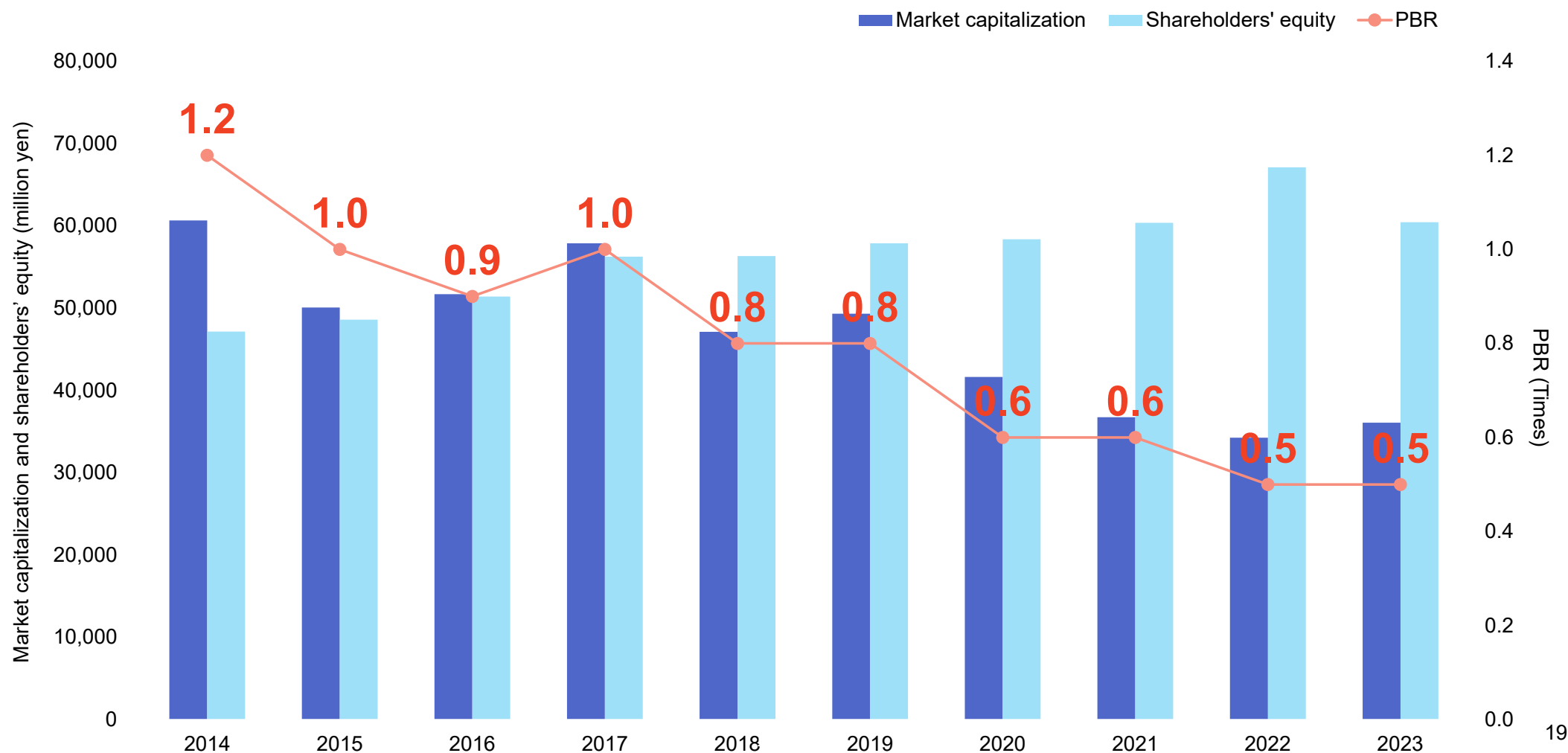


Analysis of Factors for Poor ROE (DuPont Analysis)

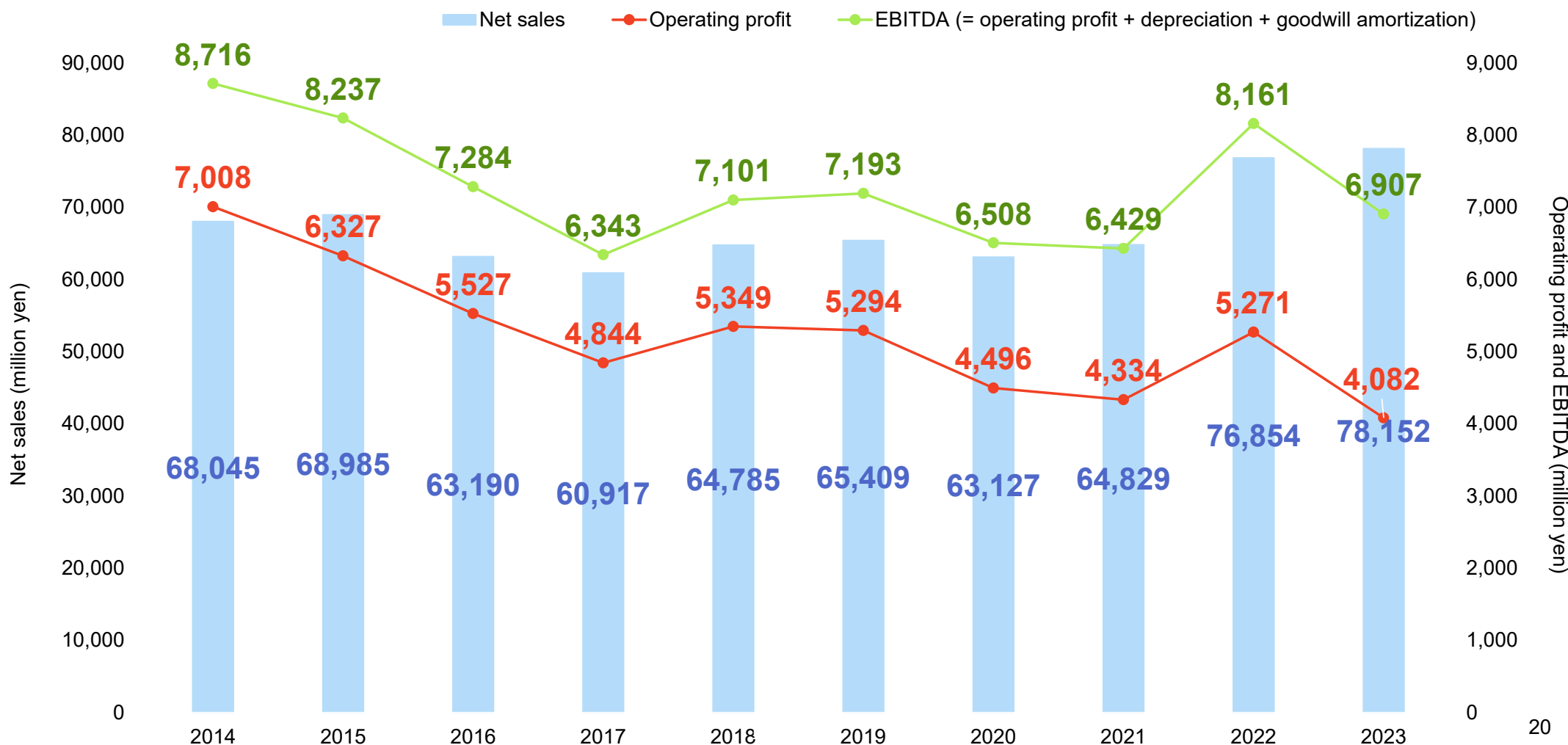
Increase profitability and streamline the balance sheet to achieve an ROE level that is higher than the cost of shareholders' equity promptly



Trends in PBR, Market Capitalization and Shareholders' Equity



Trends in Net Sales, Operating Profit and EBITDA



Towards Reaching 1 or More in PBR

Capital cost management

- Swift achievement of 8% in ROE
- Optimization of our business portfolio
- Presentation of long-term strategy
- Proactive disclosure of ESG-related information



Growth investment

- Capital investment
- M&A
- R&D
- Investment for growth in the United States

Strengthening shareholder returns

- Payout ratio of 30% or more
- Introduction of an indicator for DOE
- Purchase of treasury shares

Financial health

Investment Plan

We will invest a total of 21 billion yen during 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 those in activities 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.

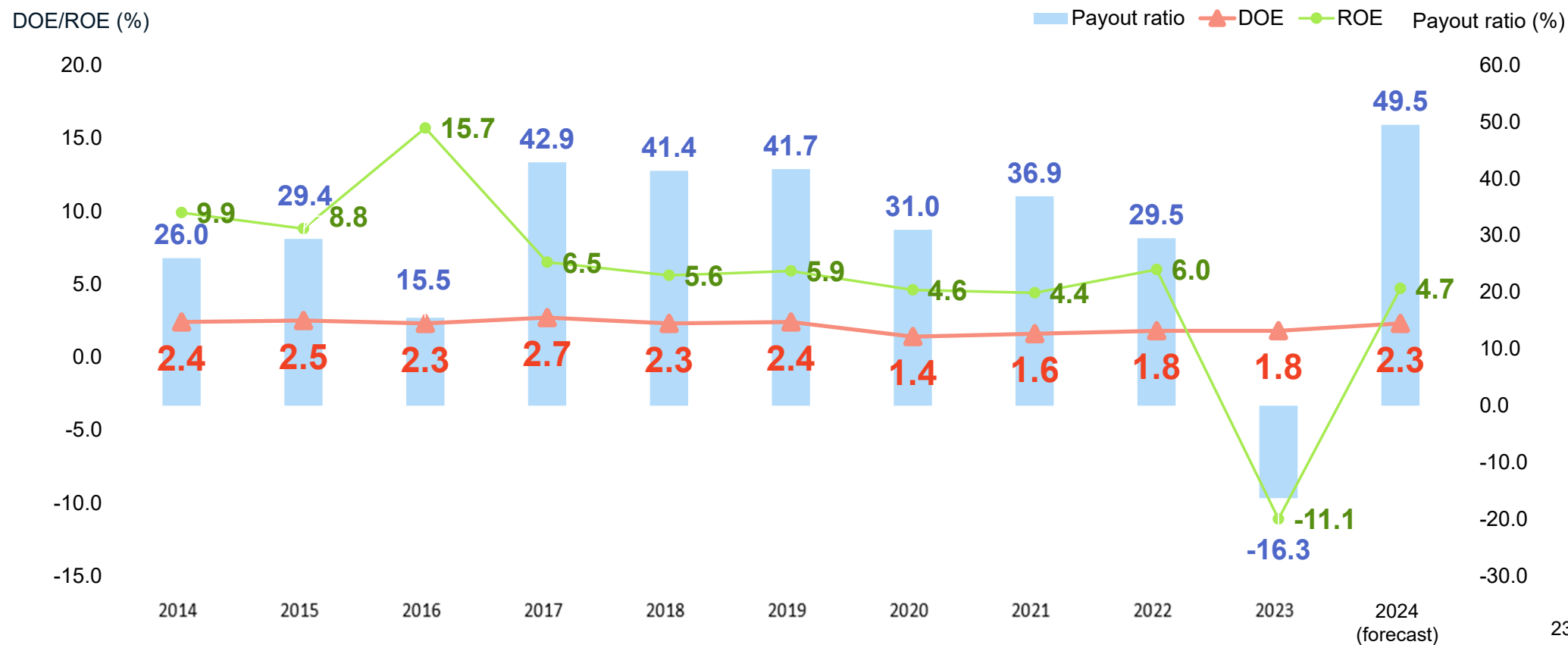
Human capital investment
Approx. 1 billion yen

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

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

Addition of Shareholder Return Indicator

In addition to the payout ratio target of 30%, we will pay attention to the dividend on equity (DOE) ratio as another main indicator of shareholder returns in order to boost stability of dividends and strive to improve its level in the medium- and long-term future.



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	FY2023 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 products that contribute to earthquake resistance, etc. (structural equipment products)	Million yen	11,555	12,400	
	Sales of products that contribute to slope reinforcement, etc. (civil engineering products)	Million yen	3,390	3,600	
	Number of new products launched	Products	9	10 in the full year	
4 Personal relationships and human capital management	Number of universities participating in joint research	Universities	Contractual relationship: 5 Cooperative relationship: 6	10	
	Ratio of female managers	%	4.7	10	
	Ratio of employees taking childcare leave	%	41.7	100	
	Number of employees with disabilities	People	11	16	
	Number of IT-related qualifications held	Qualifications	95	600	
	Investment in social and community contribution activities	Million yen	26	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 ₂ e	Calculation in progress	Down 9.5% or more year on year	
	CO ₂ emissions (Scope 3) total	t-CO ₂ e	Calculation in progress	Down 4.0% or more year on year	
	Number of seaweed seedlings shipped that will be helpful to CO ₂ absorption and fixation	Seedlings	185	2,000	
	Total recycled waste volume	Tons	2,749	3,396 (+5% year on year)	
	Number of used plastic D cones recycled	Thousand	970	3000	
8 Strengthening of governance	Ratio of Outside Directors	%	41.7	1/3 or more	
	Ratio of female Directors	%	8.3	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.

