

# NEXT100 – Exciting Future

Feb 14, 2017

Okabe Co., Ltd.

(Stock Code: 5959)

## Okabe Formulates a Three-Year Medium-Term Management Plan, NEXT100 – Exciting Future

The Okabe Group is pleased to announce that it has developed a three-year medium-term management plan, NEXT100, as it marks the 100th anniversary of its founding this year.

### Summary of medium-term strategic plan NEXT100 – Exciting Future

The Group will define its vision, and to achieve the vision, it will pursue three key policies and work to strengthen its business base.

#### 1. Vision of the Group

- ★ The Group aims to become a global manufacturer that will achieve globally its goal of contributing to society by providing safety and security.
- ★ Harnessing its technological capability, the Group will focus on temporary building and formwork products, building structural materials, and civil engineering products, particularly building structural materials related to earthquake proofing, vibration control, and seismic isolation in the field of construction materials. It will also expand production particularly of battery terminals as well as bolts and nuts in the field of automobile parts.
- ★ The Group aims to become a corporate group that possesses an exciting organizational culture.

#### 2. Three key policies

##### (i) Concentrating management resources in the core businesses

The Group will concentrate its management resources on its core businesses (construction-related products business and automotive products business). The Group will conduct M&A in its core businesses.

##### (ii) Developing new products

The Group will work to develop products in growth fields in the construction materials business, auto parts business (battery terminals etc.), and marine business. Over the next three years, the Group will bring to the market products that will generate sales of 5.0 billion yen.

##### (iii) Promoting global operations

The Group will further promote overseas operations in the construction materials business, auto parts business, and marine business. The Group will increase ordinary income from overseas operations to 40% of overall ordinary income.

#### 3. Strengthening business base

The Group will strengthen its business base by pursuing the vision, reconfirming the values of the creed on which the three key policies are based, recruiting and cultivating diverse human resources, strengthening governance, and improving working conditions.

#### 4. Performance goals for 2019

The Group aims for net sales of 72 billion yen and ordinary income of 7.0 billion yen in 2019.

## NEXT100 – Exciting Future

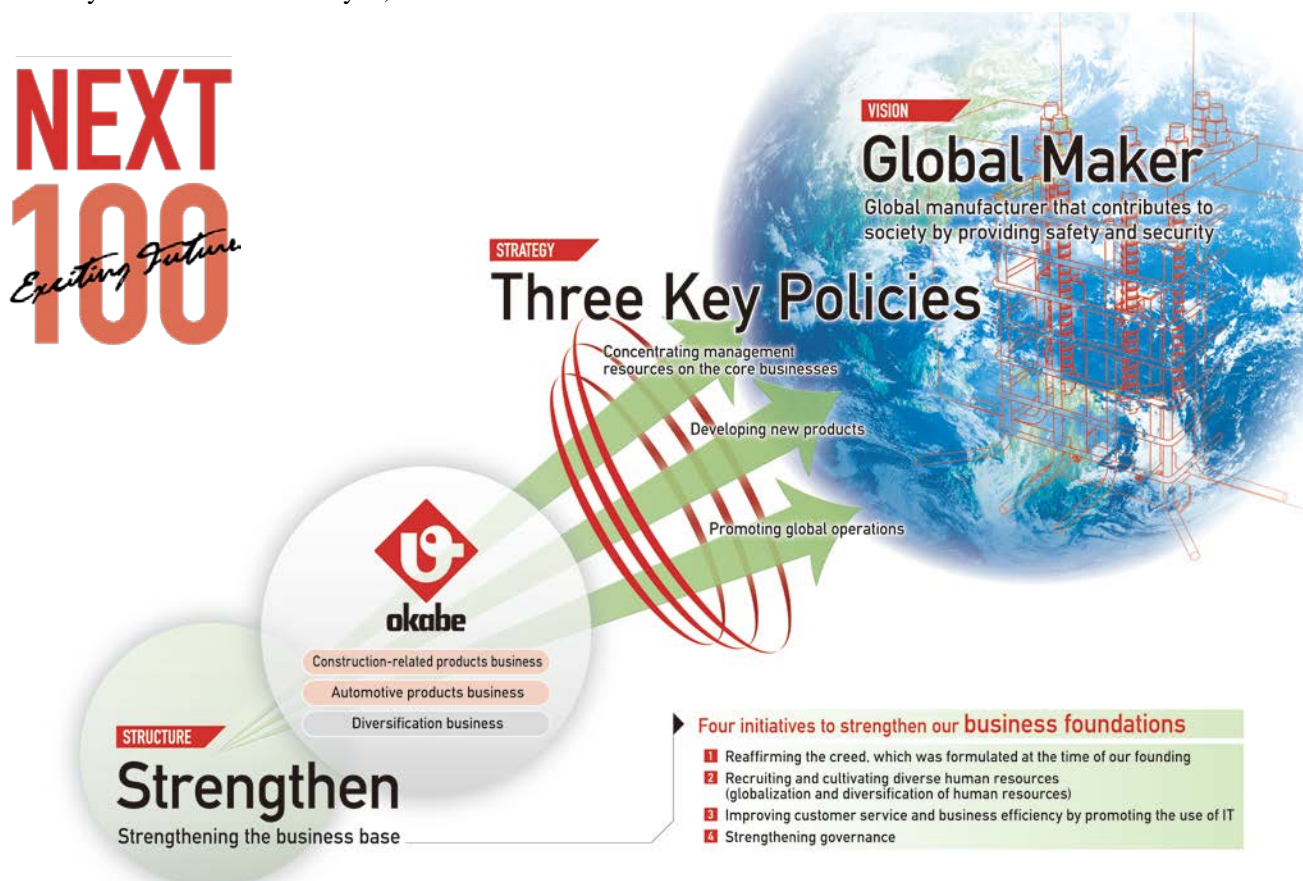
### I. Position of NEXT100 – Exciting Future

Medium-Term Management Plan NEXT100 – Exciting Future is a three-year plan starting from 2017 for building a foundation for growth for the next 100 years (NEXT100).

Since the establishment in 1917, the Group has been promoting new products and the development of global operations with the corporate mission: “contributing to society by providing safety and security”. Recently we have achieved growth in our results, recording gains both in sales and profits for five consecutive fiscal years from 2010. In 2014, the Group posted a record profit. In global operations, the Group has made progress in its auto parts business and has achieved some growth in its construction materials business in North America. On the investment front, the Group has expanded its production and logistics bases both in Japan and overseas. The Group has sold its hotel business, a non-core business, and has made clear its policy of focusing on its core businesses.

The domestic construction market is likely to be stagnant in the medium to long terms, but demand in the Tokyo area is expected to be firm, with diverse, large-scale projects planned in the area. We believe that in this environment, the Group can achieve growth by devising detailed marketing strategies by product and developing products that will meet needs. In overseas markets, we will seize opportunities in areas where growth is expected to accelerate the development of global operations. Meanwhile, we will strengthen our business base, which is the basis for those growth strategies, by cultivating human resources and improving working conditions.

We will implement each policy of NEXT100 steadily to lay a foundation for realizing the Group’s vision in the next 100 years, while promoting M&A. In this way, we will build a foundation for achieving net sales of 100 billion yen, ordinary income of 10 billion yen, and an ROE of 10%.



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### II. Growth strategies by segment

#### 1. Construction-related products business

##### 1) Assumed business environment

###### Japan

Although there will likely be demand for construction primarily in the Tokyo area, the business is expected to be stagnant nationwide. In this environment, there will continue to be needs for the safety of buildings and a sense of security about buildings and structural problems, including labor shortages due to the aging of workers at building sites.

We expect a change in the model of the construction business due to innovations in IT, including the IoT and I-Construction.

###### 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

We will improve the product lineup and will promote product development by product area and will execute fine-tuned strategies by product. In this way, we will expand market share.

We will encourage the use of IT in the sales division to improve our customer service and business efficiency.

The following is our product development policy in the medium to long term:

###### (i) Improve building structural products

- ◆ Set up an Okabe comprehensive experiments center in 2018 to strengthen development power  
(Introduce dynamic testing equipment to increase our ability to develop new products and the speed of development)

⇒ Develop new products in the fields of vibration control and seismic isolation

⇒ Improve the lineup of earthquake-proof products, especially column bases

###### (ii) Improve the lineup of wooden construction products

⇒ Offer products in the field of medium-sized wooden buildings, applying our expertise related to building structural products

###### (iii) Improve civil engineering products

⇒ Renew labor-saving slope protection products

###### (iv) Improve temporary building and formwork products

⇒ Develop products that will meet detailed on-site needs and will help improve on-site work efficiency

###### (v) Explore the possibility of creating new businesses by combining technical services and product development

⇒ Conduct basic research to use IT, including the IoT, for construction materials

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### Overseas

#### United States

We will increase sales to 10 billion yen in the medium to long term by expanding logistics bases significantly and securing bases for manufacturing temporary building and formwork products in the United States through the building of the Group's own plants or M&A with local manufacturers.

#### China, ASEAN, and South Asia

We have explored business opportunities in China through our base in Shanghai. Going forward, we will promote one-time sales and market research in the ASEAN region and South Asia, where growth is expected, to establish new local bases and to start full-scale business operations.

## 2. Automotive products business

The Group's battery terminals, mainline products of the Group, are used in a range of battery boxes of automobiles and industrial machines. They are global products targeting a variety of markets and 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, the main market, 75 million vehicles were sold in 2016. By 2020, 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 in consideration of sustainability will be strongly required.

### 2) Major initiatives

Aiming for sales of 10 billion yen, the Group will carry out the following initiatives: strengthening ties with global manufacturers of batteries, increasing market share in Europe, tapping the market for the base in China, promoting the development of next-generation products with large customers, developing technological capability in consideration of sustainability, and improving production facilities.

The Group will pursue further growth in sales of bolts and nuts for automobiles in the United States, taking advantage of the Okabe brand, which the Group has established in North America through sales of two-piece nuts for trucks, and the Group's track record in contributing to safety and security.

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### 3. Diversification Business (including marine business)

The name of this segment, which was “Other Businesses” until the previous fiscal year, has been changed to “Diversification Business.” This segment continues to consist 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 also posted in this segment.

The Company’s basic strategy is to focus on its core businesses. However, the Company will seize business opportunities with a disciplined approach even in the Diversification Business segment if the opportunities are in line with the Company’s management philosophy and direction.

#### Assumed business environment and major initiatives

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. We will continue to improve our products to meet customer needs.

Inquiries about this business from overseas have been increasing. We will expand overseas more actively to achieve steady growth as a global business.

At the Applied Phycology Research Laboratory (Amacho, Oki-gun, Shimane), one of Japan’s largest applied phycology research institutes, we have conducted research on effective ingredients extracted from algae and in the previous fiscal year launched a cosmetics business using the effective ingredients of algae. We will put this business on track and will seek to develop operations in new fields, using effective ingredients of algae, possibly with other entities, including universities.

## **NEXT100 – Exciting Future**

### **III. Initiatives to strengthen the business base**

To realize the Group's vision, we will pursue the initiatives below to strengthen the business base.

#### **Reaffirming the creed and making the Company an exciting one**

The Company will celebrate the 100th anniversary in April. We will go back to our spirit when the Company was founded and will follow the Group's creed, which was formulated at the time of foundation, as values shared by all officers and employees of the Company.

##### **The Group's creed**

- We will have a pioneering spirit and will work to demonstrate ingenuity and create innovations at all places of work.
- We will have a commitment to service and will strive to contribute to society and the Group's development.
- We will endeavor to cultivate human resources for sustainable development.
- The Group will be a workplace that employees will not regret devoting their lives to.

#### **Corporate governance**

We will review and strengthen governance systems following a change into a company with an audit and supervisory committee.

We will work to improve governance in light of the purpose of the Corporate Governance Code.

#### **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.

#### **Introducing stock compensation for employees**

We will motivate employees to raise our enterprise value for the medium to long term across the board to increase the stock value.

#### **Pursuing improvement in operational efficiency by updating ERP systems and other means and creating a good working environment**

We will proactively invest in IT to improve operational efficiency and the working environment.

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### IV. Investment plan (three years)

#### 1. Capital expenditure: 17.0 billion yen

##### ● Construction-related products business

◇ Japan: Investment for improving production bases and R&D (including investment in comprehensive experiments center) -----	¥5.5bn
◇ US: Investment for expanding logistics bases and establishing new production facilities, etc.----	¥4.5bn
◇ IT investment, domestic replacement investment, etc. -----	¥3.0bn
Construction-related products business total -----	¥13.0bn

##### ● Automotive products business

◇ Investment for expanding production facilities, R&D investment -----	¥4.0bn
Automotive products business total -----	¥4.0bn

#### 2. M&A investment

- Acquisitions of and investment in a few companies are being considered in accordance with growth strategies for the core businesses. The amount of investment 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. As we have already announced, we will pay commemorative dividends in 2017 in commemoration of the 100th anniversary of our founding.

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.

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**V. Consolidated Performance Targets by Segment (FY2017 through FY2019)** (Million yen)

	FY2016	FY2017 target	FY2018 target	FY2019 target
<b>Net Sales</b>	<b>63,190</b>	<b>62,000</b>	<b>67,500</b>	<b>72,000</b>
■ <b>Construction-Related Products Business</b>	<b>47,711</b>	<b>51,400</b>	<b>55,800</b>	<b>59,200</b>
<Japan>				
-Temporary Building and Concrete Forming Products	7,093	7,600	8,000	8,300
-Civil Engineering Products	5,553	5,850	6,300	6,700
-Building Structural Products	18,342	20,500	22,800	24,000
-Building Materials	12,224	12,950	13,500	14,200
<b>Subtotal</b>	<b>43,214</b>	<b>46,900</b>	<b>50,600</b>	<b>53,200</b>
<Overseas>				
-Building Materials	4,496	4,500	5,200	6,000
<b>Subtotal</b>	<b>4,496</b>	<b>4,500</b>	<b>5,200</b>	<b>6,000</b>
■ <b>Auto-Related Products Business</b>	<b>8,975</b>	<b>9,000</b>	<b>9,700</b>	<b>10,600</b>
■ <b>Hotel Business</b>	<b>5,204</b>	<b>-</b>	<b>-</b>	<b>-</b>
■ <b>Diversification Business</b>	<b>1,299</b>	<b>1,600</b>	<b>2,000</b>	<b>2,200</b>
<b>Operating Income</b>	<b>5,527</b>	<b>5,700</b>	<b>6,300</b>	<b>6,900</b>
■ <b>Construction-Related Products Business</b>	<b>3,940</b>	<b>4,450</b>	<b>4,800</b>	<b>5,300</b>
■ <b>Auto-Related Products Business</b>	<b>1,021</b>	<b>1,080</b>	<b>1,300</b>	<b>1,350</b>
■ <b>Hotel Business</b>	<b>501</b>	<b>-</b>	<b>-</b>	<b>-</b>
■ <b>Diversification Business</b>	<b>63</b>	<b>170</b>	<b>200</b>	<b>250</b>
<b>Ordinary Income</b>	<b>5,780</b>	<b>5,800</b>	<b>6,400</b>	<b>7,000</b>
<b>Ordinary Profit Ratio</b>	9.1%	9.4%	9.5%	9.7%
<b>Net Income</b>	<b>7,861</b>	<b>3,640</b>	<b>4,000</b>	<b>4,400</b>
<b>ROE</b>	<b>15.7%</b>	<b>7.0%</b>	<b>7.5%</b>	<b>8.1%</b>

Note: The Company withdrew from the hotel business by transferring all the shares in Okabe North America, Inc. and Coast Hotels Limited, local subsidiaries in Canada engaged in the hotel business, on September 6, 2016.