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To whom it may concern

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### Announcement of Formulation of the Midterm Management Plan

We are pleased to announce that the Okamura Group has formulated a new Midterm Management Plan for three years from the term to March 2021 to the term to March 2023.

#### 1. Aim of new Midterm Management Plan

This Midterm Management Plan has set financial targets for five years ahead and put together measures to be taken over the next three years to achieve those targets. It was determined through backcasting (starting from the future) rather than by short-term orientation as the Company had done in the past.

Following the spread of COVID-19, the government has recently declared a state of emergency nationwide. It is predicted that it will take time before the pandemic is stamped out and that there will be various environmental changes after it is eradicated. Under these circumstances, although a temporary downturn of performance is unavoidable, the Okamura Group will work to create new demand and reform its business structure in accordance with the Midterm Management Plan.

#### 2. Basic policy

We aim to enhance corporate value through continued growth and active ESG initiatives by creating new demand, achieving greater operational efficiency, and promoting globalization.

#### 3. Financial Targets

(Term to March 2025)

Operating income: 7% or more

ROE: 10%

#### 4. Attachment

Midterm Management Plan (FY2020-2022)

Three-Year Action Plan to Achieve Target for Five Years Ahead

# Midterm Management Plan (FY2020–2022)

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Three-Year Action Plan to Achieve Target for Five Years Ahead

Okamura Corporation

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Amidst the major changes in the social environment, such as the ongoing decrease in the working population, spread of work style reforms, and progress of digital technology, the Okamura Group will push structural reforms to develop products and services that anticipate changes in social and market requirements, promote and achieve the establishment of new business models, and ensure that its current operational systems can meet future changes.

## *Mission*

**We serve society by creating environments for dynamic interaction through innovative ideas and proven quality.**

## *Company vision*

We aim to become a trusted leading company by continuing to provide high-quality products and services and take on the challenge of creating new value, markets, and trends.

## *Value creation*

As the society pursues new values in order to preserve (or secure) its sustainability, the Okamura Group considers it important to focus on ESG in its business operations as it strives to achieve sustainable growth. In order to fulfill its mission, the Group has set the following four themes and priority tasks to work on in its business activities from the viewpoint of its businesses and diverse stakeholders, including future ones.

Creating spaces for people to come together

Pursuing employee satisfaction

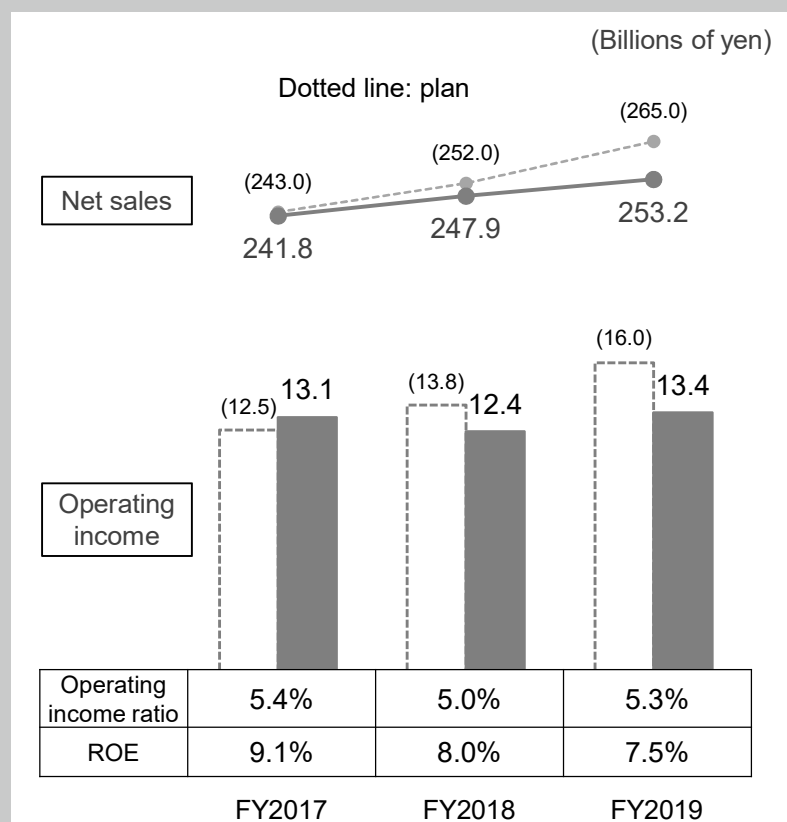
Implementing global environmental initiatives

Conducting responsible corporate activities

# Review of the Last Midterm Management Plan (FY2017–2019)



## Financial Targets



The business environment was comparatively strong, but the net sales target was not achieved. The gross profit margin improved, but the operating income goals were not achieved either, because increases in cost of raw material and logistics and personal expenses were not covered.

## Management Themes

- Enhanced planning and proposal abilities contributed greatly to higher profitability while delay in responding to rising cost considerably offset it.
- The Company achieved greater operational efficiency by actively introducing and utilizing ICT.
- The goal of expanding the office-related furniture business and developing the overseas market further was only half achieved.

## Office Furniture business

In FY2018, due to the large relocation demand associated with the completion of new large office buildings in central Tokyo and a growing eagerness to invest in work style reforms, the Company achieved the highest ever income, but demand for small projects remained sluggish because of deteriorating business confidence, causing the Company to fail to achieve both sales and operating income goals.

## Store Display business

In FY2018, the pace of new store openings in the retail industry slowed down, deteriorating the market environment. The Company maintained sales mainly by meeting the demand associated with labor shortages, but saw its operating income decline substantially. Later, it focused on measures to improve the profit ratio and produced certain results in FY2019, but the operating income was much lower than initially planned.

## Material Handling Systems business

Boosted by the tailwind of a growing demand for material handling system equipment, profitability remained high. Efforts taken to manage orders and costs were effective, and sales increased steadily as the capacity to accept orders grew, including the expansion of production equipment. As a result, the operating income exceeded the initial plan.

# Medium-to-Long-Term Outlook for Changes in the External Environment



Global	
Economy	<ul style="list-style-type: none"><li>■ Along with China, Emerging markets in India and ASEAN will drive economic growth.</li><li>■ In emerging markets, high-income earners will grow, making consumption more sophisticated and prompting the progress of urbanization.</li></ul>
Society	<ul style="list-style-type: none"><li>■ As the world population grows, China and ASEAN countries will also shift to an ageing society gradually.</li><li>■ Energy conservation, resource conservation, and measures to mitigate global warming will gain greater importance on a global scale.</li><li>■ Recycling-oriented societies will develop as the sharing economy expands.</li><li>■ Digitization and mobility revolution will change the lifestyles of people.</li></ul>
Industry and business	<ul style="list-style-type: none"><li>■ The digital transformation will allow businesses to add more value to products and services and reduce the overall costs.</li><li>■ The business model of simple selling will shift to that of subscriptions and recurring revenues*.</li><li>■ The key to corporate competitive power is the ability to create new businesses through open innovation.</li></ul>

\*Business model in which the company gains recurring revenue from customers after sales

Japan	
Economy and society	<ul style="list-style-type: none"><li>■ The economic growth will continue to slow down due to population decrease, ageing of the population, and social security and fiscal problems.</li></ul>
Key to and challenges for growth	<ul style="list-style-type: none"><li>■ Creating innovative ideas that solve social problems and improve the quality of life</li><li>■ Establishing a sustainable regional economy</li><li>■ Meeting the growing global demand</li><li>■ Changing fiscal and social security systems to support the 100-year lifespan</li><li>■ Developing people to learn and take action, as well as reforming the working style to encourage people to take on new challenges proactively</li></ul>

(Excerpts from Mitsubishi Research Institute's "Medium-term Domestic and Global Economic Outlook" and "Future Society 2050")

# Overview of the Midterm Management Plan (FY2020–2022)



## Basic policy

Aim to enhance the corporate value through continued growth and active ESG initiatives by creating new demands, achieving greater operational efficiency, and promoting globalization.

## Financial Targets

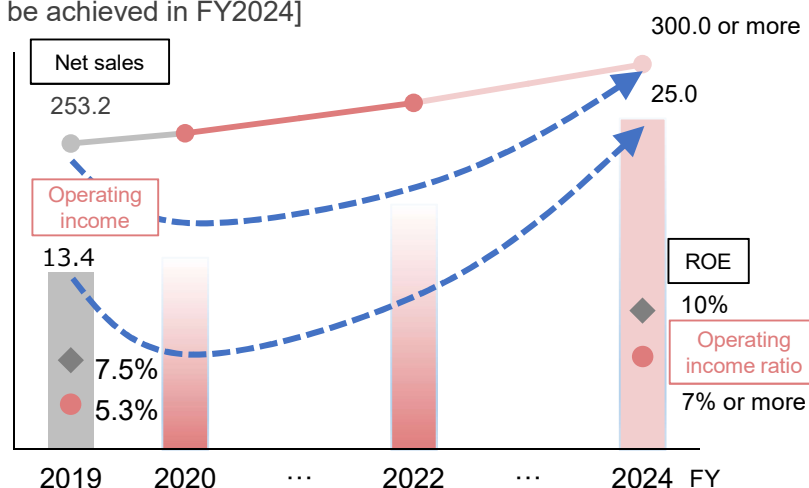
Setting financial targets to be achieved in five years (FY2024). Aim to produce quantitative effects one at a time over the next five years by taking various measures during the period of the mid-term management plan.

## Specific goals (FY2024)

Operating income ratio:  
7% or more

ROE: 10%

[Conceptual diagram of the quantitative growth to be achieved in FY2024] (Billions of yen)



## Management Themes

In order to meet environmental changes, the Company will change its business structure and work on the three priority tasks listed below on a Company-wide basis.

### Supply chain reforms

Reform the supply chain to be suitable for manufacturing a wide variety of products flexibly, in an effort to respond to diversifying customer needs and changing market trends.

### Promotion of digital transformation

Add greater value to products and services by making the most of advanced digital technologies such as AI, IoT, and robotics; and achieve greater overall operational efficiency.

### Strengthening of overseas business

Strengthen overseas business by setting priority markets in ASEAN countries where economic growth, an increase in high-income earners, and urbanization are expected.

## Office Furniture business

### Business environment

In terms of new large office buildings to be completed in the metropolitan area, the market will remain sluggish in 2021 and 2022, but secondary and tertiary relocation and work style reforms will keep demand strong.

An exemplified by the emergence of non-stereotyped offices, diversifying work styles will create diverse needs for offices and furniture among customers.

PM firms, design offices, and general contractors will have greater presence as office coordinators in the market.

### Business strategy

Enhanced ability to make value-adding proposals and offer appealing products to meet the diversification of work styles and work environments.

Develop products and services that enable the Company to maintain a stable revenue by remaining in contact with customers after sales.

Expand sales in adjacent market areas (such as health care) and for emerging enterprises.

Reinforce the business basis in the ASEAN market.

## Store Display business

### Business environment

The opening of new stores will slow down mainly due to a sluggish growth in the domestic retail market and labor shortages. As a result, restructuring, consolidation, and competition among different types of retail will intensify.

The promotion of digital transformation for store operation and merchandising will progress and be accelerated.

Environmental measures taken by the retail industry, including energy conservation, reduction in plastic usage, and reuse of food ingredients to be discarded, will become more important.

### Business strategy

Shift from sales of store displays and appliances to store development.

Optimize the procurement mix between products manufacture in-house and those procured externally.

Strengthen profit management and achieve greater operational efficiency through integrated process reforms.



## Material Handling Systems business

### Business environment

Demand for logistic facilities will grow backed by the expansion of the e-commerce market.

Due to labor shortages, the need to save manpower and automation at logistic facilities will grow.

### Business strategy

Expand product and service lineups to meet the need of labor saving.

Build value-added service business model by taking advanced digital technology into material handling system.

Enter to growing markets overseas by collaborating and merging with local enterprises with technological prowess.

## Powertrain business

### Business environment

As the result of stricter environmental regulations, the shift to electric and hybrid industrial vehicles will progress.

The improved quality of products from Chinese manufacturers will intensify price competition in the field of industrial vehicles.

### Business strategy

Develop products that meet environmental requirements.

Broaden customer base through further strengthening relation with Chinese business partner.

Scrutinizing Indian market for future entry.

# Breakdown of Financial Targets (Operating Income) in Five Years



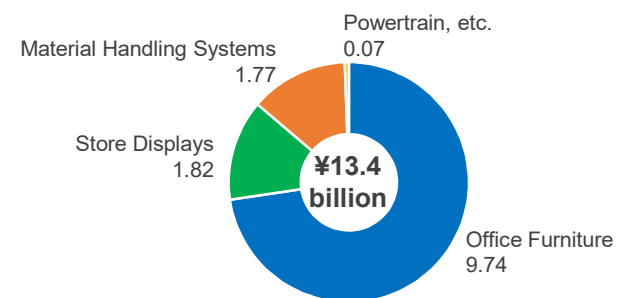
## By business segment



## Component (or Breakdown)

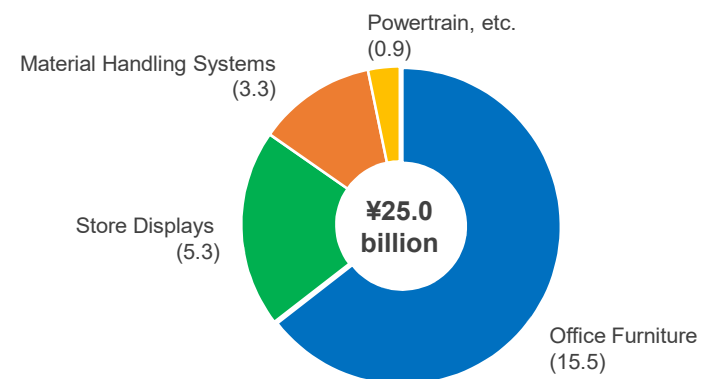
### FY2019 (results)

(Billions of yen)



### FY2024

(Billions of yen)



## Investment policy

### Basic policy

Make active investments that are essential to achieve the goals for Midterm Management Plan.

Select right investment projects from a perspective of strategic fit and financial efficiency.

### Scale of investment

Set ¥20 billion to invest in the maintenance and renewal of production equipment, IT, and so forth; and ¥40–50 billion for strategic investments such as strengthening existing businesses, creating new businesses, and working on priority tasks for three years from FY2020 to FY2022.

## Financial policy

### Basic policy

Maintain a rating of A- (see note) or higher and a net worth ratio of 45% or higher by making the investments required to grow through operating cash flows, asset rearrangement (reduction of policy-based equity holdings), and well-balanced external financing.

(Note) Long-term issuer credit rating by Japan Credit Rating Agency, Ltd.

### Return to shareholders

Maintain a stable payout ratio with one third of the after-tax income as a guideline.

Return profits to shareholders flexibly while taking into account the investment cash flow and the progress in achieving the target ROE.

## Advancing to the next phase of work style reforms

### Currently implementing the WiL-BE campaign in the entire company

Each action theme (set in April 2019)

WiL-BE Promotion Committee			
<b>Human Development</b>	Change how people view their work to promote motivation and capacity for growth	<b>Work Rule</b>	Create an in-house system that allows every employee to enjoy their work
<b>Work Smart</b>	Establish an ICT environment to improve work capacity and efficiency	<b>Work Place</b>	Create a working environment that enhances efficiency and creativity

“WiL-BE” is the name of the work style reforms promoted by Okamura.

It is an initiative to create a workplace that is full of people who are working in a lively manner where they can design “Work in Life” (viewing work as part of their lives and pursuing their own way of living) on their own initiatives and enjoy their lives in a way that suits them.

### To win the competition and enhance the corporate value in the age of rapid changes

- Promote awareness reforms to make Okamura a company where all employees can express their individuality, work in a lively and comfortable manner, and feel that their job is rewarding.
- Increase labor productivity by pushing business and system reforms and increasing employees’ engagement (willingness to work and allegiance to the company).
- Achieve both “Good Okamura = Comfortable to work in” and “Strong Okamura = High profitability.”