

Completion of Large-Scale Office Buildings and Strong Transfer-Based Demand: Net Sales Forecast at 250 billion Yen

—Taking on the challenge of further raising gross profit margin toward achieving our income plan—



Okamura Corporation Financial Results Briefing First Half of FY ending March 2020

November 5, 2019

Masayuki Nakamura,
Representative Director,
President and CEO

1. Corporate Profile

Corporate overview (as of September 30, 2019)

■ Company outline

Establishment October 1945
 Head office Tenri Building, 1-4-1 Kitasaiwai, Nishi-ku,
 Yokohama, Kanagawa

■ Main business (by segment)

Office Furniture	Store Displays	Material Handling Systems and others
Manufacture and sale of and contract installation and interior work for the following: <ul style="list-style-type: none"> • Office furniture • Furniture for public facilities • Furniture for R&D facilities • Safe facilities for financial institutions • Waterproof facilities • Office security systems • SOHO furniture • Partitions 	Manufacture and sale of and contract installation and interior work for the following: <ul style="list-style-type: none"> • Display fixtures • Refrigerated showcases • Store counters • Store carts • Store security systems as well as contract store maintenance services 	Manufacture and sale of and contract installation work for the following: <ul style="list-style-type: none"> • Storage shelves for factories and warehouses • Automated warehousing equipment • Manufacture and sale of torque converters for industrial vehicles and construction equipment • Leasing of the Company's real estate

■ Sales percentage by segment



■ Consolidated business highlights

	FY ended Mar. 2019	First half of FY ending Mar. 2020
Net sales	247.9 billion	118.4 billion
Total assets	229.3 billion	222.2 billion
Net assets	130.4 billion	131.7 billion
Capital stock	18.7 billion	18.7 billion
Number of employees	4,987 persons	5,110 persons

Note: These figures have been rounded off to the nearest unit displayed.

■ Status of shares

Maximum number of issuable shares	400,000,000
Total number of issued shares at year-end (excluding treasury shares)	110,144,946
Number of shareholders	5,537

■ Plants: 14

Japan: 12, Overseas: 2

■ Affiliated companies: 36 (26 Okamura subsidiaries and 10 affiliates)

Japan: 24, Overseas: 12 (China, Thailand, Singapore, Hong Kong, Indonesia, Malaysia)

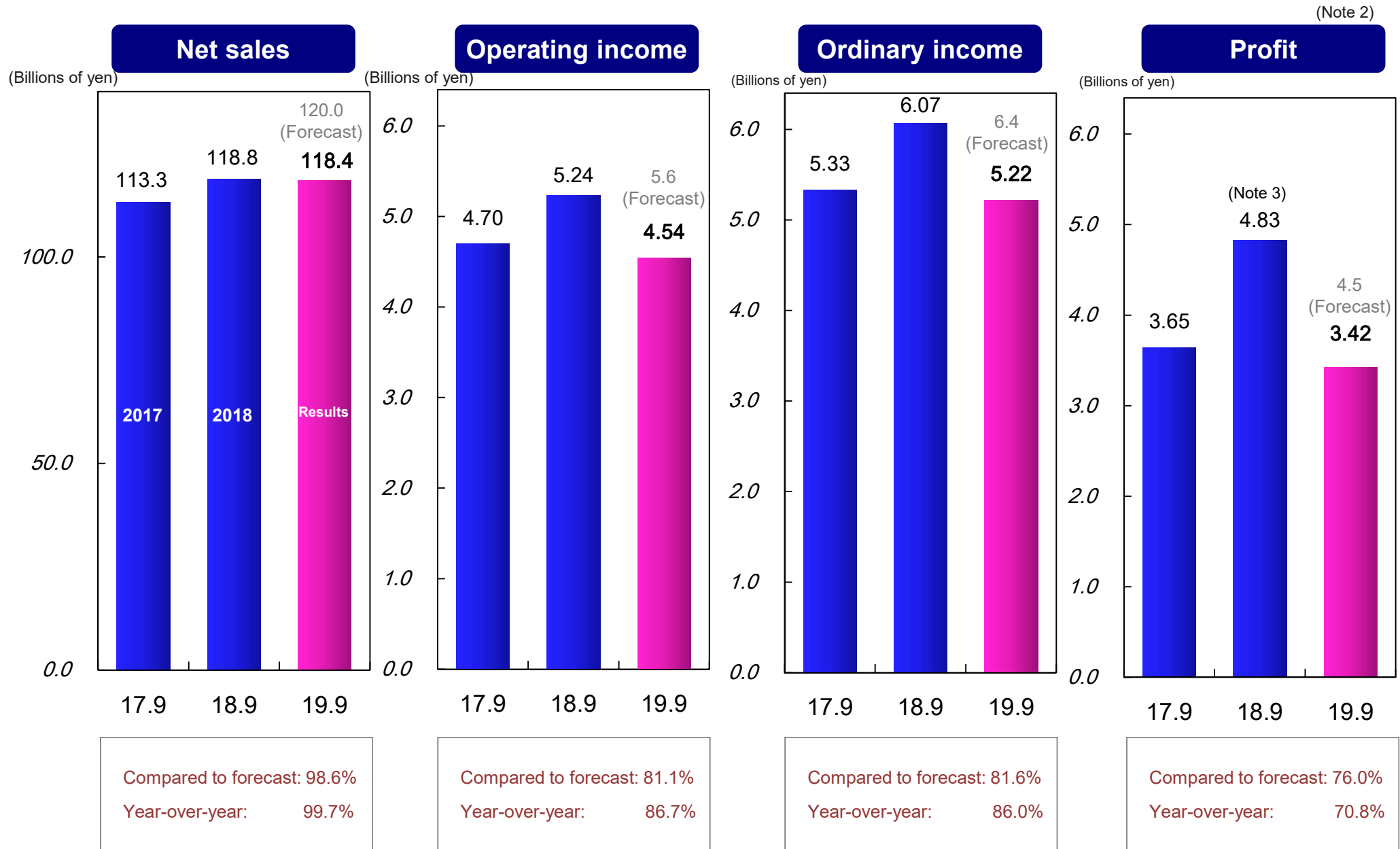
■ Domestic dealerships

103 dealers associated with the Daiya Association,
 422 dealers associated with the Pearl Association,
 56 dealers associated with the Pegasus Association,
 62 dealers associated with the Ruby Association,
 99 dealers associated with the Mercury Club,
 30 dealers associated with the Sirius Association

Note: Some dealers are associated with more than one association or club.

2. Financial review for first half of FY ending March 2020

Financial highlights for first half of FY ending March 2020

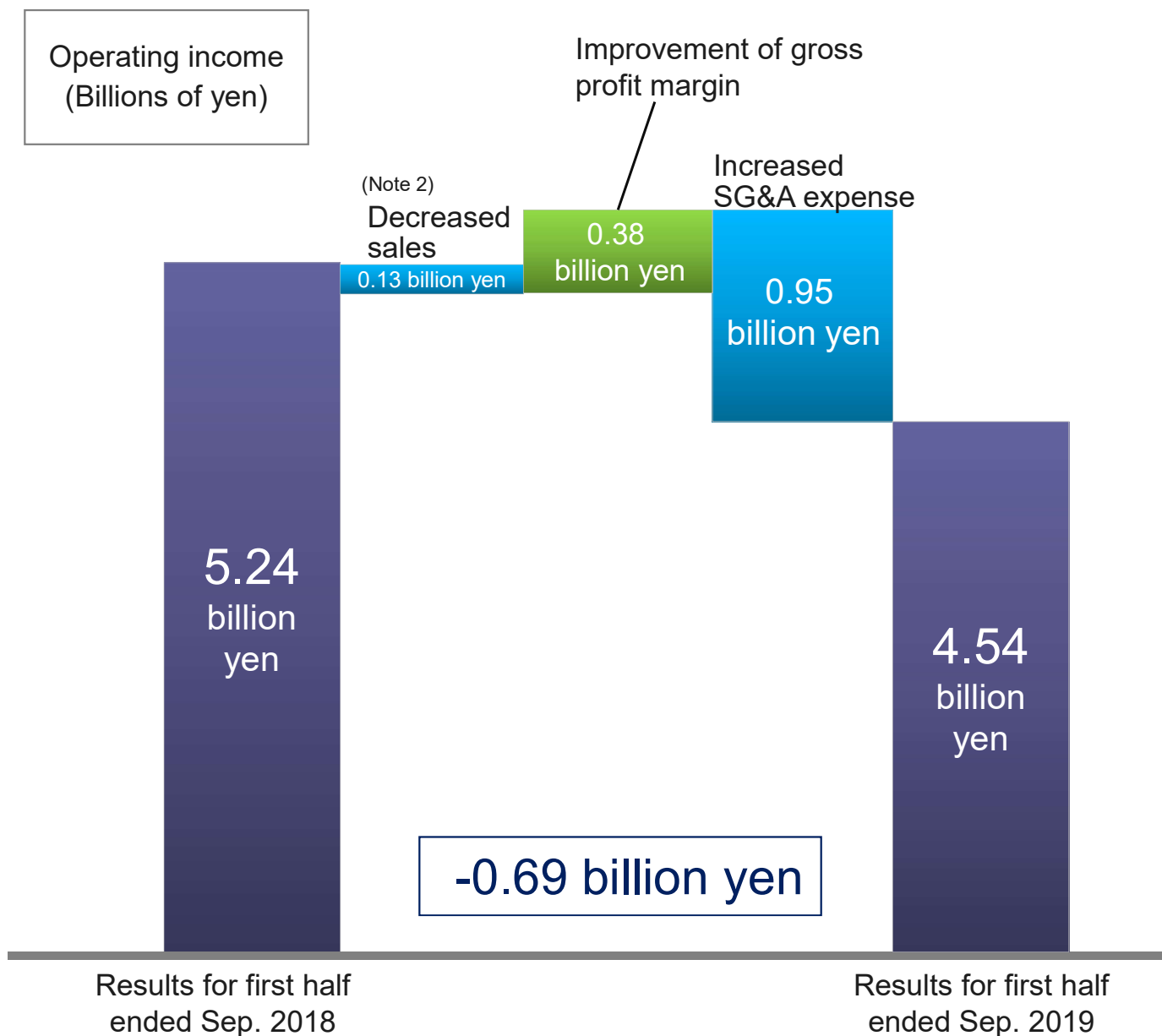


Note 1: These figures have been rounded off to the nearest unit displayed.

Note 2: The profit represents "profit attributable to owners of parent."

Note 3: The profit for the first half of FY ended March 2019 included 1.2 billion yen in gain on sales of investment securities.

Factors affecting operating income



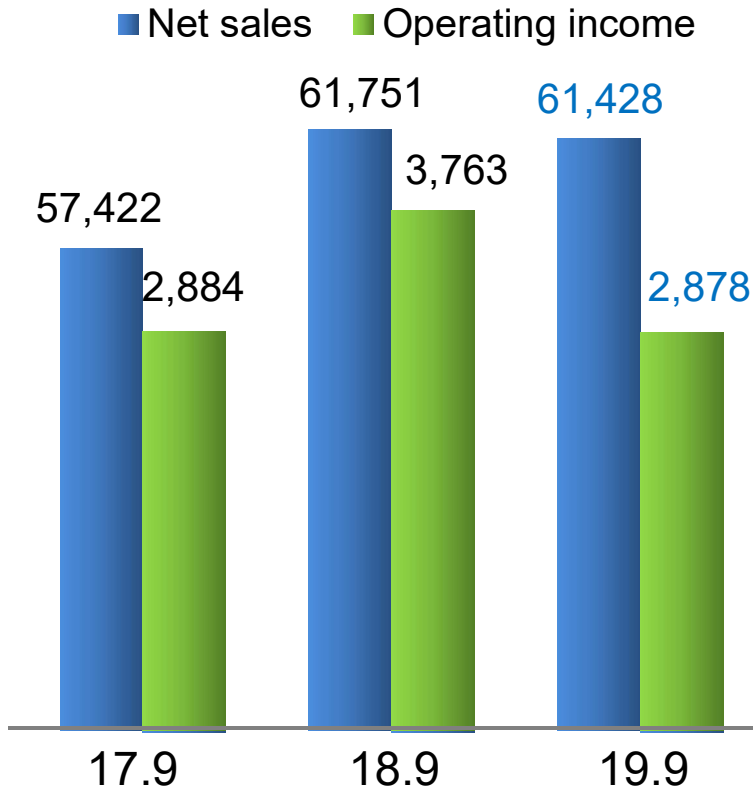
- ◆ Net sales by Office Furniture and Store Displays were slightly lower year-over-year, so operating income decreased.
- ◆ Operating margin of Store Displays improved significantly while operating margin for large-scale projects of Office Furniture was strong, resulting in gross margin improving.
- ◆ As for SG&A expenses, personnel expenses, transportation/packaging costs and rent (including for warehouses) increased.

Note 1: These figures have been rounded off to the nearest unit displayed. (The sum figures may not tally exactly.)

Note 2: Increased/decreased sales = Difference in net sales × Gross profit ratio of the previous year

Analysis by segment: Office Furniture

Results for first half of FY ending March 2020



(Millions of yen)

	Results for first half ended Sep. 2018	Results for first half ended Sep. 2019	Year-over-year
Net sales	61,751	61,428	99.5%
Operating income	3,763	2,878	76.5%
(Percentage)	6.1%	4.7%	

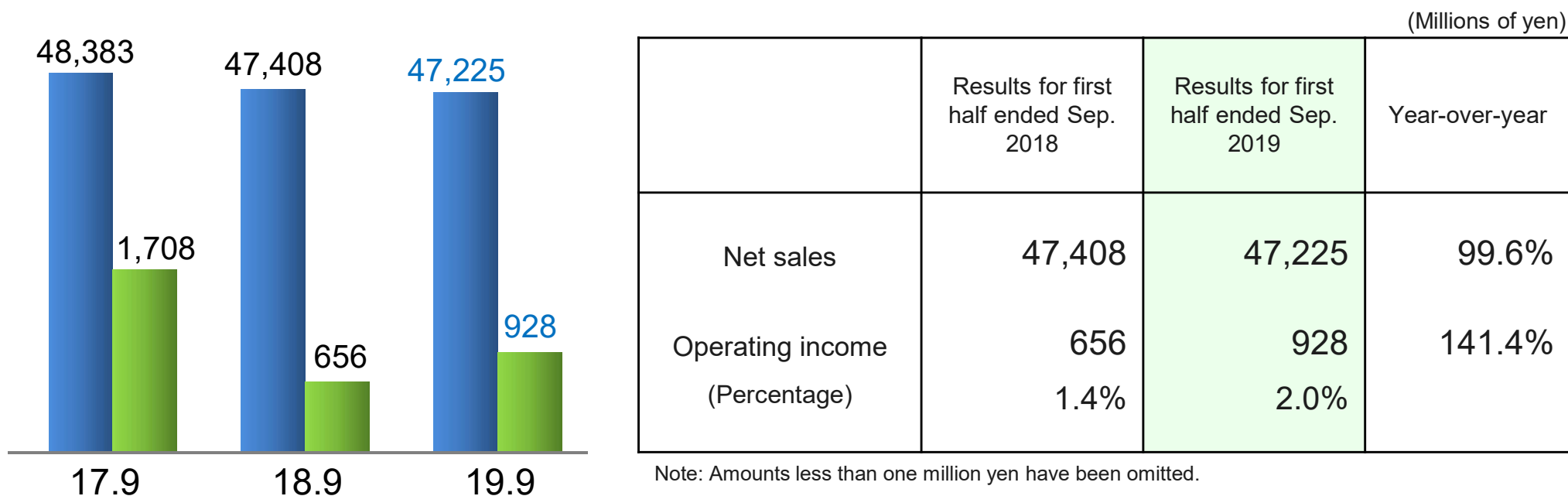
Note: Amounts less than one million yen have been omitted.

- ◆ Although super-large-scale projects decreased, Okamura steadily won orders for large-scale projects comprising mainly those for large-scale office buildings in Tokyo's 23 wards, and maintained flat net sales.
- ◆ Operating income declined as higher net sales could not absorb increased SG&A expenses such as personnel expenses and delivery costs.

Analysis by segment: Store Displays

Results for first half of FY ending March 2020

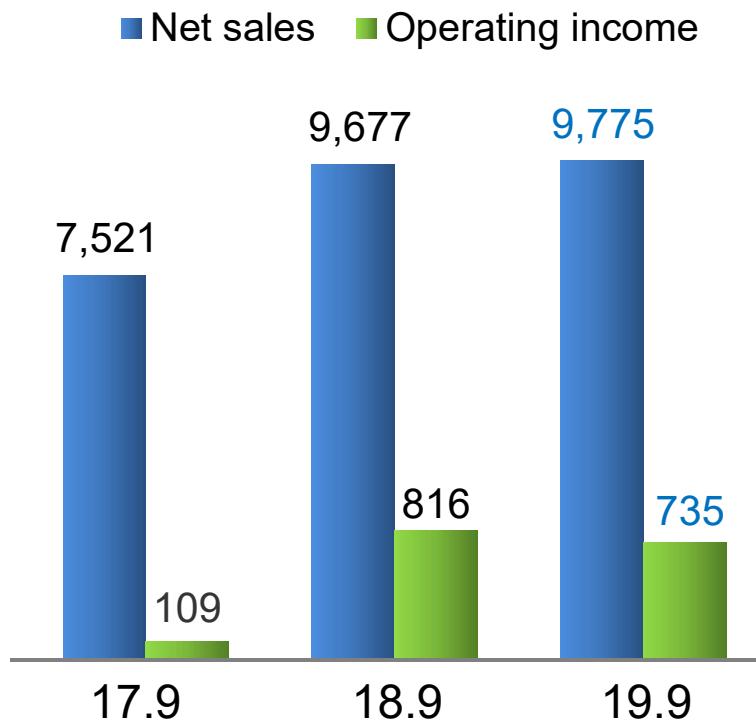
■ Net sales ■ Operating income



- ◆ Although orders grew as the Company captured demand for labor-saving due to labor shortages, net sales were flat as business operators curbed new store openings and held off on making investments in preparation for the consumption tax hike.
- ◆ Gross profit margin improved due to recovery of expenses such as delivery costs, among other factors, so operating income grew with rising SG&A expenses being absorbed.

Analysis by segment: Material Handling Systems and others

Results for first half of FY ending March 2020



(Millions of yen)

	Results for first half ended Sep. 2018	Results for first half ended Sep. 2019	Year-over-year
Net sales	9,677	9,775	101.0%
Operating income	816	735	90.1%
(Percentage)	8.4%	7.5%	

Note: Amounts less than one million yen have been omitted.

- ◆ Net sales for the Material Handling Systems business grew slightly in the second quarter although the Company entered into an off-demand project period following the first quarter in which orders climbed steadily, helped by robust labor-saving and automation demand.
- ◆ Operating income declined as we could not fully absorb rising SG&A expenses, something attributable to the fact that second quarter net sales decreased year-over-year due to an off-demand delivery period.

3. Midterm Management Plan

Three-year Midterm Management Plan and management policy

1. Promotion of efficient management

- Improvements in selling prices and profit margins
- Promotion of automation to improve productivity
- Promotion of operational reform by building up information infrastructure

2. Strengthening of business competitiveness

- Strengthening of proposal capabilities to improve productivity
- Expansion of office-related furniture business
- Supply chain optimization (rebuilding of production and logistics bases)

3. Deep cultivation of the global market

- Enhancement of sales structures to increase the percentage of overseas sales
- Increasing visibility and training of dealers
- Development of the high-end and emerging markets

Note 1: These figures have been rounded off to the nearest unit displayed.

Note 2: The profit represents "profit attributable to owners of parent."

Note 3: The effect of a change in the depreciation method for FY ended March 2016, 1.33 billion yen (profit increase), is included.

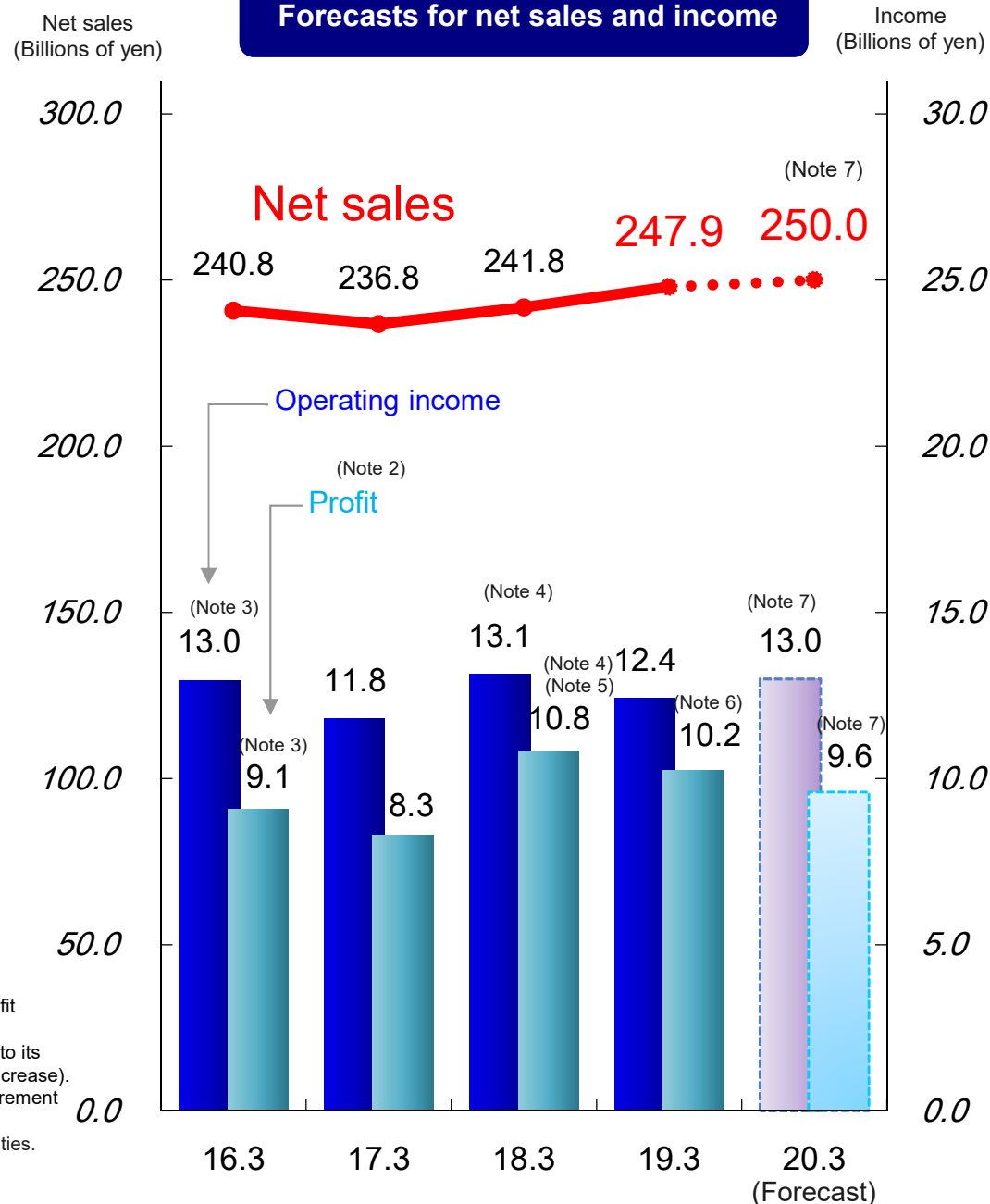
Note 4: For FY ended March 2018, a revision to the Company's corporate pension plan due to a revision to its retirement benefit plan (change in accounting estimates) had an effect of 0.71 billion yen (profit increase).

Note 5: For FY ended March 2018, 1.98 billion yen (before tax) was recorded as a gain on revision to retirement benefit plan (extraordinary income).

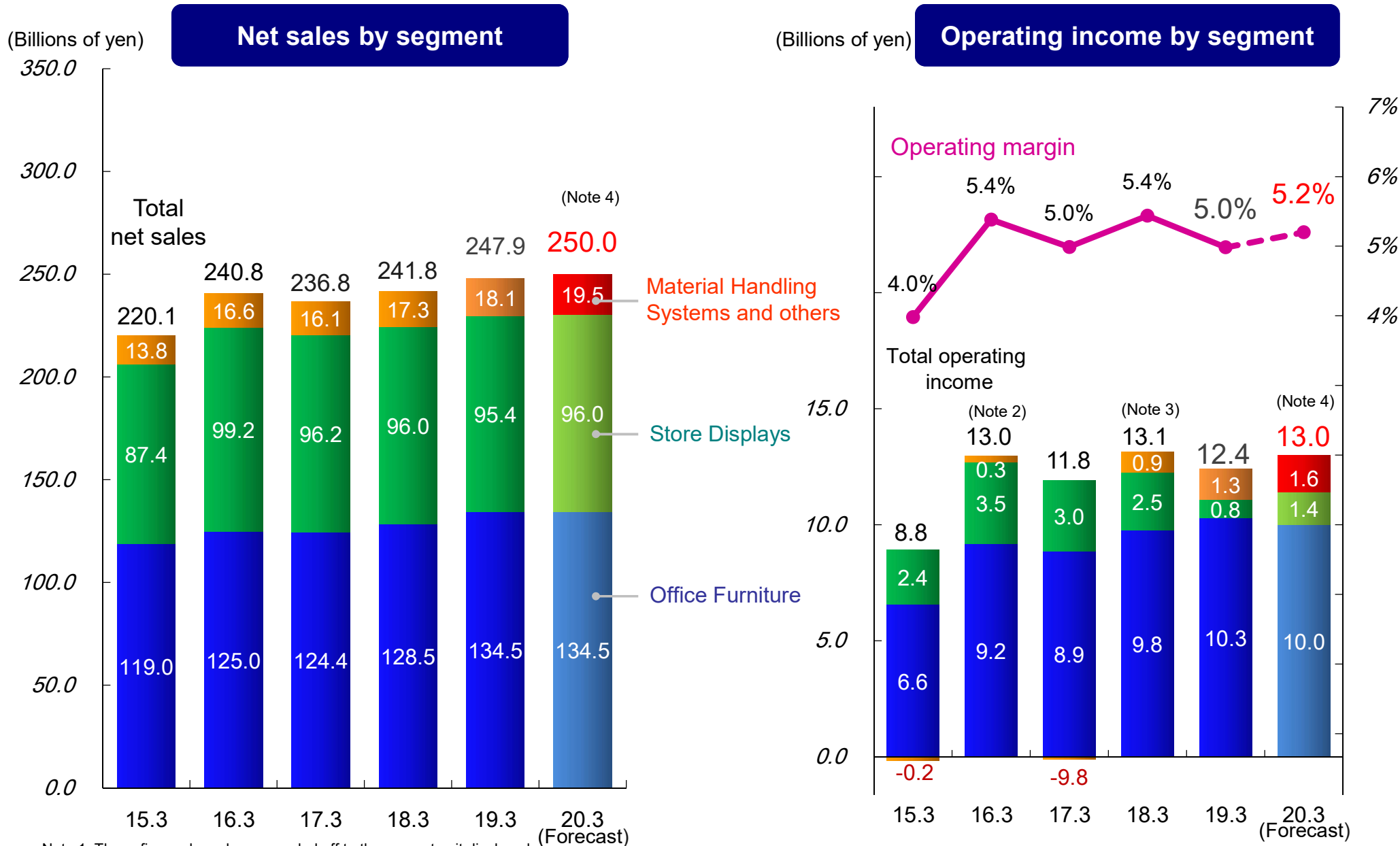
Note 6: The profit for FY ended March 2019 included a 1.24 billion yen gain on sales of investment securities.

Note 7: For FY ending March 2020, a revision to the earnings forecast (disclosed on October 25, 2019)

Forecasts for net sales and income



Forecast by business segment



Note 1: These figures have been rounded off to the nearest unit displayed.

Note 2: The effect of a change in the depreciation method for FY ended March 2016, 1.33 billion yen (profit increase), is included.

Note 3: For FY ended March 2018, a revision to the Company's corporate pension plan due to a revision to its retirement benefit plan (change in accounting estimates) had an effect of 0.71 billion yen (profit increase).

Note 4: For FY ending March 2020, a revision to the earnings forecast (disclosed on October 25, 2019)

4. Earnings forecast for FY ending March 2020

Earnings forecast for FY ending March 2020

(Billions of yen)

	Results for FY ended Mar. 2019	Results for first half of FY ending Mar. 2020	Forecast for FY ending March 2020		
			Second half	Full year	Year-over-year
Net sales	247.9	118.4 (120.0)	131.6 (135.0)	250.0 (255.0)	100.8%
Operating income	12.4	4.5 (5.6)	8.5 (8.4)	13.0 (14.0)	104.7%
Ordinary income	13.7	5.2 (6.4)	8.6 (8.8)	13.8 (15.2)	100.9%
(Note 2) Profit	10.2 (Note 3)	3.4 (4.5)	6.2 (6.1)	9.6 (10.6)	93.8%

Note 1: These figures have been rounded off to the nearest unit displayed.

Note 2: The profit represents "profit attributable to owners of parent."

Note 3: The profit for FY ended March 2019 included a 1.24 billion yen gain on sales of investment securities.

* Numbers in brackets are forecasts at start of fiscal year.

Capital investment

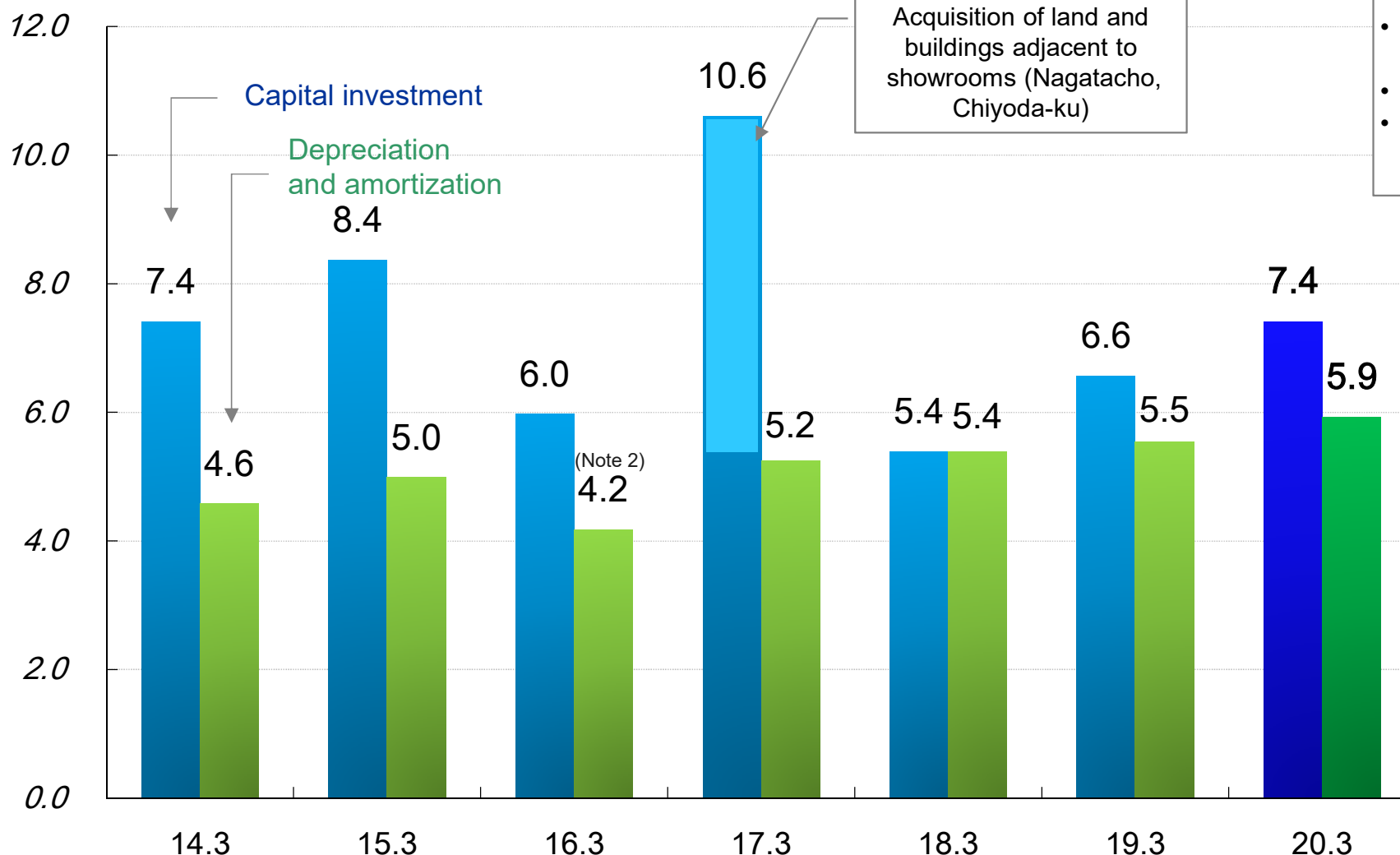
Capital investment/Depreciation and amortization

Steady implementation of capital investment to improve competitiveness

Capital investment to improve competitiveness

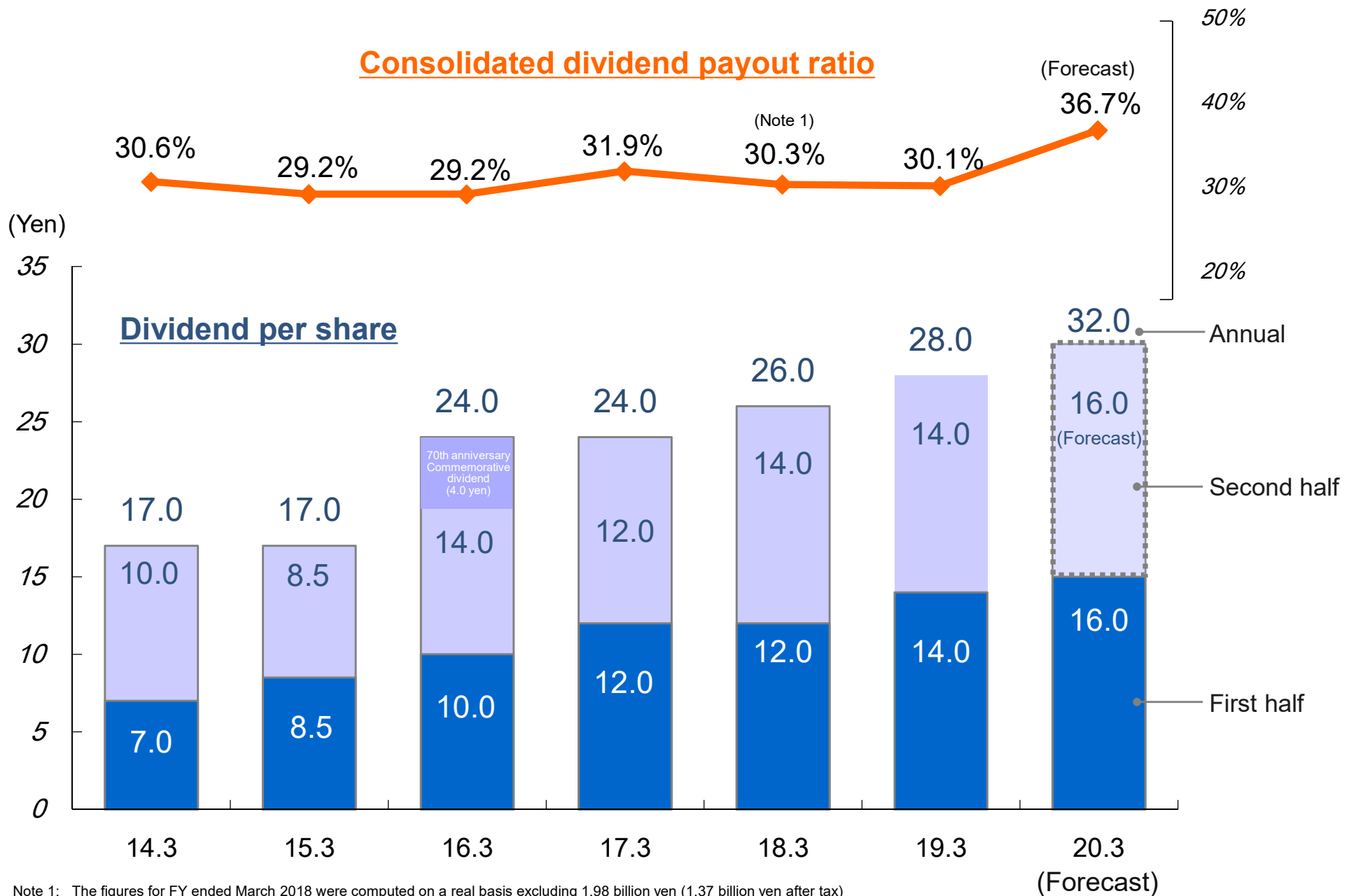
- Boost production facilities
- Automated manufacturing line
- Dies for new products
- Information system-related items

(Billions of yen)



Note 1: Capital investment is represented by deducting goodwill from increase in property, plant and equipment and intangible assets.
 Note 2: The effect of a change in the depreciation method for FY ended March 2016 (from the declining-balance method to the straight-line method), a reduction of 1.33 billion yen, is included.

Dividend per share and payout ratio

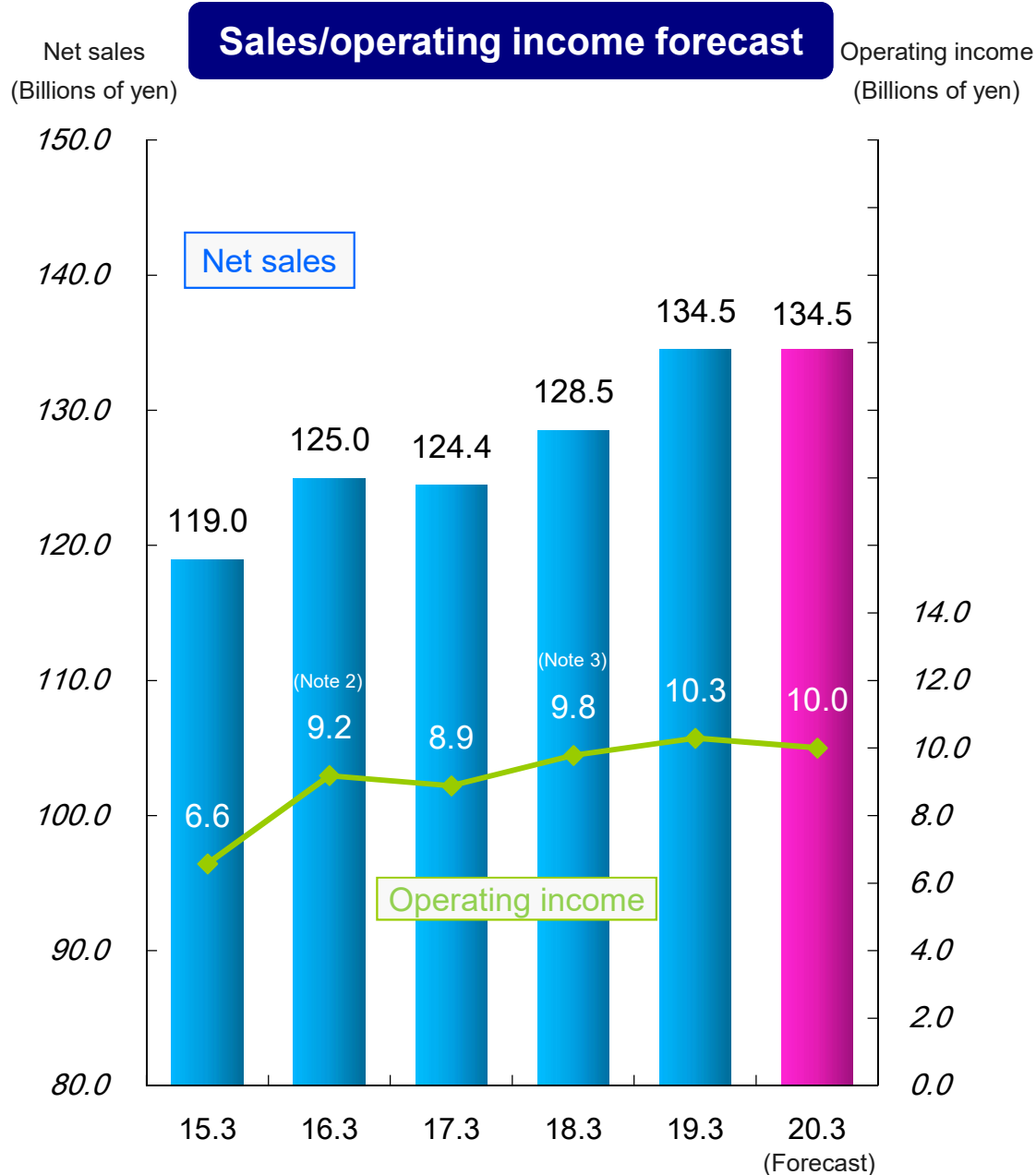


Note 1: The figures for FY ended March 2018 were computed on a real basis excluding 1.98 billion yen (1.37 billion yen after tax) recorded as a gain on revision to retirement benefit plan (extraordinary income).

5. Situation by business segment

5-1. Office Furniture business

Earnings forecast for the Office Furniture business



- ◆ Demand is expected to be strong as large-sized office buildings in Tokyo's 23 wards will continue to be completed and the occupancy rate will remain high.
- ◆ Increase the number of orders received by making solution proposals catering to strong interest in work style reform
- ◆ Expand sales by capturing new demand with market creation-type new products
- ◆ The projection will likely be achieved due to robust second half demand.

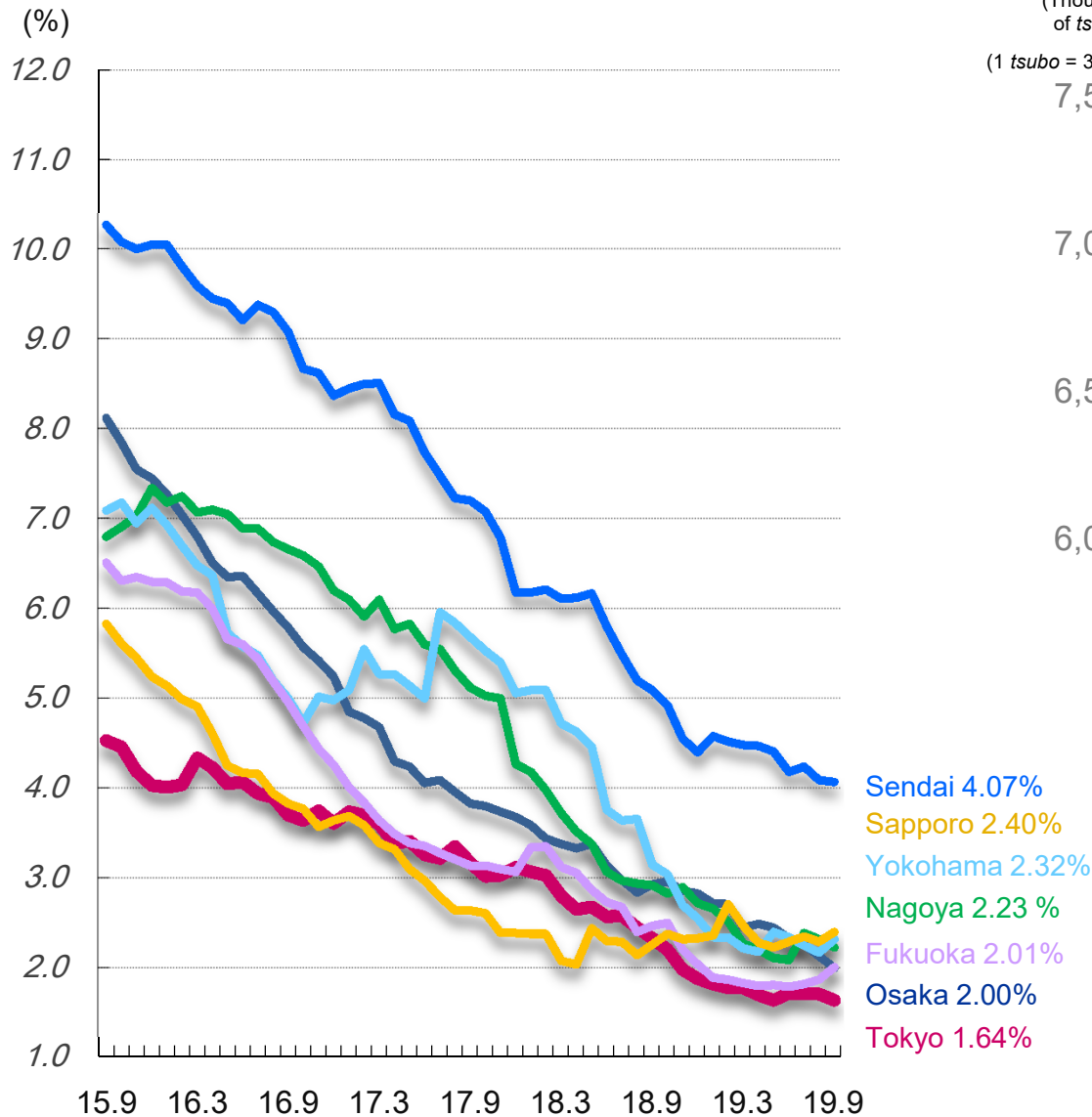
Note 1: These figures have been rounded off to the nearest unit displayed.

Note 2: The effect of a change in the depreciation method for FY ended March 2016, 0.87 billion yen (profit increase), is included.

Note 3: For FY ended March 2018, a revision to the Company's corporate pension plan due to a revision to its retirement benefit plan (change in accounting estimates) had an effect of 0.48 billion yen (profit increase).

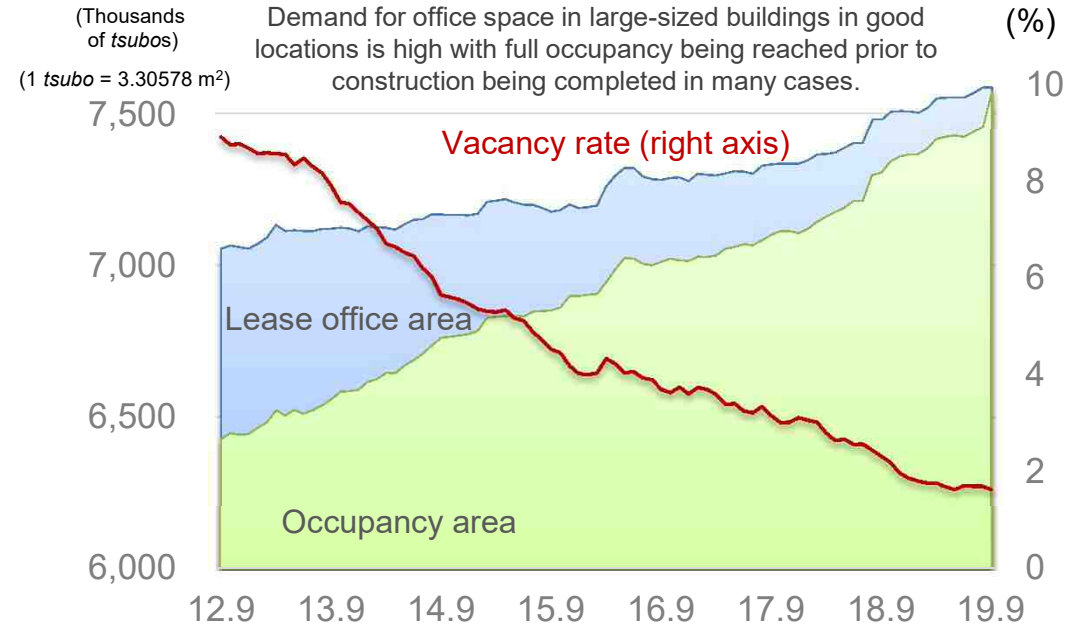
Demand for transferring to new buildings is strong as occupancy rates remain low

Average vacancy rate of office buildings in major business areas across the nation



Source: "Office Building Market Conditions by Area" by Miki Shoji, as of the end of September 2019

Lease office occupancy area in Tokyo's five wards



Source: "Office Building Market Conditions by Area" by Miki Shoji, as of the end of September 2019

Companies are much more eager to invest in transferring or expanding floor space with the aim of becoming more competitive

Questionnaire survey:
Reason for newly leasing office space

1st	Set up a new unit or enlarge business and staffing	36%
2nd	Want to relocate to a well-situated building	32%
7th	Want to relocate to a building with low rent	19%

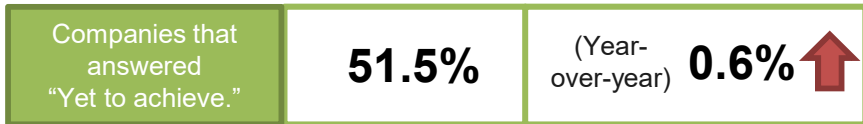
Source: "2018 Survey of Tokyo 23 Wards Office Need" by Mori Building, December 20, 2018

Investment in office space is vital for corporate growth strategy

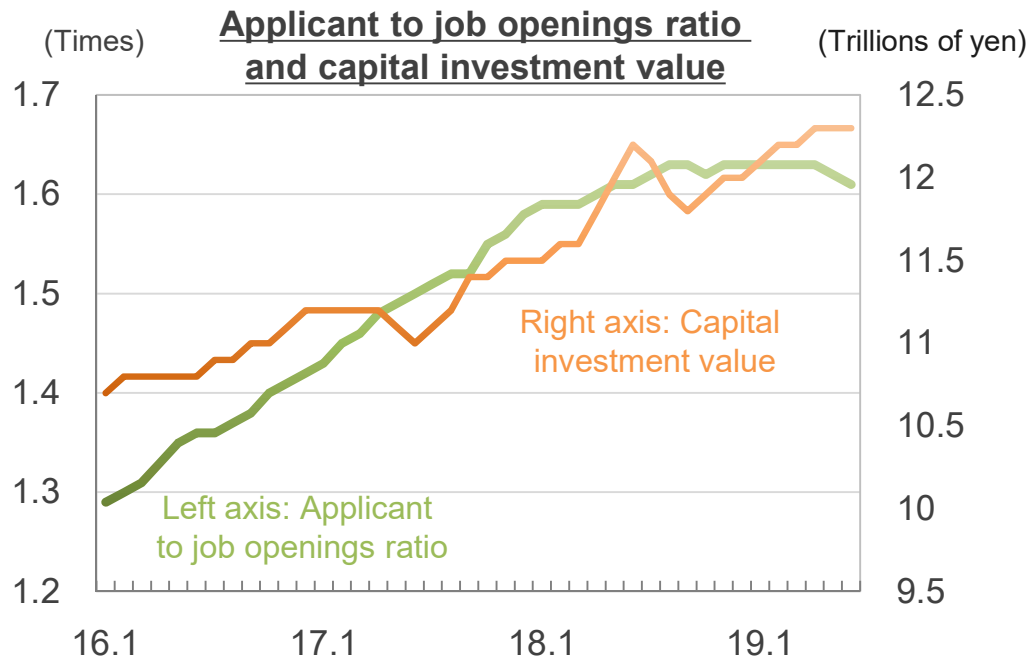
Compensate for labor population shortage with capital investment

State of achievement against FY2019 recruitment plan

Over half of companies surveyed had yet to achieve their recruitment plans



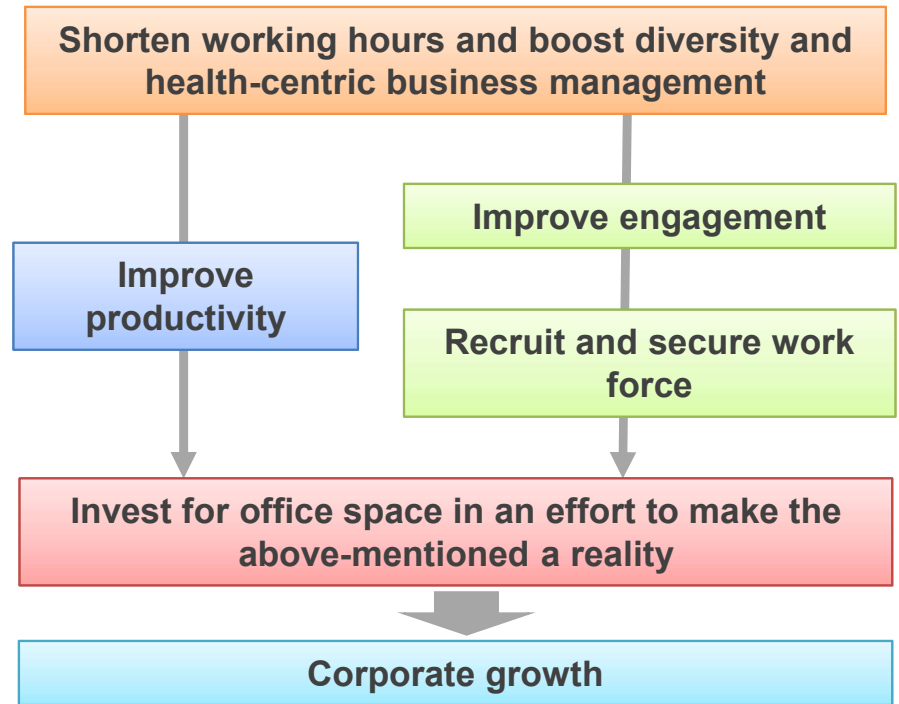
Source: "2019 Employment White Paper" by Recruit



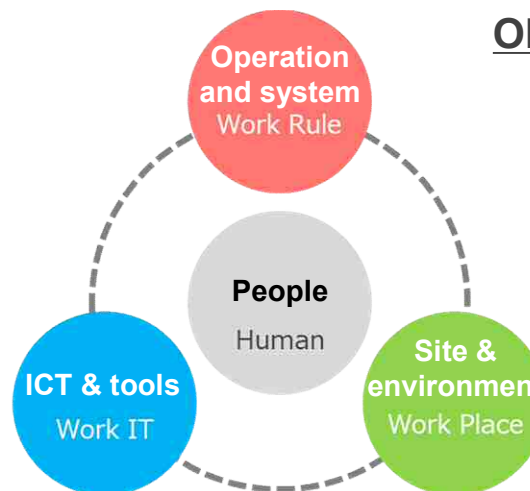
Prepared on the basis of employment referrals for general workers from the Ministry of Health, Labour and Welfare and Financial Statements Statistics of Corporations by Industry from the Ministry of Finance

Companies are eager to make capital investment in an effort to compensate for labor shortages by improving productivity

Investment concept for work style reform



Okamura's concept of work style reform solution proposal



Total solution proposal for not only furniture and layout but also expertise in ICT use and office operation

Various solution proposals for work style reform

Future work style

Activity Based Working (ABW)

The worker chooses a place freely within the office in accordance with his/her work style and purpose.

The worker becomes self-supportive by choosing the place while raising the quality of his/her communication and individual tasks.



Table seating



Café-like space



One-on-one



Concentration



Co-creation

Demonstration and experiment of work style reform

LABO Office

Demonstration testing at four Okamura offices in Tokyo

Information obtained is reflected in a solution proposal as feedback



KEN-Co LABO in Shinjuku

CRESNECT

Demonstration testing for future office space as an open innovation event with other industries



Share office "point 0 marunouchi"

Information distribution

WORK MILL

Okamura's Work Style Reform Support project
Events and information distribution



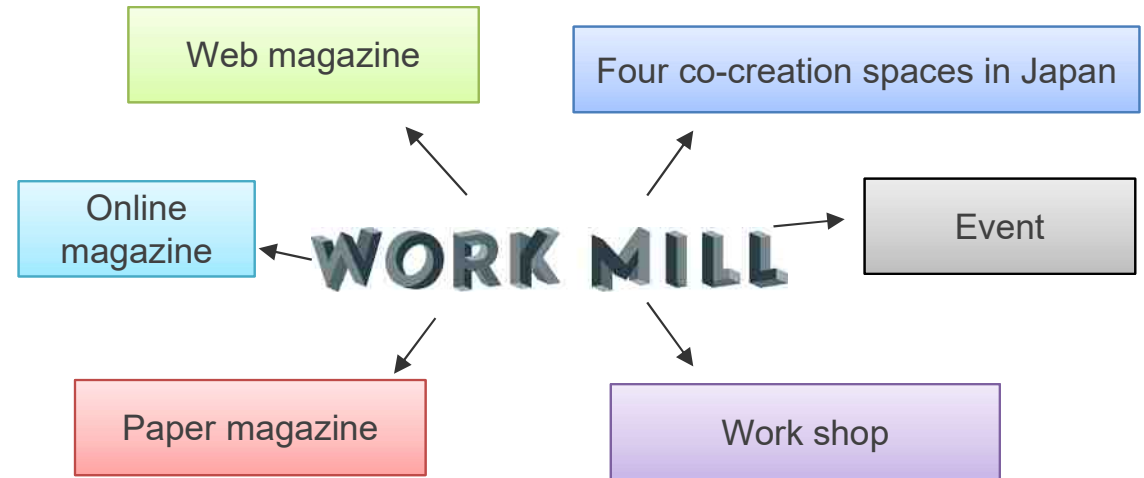
Okamura was honored with a Good Design Award for *activities (actions)* for the first time ever



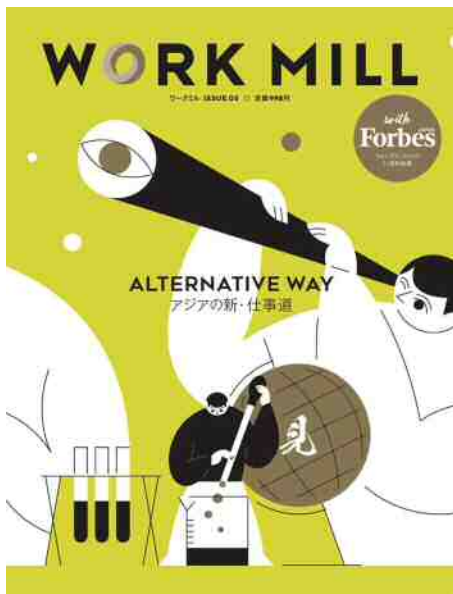
WORK MILL

Okamura's Work Style Reform Support project
Distributing the information on research in and outside Japan and holding activities such as events in co-creation spaces

Was honored with a Good Design Award 2019



Business magazine WORK MILL with Forbes JAPAN



A business magazine in collaboration with Forbes JAPAN editorial department, WORK MILL is for pondering working



ISSUE 5
ALTERNATIVE WAY
New Work Approach
in Asia
Published in October
2019

Published a total of seven issues including a special issue to date



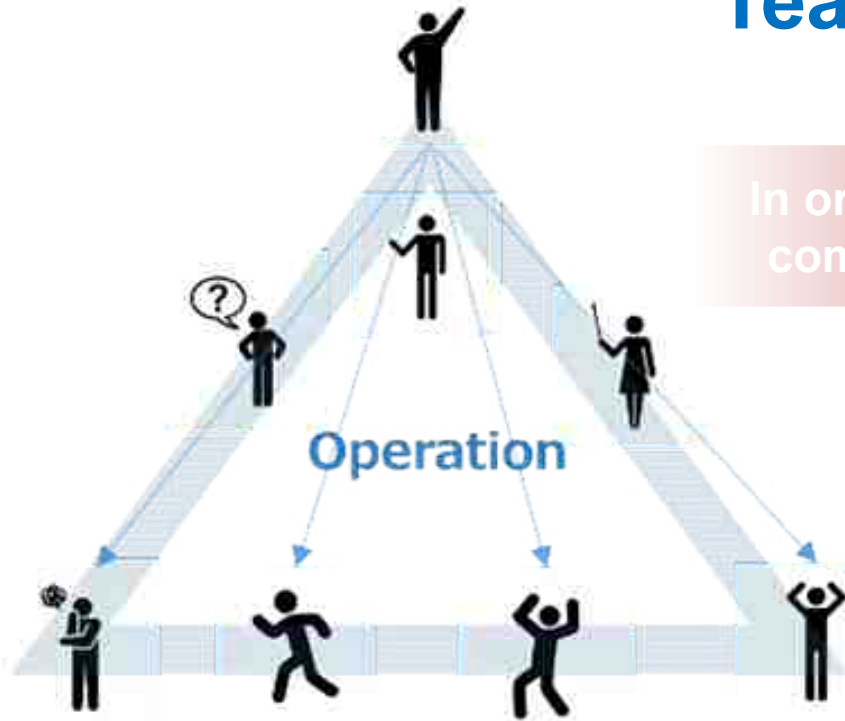
A publication launch event in progress at a co-creation space

Okamura Grand Fair 2019 “Shall we TRIBE?”

Team work method changes

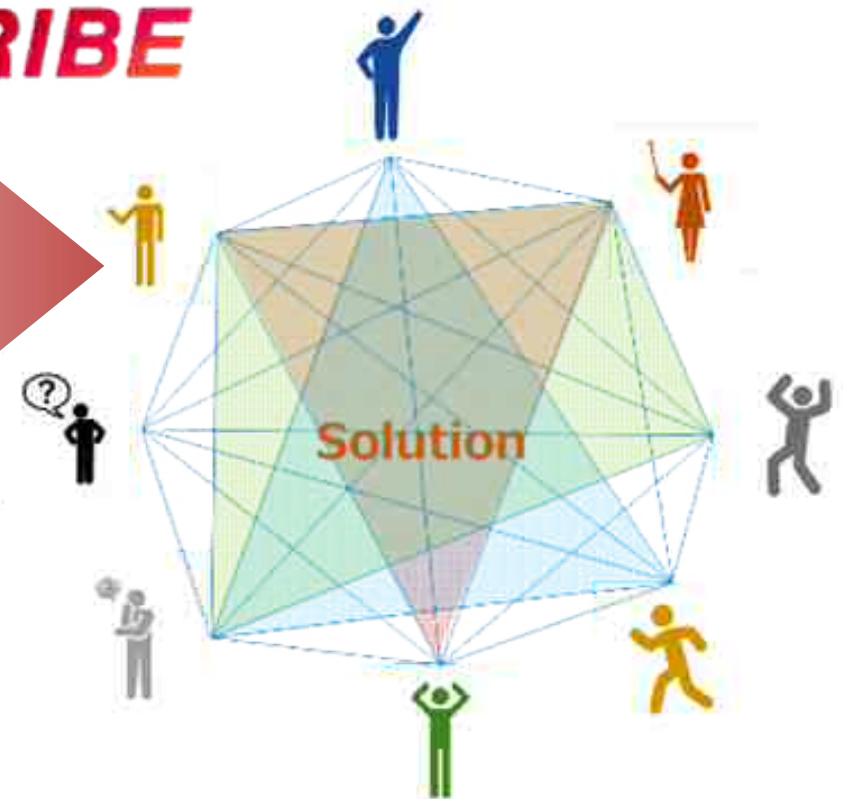
Team → **TRIBE**

In order to address complicated tasks



Team composed of **similar types of people**

Could easily deal with simple issues.
Employees were able to handle simple issues at their desk and in conference rooms.



TRIBE consisting of **persons of different types**

For complicated issues, it is necessary to have synergy between individuals and the team.
Diverse spaces are required.

Market creation-type product: TELECUBE

TELECUBE by OKAMURA

[テレキューブ by オカムラ]



Fully-closed type work booth bringing an utmost concentration environment
Can be installed in office and public spaces



Examples of use in office space

Concentration task



Telephone



Video conference



Presentation practice



Meeting with supervisor



For various other uses

Including nap room, call center and whistleblowing service spot.

Extensive product lineup

Four-person type launched in October 2019



Color variations added

Other characteristics

- ◆ Easier to install and transfer than a partition
- ◆ Compliant with Fire Service Act of Japan

Launched subscription model service jointly with V-cube, Inc. in October 2019

Was made simpler to be deployed in office space

Likely to be installed in public spaces due to telework demand

5-2. Store Displays business

Earnings forecast for the Store Displays business



- ◆ There is a trend for companies, which attach importance to per-store profitability when opening or renovating stores, to limit the increase in the number of new stores.
- ◆ Full-scale efforts to deal with labor shortages are underway and demand is strong for labor-saving items such as sliding shelves, and counters for self-checkout systems.
- ◆ Aiming to improve income by winning bids for projects via solution proposals and cost savings

Note 1: These figures have been rounded off to the nearest unit displayed.

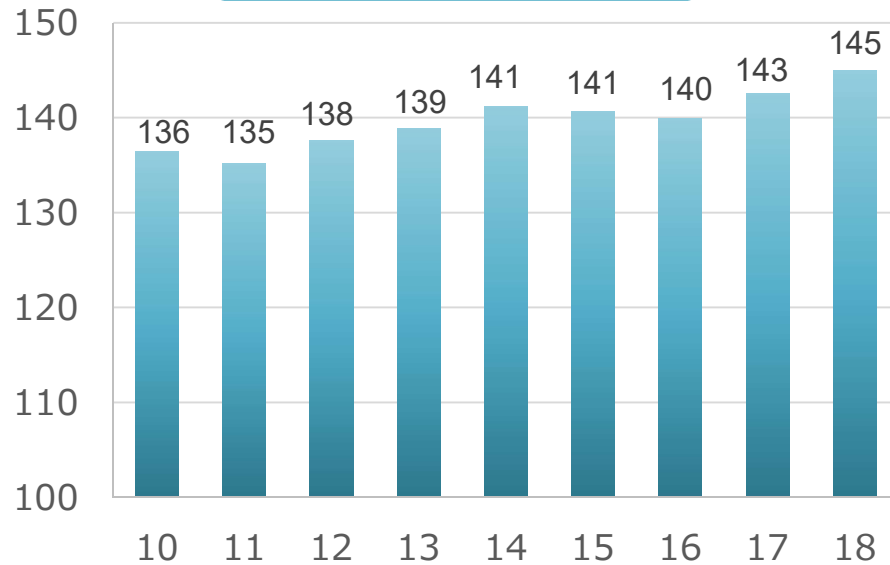
Note 2: The effect of a change in the depreciation method for FY ended March 2016, 0.36 billion yen (profit increase), is included.

Note 3: For FY ended March 2018, a revision to the Company's corporate pension plan due to a revision to its retirement benefit plan (change in accounting estimates) had an effect of 0.18 billion yen (profit increase).

The number of stores does not increase much and improving a store's profitability is becoming more important

(Trillions of yen)

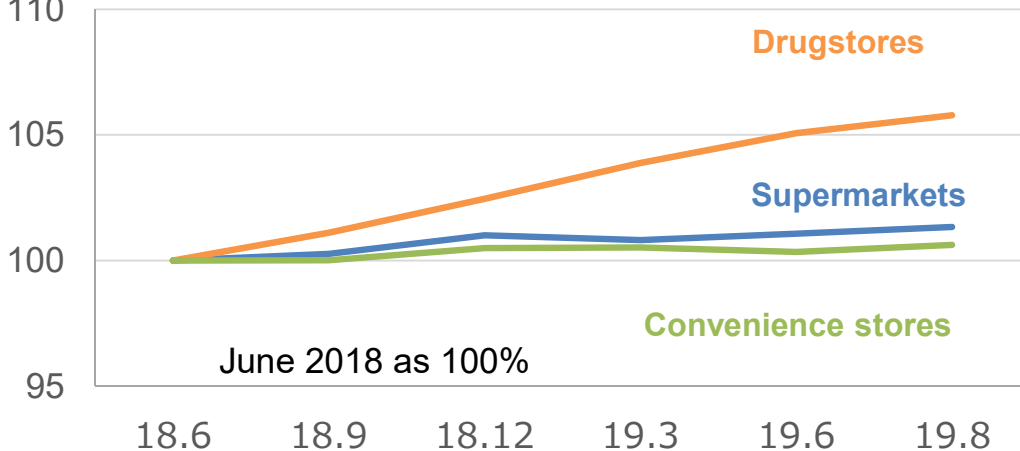
Retail sales value trend



Source: Prepared according to the Ministry of Economy, Trade and Industry (METI), "Annual Current Survey of Commerce"

(%)

Percentage change in number of stores by category



Source: Prepared according to the Ministry of Economy, Trade and Industry, "Preliminary Current Survey of Commerce" for September 2019

Win more orders for renovation with a total solution

Capture from the planning stage to compete advantageously

Provide widespread support from planning to maintenance

Product		Solution proposal for raising store revenue	
			
Store fixtures	Refrigerated showcase		

Demand for opening new stores

Drugstores

Still expanding more strongly than other business types

Urban supermarkets

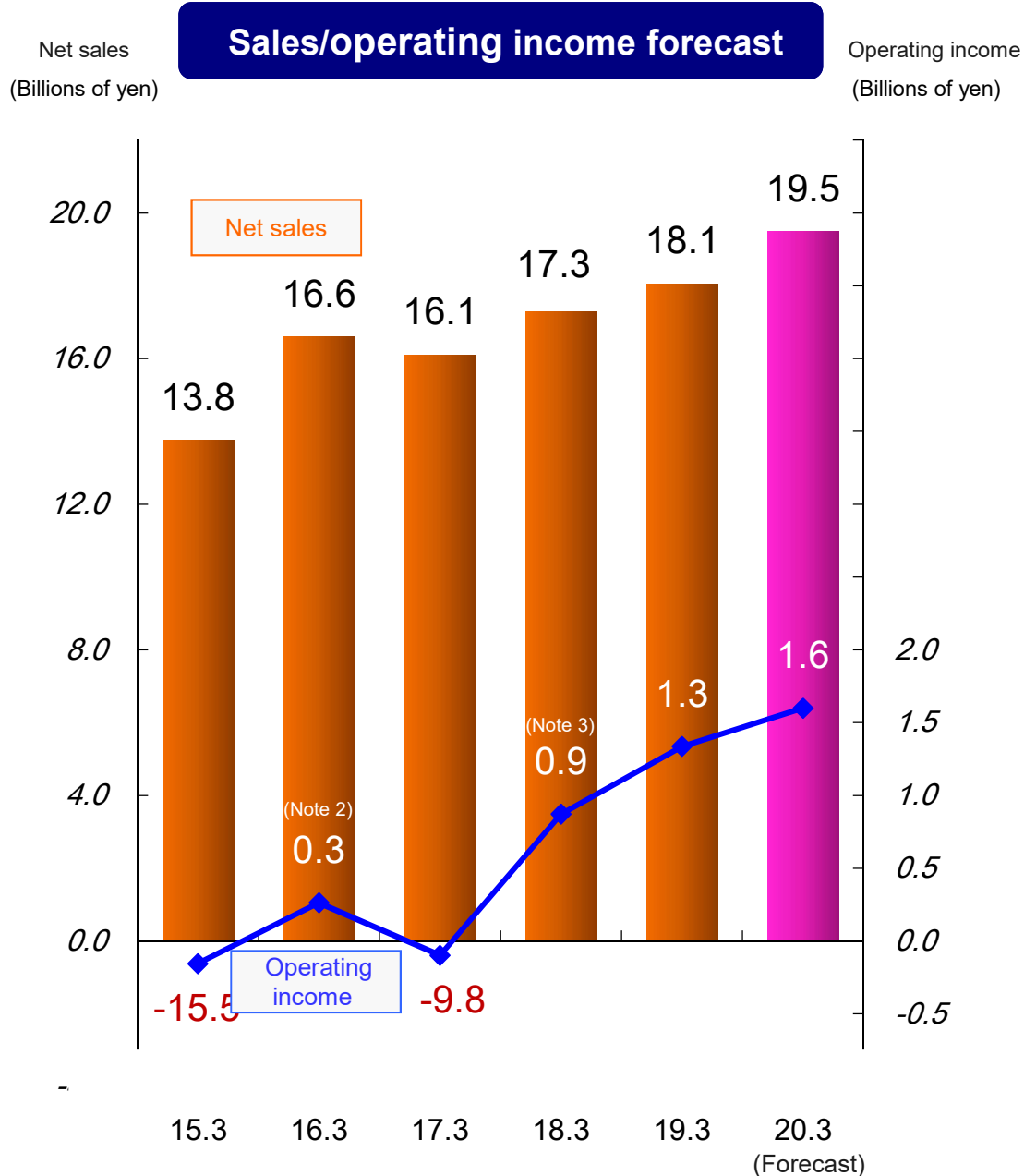
Slightly small supermarkets operating in office zones, near train stations or in shopping facilities

Efforts to improve income

- Revised prices (store fixtures) in June
- Pass on expenses such as delivery costs
- Lower cost of sales through standardization and revising purchases
- Make efforts to streamline operations, and others

5-3. Material Handling Systems and others business

Earnings forecast for the Material Handling Systems and others business

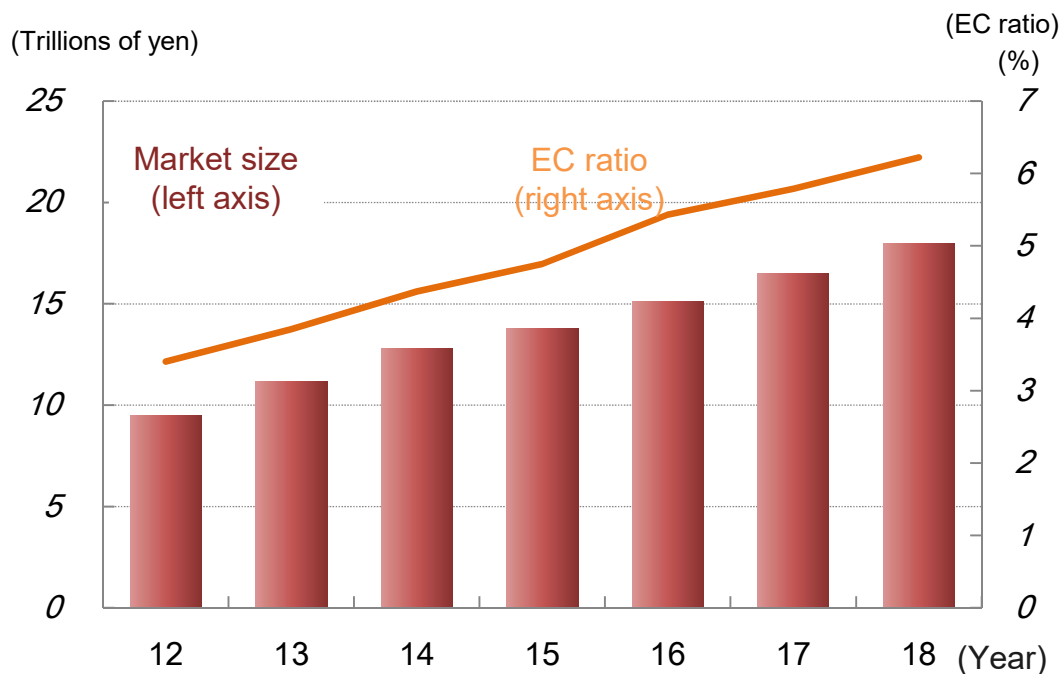


- ◆ Freight volumes are increasing further, helped by continued growth of online shopping; and demand for new logistics warehouses is going strong.
- ◆ With a chronic shortage of staff members, there is strong demand for labor savings with logistics system equipment.
- ◆ Aim to achieve record operating income by continuing to bolster our internal structure through improving production equipment

Note 1: These figures have been rounded off to the nearest unit displayed.
 Note 2: The effect from a change in the depreciation method for FY ended March 2016, 0.1 billion yen (profit increase), is included.
 Note 3: For FY ended March 2018, a revision to the Company's corporate pension plan due to a revision to its retirement benefit plan (change in accounting estimates) had an effect of 0.05 billion yen (profit increase).

Demand for logistics centers is strong, but there is a chronic shortage of staff members

Market size of E-commerce in Japan



Source: "Market Survey on E-Commerce" by METI, May 16, 2019

Top five sectors in terms of shortage of regular employees

		April 2019	April 2018
1	Information services	↑ 74.4%	69.2%
2	Agriculture, forestry and fishery	↑ 71.1%	50.0%
3	Transportation & warehousing	↑ 68.5%	64.1%
4	Maintenance, security and inspection	↑ 67.8%	60.4%
5	Construction	↑ 66.3%	64.0%

Source: "Survey of Labor Shortage Conditions of Companies" by Teikoku Databank, May 13, 2019

The expanding online shopping market led shipment volumes to grow, but warehouse staff are in chronic shortage



There is strong demand for automation and labor-saving with logistics system equipment



Aim to achieve higher orders received and income by making total solution proposals and strengthening our internal structure

Total solution proposals

- Total support from planning to maintenance
- Widely cover warehouse fixtures as a whole in hardware areas from logistic system equipment to shelves and fences

Bolster our internal structure

- Expand our production facilities
- Bolster our engineering structure
- Increase the number of partner companies
- Improve our arrangement efficiency by standardizing products

Capture strong labor-savings demand with total solutions

Deliver total solutions for labor-savings with various products and services



Automated storage system



Conveyor



Racking Peripheral equipment

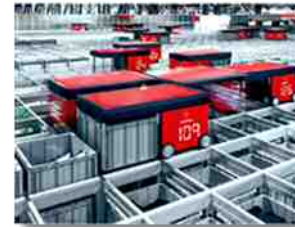


ORV
(Okamura Robot Vehicle)

Design & maintenance

Other services

Steady inquiries for highly efficient storage systems and AutoStore



Self-operating robot picks dedicated containers

Delivers marked labor-saving and reduces storage space

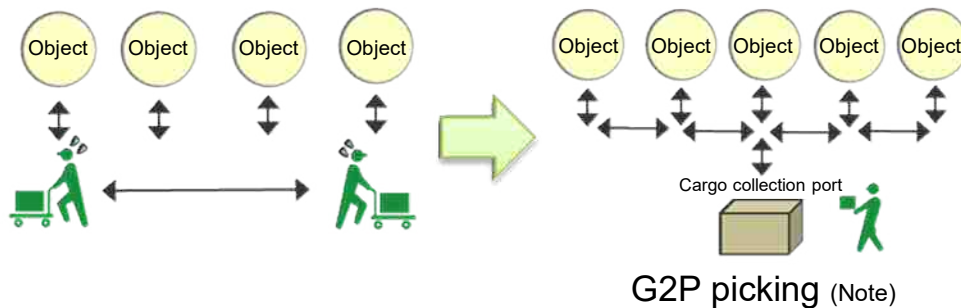


Necessary space will be cut to **about a third** of conventional manual-storage shelves because high-density storage is possible.



Workers do their tasks only in the goods-collection port without walking around the warehouse.
→ **Significant labor savings**

Labor-savings concept through system deployment



Labor-savings will likely be effective for recruiting

Note: Goods to Person picking (fixed point picking)

Launched new high-performance AutoStore in February 2019



Transfer ability **rose by 20%** compared to the previous model
Able to operate automatic replacement battery **around the clock**

Today's key points

Key points

Aim to achieve record net sales of 250.0 billion yen and higher operating income

Office Furniture business

Create demand by making work style reform solution proposals mainly for large-sized buildings in the Tokyo metropolitan area

Store Displays business

Upgrade labor-saving products
Work hard on renovation demand by making total solution proposals

Material Handling Systems and others business

Capture labor-savings demand stemming from logistics warehouse labor shortages

Earnings forecast for FY ending March 2020

	Earnings forecast for FY ending Mar. 2020
Net sales	250.0 (up 0.8%)
Operating income	13.0 (up 4.7%)
Ordinary income	13.8 (up 0.9%)
Profit	9.6 (down 6.2%) (Note 2)

(Billions of yen) (Year-over-year)

Note 1: The profit represents "profit attributable to owners of parent."

Note 2: The profit for FY ended March 2019 included 1.24 billion yen in gain on sales of investment securities.

Concerning these materials

Earnings forecasts, objectives, plans, strategies, etc. are included in this document; however, they were prepared in accordance with judgments and assumptions made by the Company based on information currently available, and they are subject to the effects of uncertainties such as the future economic environment and business operating conditions.

We remind you that actual business results and other data may differ from the forecasts provided here.