

Consolidated Financial Results (Japanese Accounting Standards) for the First Nine Months of the Fiscal Year Ending December 31, 2020

October 30, 2020

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 Stock code: 5959 URL: <http://www.okabe.co.jp/>
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Scheduled date for filing of quarterly report: November 13, 2020
 Scheduled date of commencement of dividend payment: –
 Supplementary documents for quarterly results: None
 Quarterly results briefing: None

(Figures are rounded down to the nearest one million yen.)

1. Consolidated Financial Results for the First Nine Months Ended September 30, 2020 (January 1, 2020 – September 30, 2020)

(1) Consolidated Results of Operations (Accumulated Total)

(Percentages represent year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Nine months ended								
September 30, 2020	46,764	(4.0)	3,149	(21.5)	3,305	(22.9)	1,672	(36.3)
September 30, 2019	48,732	2.8	4,013	2.4	4,286	2.6	2,627	11.3

(Note) Comprehensive income: 1,333 million yen (-31.2%) for the nine months ended September 30, 2020
 1,938 million yen (24.3%) for the nine months ended September 30, 2019

	Profit per share (basic)	Profit per share (diluted)
	Yen	Yen
Nine months ended		
September 30, 2020	34.11	–
September 30, 2019	52.73	–

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of September 30, 2020	88,629	57,226	64.6
As of December 31, 2019	88,652	57,869	65.3

(Reference) Shareholders' equity: As of September 30, 2020: 57,226 million yen
 As of December 31, 2019: 57,869 million yen

2. Dividends

	Dividend per share				
	End of first quarter	End of second quarter	End of third quarter	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
Year ended December 31, 2019	–	14.00	–	14.00	28.00
Year ending December 31, 2020	–	7.00	–		
Year ending December 31, 2020 (forecasts)				7.00	14.00

(Note) Revisions to dividend forecasts published most recently: None

3. Consolidated Forecasts for the Fiscal Year Ending December 31, 2020 (January 1, 2020 – December 31, 2020)

(Percentage figures for the fiscal year represent the changes from the previous year.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Profit per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	63,100	(3.5)	4,050	(23.5)	4,250	(24.4)	1,850	(44.6)	37.55

(Note) Revisions to financial forecasts published most recently: None

* Notes

(1) Changes in important subsidiaries during the period

(changes of specific subsidiaries in accordance with changes in the scope of consolidation): None

(2) Application of particular accounts procedures to the preparation of quarterly consolidated financial statements: Yes

(Note) Please refer to "Application of particular accounts procedures to the preparation of quarterly consolidated financial statements" on page 8 for details.

(3) Changes in Accounting Policies, Accounting Estimates and Restatement

(i) Changes in accounting policies caused by revision of accounting standards: None

(ii) Changes in accounting policies other than (i): None

(iii) Changes in accounting estimates: None

(iv) Restatement: None

(4) Number of shares outstanding (common shares):

(i) Number of shares outstanding at end of period (including treasury shares)

As of September 30, 2020: 53,790,632 shares

As of December 31, 2019: 53,790,632 shares

(ii) Number of treasury shares at end of period

As of September 30, 2020: 5,256,105 shares

As of December 31, 2019: 3,958,938 shares

(iii) Average number of shares outstanding during the period

Nine months ended September 30, 2020: 49,040,654 shares

Nine months ended September 30, 2019: 49,830,302 shares

(Note) The number of treasury shares at the end of each period includes the shares of the Company held by the stock-granting ESOP trust (196,775 shares as of September 30, 2020, and 93,908 shares as of December 31, 2019). The shares of the Company held by the stock-granting ESOP trust are included in the treasury shares deducted in the calculation of the average number of shares outstanding during each period (nine months) (166,318 shares for the nine months ended September 30, 2020, and 95,300 shares for the nine months ended September 30, 2019).

* This financial summary is not subject to the statutory quarterly review by a certified public accountant or an audit corporation.

* Explanations and other special notes concerning the appropriate use of business performance forecasts

(Notes regarding forward-looking statements)

The forward-looking statements in these materials, including financial prospects included in this report, are based on information available to the Company when this report was prepared and assumptions that the management considers reasonable, which do not guarantee the achievement of such projected results. Actual results may differ significantly from these statements for a number of reasons.

○ Index for Supplementary Information

1. Qualitative Information Regarding Results of Operations for the First Nine Months Ended September 30, 2020	2
(1) Explanation Regarding Results of Operations	2
(2) Explanation Regarding Forecast for Fiscal Year Ending December 31, 2020.....	3
2. Quarterly Consolidated Financial Statements and Key Notes.....	4
(1) Quarterly Consolidated Balance Sheet.....	4
(2) Quarterly Consolidated Statement of Income and Quarterly Consolidated Statement of Comprehensive Income	6
Quarterly Consolidated Statement of Income	
First nine-month period.....	6
Quarterly Consolidated Statement of Comprehensive Income	
First nine-month period.....	7
(3) Notes to Quarterly Consolidated Financial Statements.....	8
Note to ongoing concern assumptions	8
Note to significant changes in shareholders' equity	8
Application of particular accounts procedures to the preparation of quarterly consolidated financial statements	8
Additional information.....	8
Segment information.....	9

1. Qualitative Information Regarding Results of Operations for the First Nine Months Ended September 30, 2020

(1) Explanation Regarding Results of Operations

In the first nine months of the fiscal year under review (January 1, 2020 to September 30, 2020), the Japanese economy faced an extremely challenging situation, with significant constraints partially reflecting weak capital investment associated with the spread of COVID-19 infection.

The Japanese construction industry, which includes the core customers for the Okabe Group, faced a difficult environment, including a significant decrease in the floor area of construction from the level in the previous fiscal year due to the impact of COVID-19, although public investment remained solid.

In this business environment, based on its management policy of ensuring the health and safety of its employees and their families, the Okabe Group has established a “new normal business operation system” that is capable of flexibly responding to infections or emergency situations after a disaster. The Group strove to maintain its supply chain and continued to supply products to fulfill its responsibility to customers.

Results of operations by business segment are as follows:

(a) Construction-related products

In the domestic business, sales of building structural products such as reinforcing bar joints that contribute to labor savings and civil engineering products that are used to prevent landslides remained strong. However, sales of the Base Pack showed continued weakness mainly given a significant decrease in the floor area of steel frame construction. The Group’s business in the United States saw solid sales of building materials, reflecting limited impact of COVID-19 infection on construction demand. As a result, net sales in the construction-related products segment fell 2.2% year on year, to 39,201 million yen, and operating profit decreased 8.4% year on year, to 3,533 million yen.

(b) Automotive products

Net sales decreased 18.5% year on year, to 5,400 million yen, as a result of sluggish sales of battery terminal products for automobiles due to a sharp decline in the number of cars sold caused by the spread of COVID-19. On the profit side, the operating loss was 367 million yen (compared with operating profit of 68 million yen in the same period of the previous fiscal year), reflecting a rise in costs for measures taken for environmental issues.

(c) Other businesses

As a result of posting financial results of KAWAHARA MFG. CO., LTD., which became the Company’s subsidiary after its acquisition of all shares of KAWAHARA on January 31, 2019, from April 1, 2019, net sales increased 6.5% year on year, to 2,162 million yen. The operating loss was 16 million yen (compared to the operating profit of 85 million yen in the same period of the previous fiscal year), reflecting stagnant sales of fishing sinkers.

As a result of such business environments and actions, the consolidated net sales for the first nine months of the fiscal year under review decreased 4.0% year on year, to 46,764 million yen, operating profit decreased 21.5% year on year, to 3,149 million yen, ordinary profit decreased 22.9% year on year, to 3,305 million yen, and profit attributable to owners of parent decreased 36.3% year on year, to 1,672 million yen.

(For reference)

Net sales by business segments and product category (consolidated)

(Yen in millions, rounded down)

		Previous consolidated first nine months (Jan. 1, 2019 – Sep. 30, 2019)		Consolidated first nine months under review (Jan. 1, 2020 – Sep. 30, 2020)		Change (%)
		Amount	Proportion (%)	Amount	Proportion (%)	
Construction-related products	Temporary building and formwork products	5,304	10.9	4,973	10.6	(6.2)
	Civil engineering products	4,724	9.7	5,494	11.8	16.3
	Building structural products	15,965	32.7	15,111	32.3	(5.3)
	Building materials (Japan)	9,298	19.1	8,754	18.7	(5.8)
	Subtotal – Japan	35,293	72.4	34,335	73.4	(2.7)
	Building materials (Overseas)	4,784	9.8	4,866	10.4	1.7
	Subtotal – overseas	4,784	9.8	4,866	10.4	1.7
	Subtotal – segment	40,078	82.2	39,201	83.8	(2.2)
Automotive products		6,622	13.6	5,400	11.6	(18.5)
Other businesses (Note)		2,030	4.2	2,162	4.6	6.5
Total		48,732	100.0	46,764	100.0	(4.0)

- (Note) 1. For information about the main operations of each business segment, please refer to “Segment information” on page 9.
2. Other businesses include those for diversification that do not form part of the Company’s core businesses, i.e. construction related products and automotive products. This segment includes, among others, the manufacture and sale of marine materials and the manufacture and sale of fishing sinkers in the U.S.
In addition, the results of KAWAHARA MFG. CO., LTD., which manufactures and sells industrial machine products, have been posted since April 1, 2019.

(2) Explanation Regarding Forecast for Fiscal Year Ending December 31, 2020

No changes have been made to the full-year forecasts of consolidated financial results for the fiscal year ending December 31, 2020 that were announced on July 30, 2020.

With regard to medium-term performance targets under the NEXT100 - PHASE 2 medium-term management plan that have been undecided due to the impact of COVID-19, the Company will make announcements promptly as soon as it is ready to make reasonable calculations while also monitoring the external environment as well as the progress in full-year consolidated results for the fiscal year ending December 31, 2020.

2. Quarterly Consolidated Financial Statements and Key Notes

(1) Quarterly Consolidated Balance Sheet

(Million yen)

	Fiscal year ended December 31, 2019 (As of December 31, 2019)	Third quarter ended September 30, 2020 (As of September 30, 2020)
ASSETS		
Current assets		
Cash and deposits	20,664	21,299
Notes and accounts receivable - trade	21,686	20,381
Merchandise and finished goods	7,427	7,897
Work in process	1,500	1,547
Raw materials and supplies	1,697	1,947
Other	452	1,788
Allowance for doubtful accounts	(23)	(23)
Total current assets	53,406	54,837
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	10,711	11,219
Machinery, equipment and vehicles, net	3,940	4,146
Land	4,239	4,282
Other, net	2,876	2,103
Total property, plant and equipment	21,768	21,752
Intangible assets		
Goodwill	2,560	2,602
Other	259	328
Total intangible assets	2,820	2,931
Investments and other assets		
Investment securities	7,262	7,224
Other	3,482	1,967
Allowance for doubtful accounts	(98)	(94)
Total investments and other assets	10,645	9,098
Total non-current assets	35,234	33,781
Deferred assets		
Bond issuance costs	11	9
Total deferred assets	11	9
Total assets	88,652	88,629

(Million yen)

	Fiscal year ended December 31, 2019 (As of December 31, 2019)	Third quarter ended September 30, 2020 (As of September 30, 2020)
LIABILITIES		
Current liabilities		
Notes and accounts payable - trade	4,691	4,990
Electronically recorded obligations - operating	8,591	7,963
Short-term borrowings	7,419	2,973
Income taxes payable	651	578
Provision for bonuses	–	341
Other	2,364	2,596
Total current liabilities	23,718	19,444
Non-current liabilities		
Bonds payable	1,000	1,000
Long-term borrowings	2,400	7,306
Provision for share-based remuneration	77	95
Retirement benefit liability	1,874	1,973
Asset retirement obligations	41	41
Other	1,670	1,541
Total non-current liabilities	7,063	11,957
Total liabilities	30,782	31,402
NET ASSETS		
Shareholders' equity		
Share capital	6,911	6,911
Capital surplus	6,062	6,083
Retained earnings	45,502	46,162
Treasury shares	(2,712)	(3,697)
Total shareholders' equity	55,763	55,459
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,024	1,648
Foreign currency translation adjustment	97	129
Remeasurements of defined benefit plans	(15)	(11)
Total accumulated other comprehensive income	2,106	1,766
Total net assets	57,869	57,226
Total liabilities and net assets	88,652	88,629

(2) Quarterly Consolidated Statement of Income and Quarterly Consolidated Statement of Comprehensive Income
(Quarterly Consolidated Statement of Income)
(First nine-month period)

(Million yen)

	First nine months ended September 30, 2019 (Jan. 1, 2019 – Sep. 30, 2019)	First nine months ended September 30, 2020 (Jan. 1, 2020 – Sep. 30, 2020)
Net sales	48,732	46,764
Cost of sales	34,897	33,828
Gross profit	13,835	12,936
Selling, general and administrative expenses	9,821	9,786
Operating profit	4,013	3,149
Non-operating income		
Interest income	23	12
Dividend income	128	126
Surrender value of insurance policies	–	61
Reversal of provision for loss on litigation	135	–
Other	118	87
Total non-operating income	406	287
Non-operating expenses		
Interest expenses	48	93
Foreign exchange losses	31	–
Other	53	38
Total non-operating expenses	133	132
Ordinary profit	4,286	3,305
Extraordinary income		
Gain on sales of non-current assets	0	0
Gain on sales of investment securities	0	–
Total extraordinary income	0	0
Extraordinary losses		
Loss on sales of investment securities	65	–
Loss on factory closure	52	–
Environmental expenses	95	644
Other	38	125
Total extraordinary losses	252	770
Profit before income taxes	4,034	2,535
Income taxes - current	1,390	1,100
Income taxes - deferred	16	(237)
Total income taxes	1,407	862
Profit	2,627	1,672
Profit attributable to owners of parent	2,627	1,672

(Quarterly Consolidated Statements of Comprehensive Income)
(First nine-month period)

(Million yen)

	First nine months ended September 30, 2019 (Jan. 1, 2019 – Sep. 30, 2019)	First nine months ended September 30, 2020 (Jan. 1, 2020 – Sep. 30, 2020)
Profit	2,627	1,672
Other comprehensive income		
Valuation difference on available-for-sale securities	29	(375)
Foreign currency translation adjustment	(718)	32
Remeasurements of defined benefit plans, net of tax	(1)	3
Total other comprehensive income	(689)	(339)
Comprehensive income	1,938	1,333
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,938	1,333

(3) Notes to Quarterly Consolidated Financial Statements

(Note to ongoing concern assumptions)

None

(Note to significant changes in shareholders' equity)

None

(Application of particular accounts procedures to the preparation of quarterly consolidated financial statements)

(Calculation of Tax Expenses)

Taxes are calculated by multiplying profit before income taxes by a reasonable estimate of the effective tax rate after adjustments for tax-effect accounting for profit before income taxes in the current fiscal year.

(Additional information)

(Accounting estimates)

The impact of the spread of COVID-19 is unclear but may be significant for the Okabe Group's consolidated financial statements of the quarters following the first nine months of the fiscal year under review. However, the Group recognized no material influence of the spread of COVID-19 in its accounting estimates.

(Transactions of Delivering the Company's Own Stock to Employees, etc. through Trusts)

The Company has introduced the stock-granting ESOP trust system, a trust-type employee incentive plan under which the Company's own shares are issued to its employees for the purpose of encouraging the motivation of the employees of the Company and the Okabe Group and enhancing the welfare program.

(1) Transaction overview

This program adopts the system called the stock-granting employee stock ownership plan ("ESOP Trust"). The ESOP Trust is an employee incentive plan inspired by the U.S. ESOP system, under which shares bought back by the ESOP Trust are issued to employees who have met the requirements prescribed in the Shares Issuance Regulations established in advance.

The "Practical Solution on Transactions of Delivering the Company's Own Stock to Employees etc. through Trusts (ASBJ Practical Issue Task Force (PITF) No. 30, March 26, 2015)" applies to the accounting treatment of this program.

(2) Treasury shares remaining in the trust

The Company's shares remaining in the trust are recorded at the book value (excluding all incidental expenses) in the section of net assets as treasury shares in the trust. The book value of the treasury shares is 86 million yen for the previous consolidated fiscal year and 176 million yen for the first nine months of the fiscal year under review. The number of treasury shares at the end of the term is 93,908 shares for the previous consolidated fiscal year and 196,775 shares for the first nine months of the fiscal year under review.

(Segment information)

[Segment information]

I. First nine months ended September 30, 2019 (January 1, 2019 – September 30, 2019)

1. Net sales and profit (loss) for each reportable business segment

(Million yen)

	Reportable segments				Adjustment	Amounts in quarterly consolidated statements of income (Note)
	Construction-related products	Automotive products	Other businesses	Total		
Net sales						
Sales to external customers	40,078	6,622	2,030	48,732	–	48,732
Intersegment internal sales and transfers	–	–	–	–	–	–
Total	40,078	6,622	2,030	48,732	–	48,732
Segment profit	3,858	68	85	4,013	–	4,013

(Note) Segment profit matches the operating profit in the quarterly consolidated statements of income.

2. Non-current assets impairment losses, goodwill and other information for each reportable segment

(Significant changes in the amount of goodwill)

Due to the buyback of all the shares of KAWAHARA MFG. CO., LTD. and the consequent inclusion thereof in the scope of consolidation, goodwill of 2,590 million yen was added to the “other businesses” segment in the first three months of the consolidated fiscal year under review.

II. First nine months ended September 30, 2020 (January 1, 2020 – September 30, 2020)

1. Net sales and profit (loss) for each reportable business segment

(Million yen)

	Reportable segments				Adjustment	Amounts in quarterly consolidated statements of income (Note)
	Construction-related products	Automotive products	Other businesses	Total		
Net sales						
Sales to external customers	39,201	5,400	2,162	46,764	–	46,764
Intersegment internal sales and transfers	–	–	–	–	–	–
Total	39,201	5,400	2,162	46,764	–	46,764
Segment profit (loss)	3,533	(367)	(16)	3,149	–	3,149

(Note) Segment profit (loss) matches the operating profit in the quarterly consolidated statements of income.

2. Non-current assets impairment losses, goodwill and other information for each reportable segment

None