Member of Financial Accounting Standards Foundation (FASF)

Consolidated Financial Results (Japanese Accounting Standards) for the First Nine Months of the Fiscal Year Ending December 31, 2016

October 31, 2016

Company name: Okabe Co., Ltd.
Stock exchange listing: First Section of the Tokyo Stock Exchange
Stock code: 5959
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Scheduled date for filing of quarterly report: November 14, 2016
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, 2016 (January 1, 2016 – September 30, 2016)

(1) Consolidated Results of Operations (Accumulated Total)

(Percentages represent year-on-year changes.)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
Nine months ended	Million yen	%	Million yen	%	Million yen	%	Million yen	%
September 30, 2016	48,328	(5.0)	4,080	(4.2)	4,200	(4.6)	6,596	129.3
September 30, 2015	50,877	1.8	4,261	(12.7)	4,404	(12.8)	2,876	(5.0)

(Note) Comprehensive income: 5,647 million yen (42.9%) for the nine months ended September 30, 2016
3,950 million yen (17.4%) for the nine months ended September 30, 2015

	Profit per share (basic)	Profit per share (diluted)
Nine months ended	Yen	Yen
September 30, 2016	129.60	–
September 30, 2015	55.15	–

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
Nine months ended September 30, 2016	83,462	50,490	60.5
Year ended December 31, 2015	83,786	48,601	58.0

(Reference) Shareholders' equity: Nine months ended September 30, 2016: 50,490 million yen
Year ended December 31, 2015: 48,601 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, 2015	–	12.00	–	12.00	24.00
Year ending December 31, 2016	–	12.00	–		
Year ending December 31, 2016 (forecasts)			–	12.00	24.00

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

3. Consolidated Forecasts for the Fiscal Year Ending December 31, 2016 (January 1, 2016 – December 31, 2016)

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

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Profit per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	63,700	(7.7)	5,600	(11.5)	5,700	(12.8)	7,800	84.2	153.49

(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): Yes
New companies: – (Company names:); Excluded companies: 2 (Company names: Okabe North America, Inc. and Coast Hotels Limited)

(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 4 for details.

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

(i) Changes in accounting policies caused by revision of accounting standards:	Yes
(ii) Changes in accounting policies other than (i):	Yes
(iii) Changes in accounting estimates:	Yes
(iv) Restatement:	None

(Note) The items above fall under Article 10-5 of the "Ordinance on Terminology, Forms and Preparation Methods of the Quarterly Consolidated Financial Statements." Please refer to "Changes in Accounting Policies, Accounting Estimates and Restatement" on page 4 for details.

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

(i) Number of shares outstanding at end of period (including treasury shares)	
As of September 30, 2016:	53,790,632 shares
As of December 31, 2015:	53,790,632 shares
(ii) Number of treasury shares at end of period	
As of September 30, 2016:	3,239,590 shares
As of December 31, 2015:	2,833,250 shares
(iii) Average number of shares outstanding during the period	
Nine months ended September 30, 2016:	50,898,254 shares
Nine months ended September 30, 2015:	52,157,484 shares

* Status of a quarterly review
This financial summary does not need to undergo a quarterly review under the Financial Instruments and Exchange Act. Procedures for a quarterly review of the consolidated financial statements had not been completed at the time of the announcement of this financial summary.

* Explanations and other special notes concerning the appropriate use of business performance forecasts
The forward-looking statements in these materials are based on information available to management at the time this report was prepared, and on assumptions that management believes are reasonable. 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, 2016

(1) Explanation Regarding Results of Operations

In the consolidated first nine months under review (January 1, 2016 to September 30, 2016), the Japanese economy showed a gradual recovery trend with steady consumer spending and an improvement in the employment situation. Overseas, however, the outlook remained unpredictable given increasing future uncertainties partly due to the issue of the United Kingdom exiting the EU.

In the Japanese construction industry, the Okabe Group's core customer, there were signs of a recovery in housing construction and construction starts recently. However, the business environment remained challenging, with the floor area of construction projects that started in the consolidated first nine months under review continuing to post a year on year decline.

In this business environment, the Okabe Group worked to expand the share for major products by strengthening product development through collaboration between development, production, and sales in its core construction-related products business. It also sought to improve its production and logistics functions with Ibaraki Factory, which went into full-scale operation at the start of this year, as the pillar of this effort.

However, chiefly due to the adverse effect of a decline in construction starts, consolidated net sales for the first nine months under review decreased 5.0% year on year, to 48,328 million yen, operating income declined 4.2%, to 4,080 million yen, and ordinary income fell 4.6%, to 4,200 million yen. Profit attributable to owners of parent rose 129.3% year on year, to 6,596 million yen, chiefly reflecting the recording of extraordinary income from the transfer of the hotel business.

Results of operations by business segment are as follows:

(a) Construction-related products

Segment sales fell 7.4% year on year, to 35,235 million yen, and operating income declined 18.6% year on year, to 2,792 million yen. The Company strove to expand the market shares of mainstay products by carrying out a number of measures, but sales of construction-related products overall remained sluggish, mainly due to the negative effects of a decline in construction starts.

(b) Automotive products

Sales decreased 8.3% year on year, to 6,963 million yen, and operating income fell 5.2%, to 808 million yen. Sales of battery terminals were strong in Europe but weak in North America, due to the decline in demand caused by the unusually warm winter. In addition, there were negative effects of foreign exchange rates.

(c) Hotel business

The fiscal year of the hotel business ends at the end of September, and, following usual practice, the period for the consolidated first nine months reflects results for nine months from October 1, 2015 to June 30, 2016. However, given the effects of the completion of the transfer on September 6, 2016, the statement of income includes the period from July 1, 2016 to September 5, 2016, in addition to the regular consolidated first nine months. As a result, the consolidated first nine months under review include results for eleven months and five days. With this condition, sales for the consolidated first nine months under review rose 22.7% year on year, to 5,204 million yen, and operating income came to 501 million yen (compared with an operating loss of 16 million yen in the same period a year ago).

(d) Other businesses

Sales declined 7.5% year on year, to 925 million yen and an operating loss of 22 million yen was posted (compared with an operating loss of 5 million yen in the same period a year ago), mainly reflecting the postponement of a large project in the marine business until the fourth quarter of the fiscal year or later.

(For reference)

Net sales by business segments and product category (consolidated)

(Yen in millions, rounded down)

		Previous consolidated first nine months (Jan. 1, 2015 – Sep. 30, 2015)		Consolidated first nine months under review (Jan. 1, 2016 – Sep. 30, 2016)		Change (%)
		Amount	Proportion (%)	Amount	Proportion (%)	
Construction-related products	Temporary building and formwork products	6,050	11.9	5,323	11.0	(12.0)
	Civil engineering products	4,591	9.0	3,988	8.3	(13.1)
	Building structural products	14,895	29.3	13,409	27.7	(10.0)
	Building materials	12,506	24.6	12,513	25.9	0.1
	Total of construction-related products	38,044	74.8	35,235	72.9	(7.4)
Automotive products		7,591	14.9	6,963	14.4	(8.3)
Hotel business		4,241	8.3	5,204	10.8	22.7
Other businesses		1,000	2.0	925	1.9	(7.5)
Total		50,877	100.0	48,328	100.0	(5.0)

(2) Explanation Regarding Forecast for Fiscal Year Ending December 31, 2016

No changes have been made to the full-year forecasts of consolidated financial results for the fiscal year ending December 31, 2016 that were announced on July 28, 2016.

2. Summary Information (Notes)

(1) Changes in Important Subsidiaries during the Period

Okabe North America, Inc. and Coast Hotels Limited have been excluded from the scope of consolidation in the consolidated first nine months under review, as a result of the transfer of all their shares on September 6, 2016. However, those are included in the statement of income until September 5, 2016.

(2) 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.

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

(Changes in Accounting Policies)

(Application of Accounting Standard for Business Combinations, etc.)

From the first three months of the fiscal year under review, the Group has applied the Accounting Standard for Business Combinations (Accounting Standards Board of Japan (ASBJ) Statement No. 21, September 13, 2013), the Accounting Standard for Consolidated Financial Statements (ASBJ Statement No. 22, September 13, 2013) and the Accounting Standard for Business Divestitures (ASBJ Statement No. 7, September 13, 2013). Under these accounting standards, the Group will post in capital surplus differences arising from changes in the Company’s equity interests in subsidiaries over which the Company retains control, and will record expenses related to purchases as expenses in the fiscal year in which the expenses are incurred. For business combinations from the beginning of the first three months of the fiscal year under review, the Company will reflect the review of the allocation of acquisition costs following the completion of provisional accounting in the quarterly consolidated financial statements for consolidated quarters in which business combinations take place. The presentation of net income and other items has been changed. To reflect these changes, the quarterly consolidated financial statements for the first nine months of the previous fiscal year have been replaced.

In the quarterly consolidated statement of cash flows for the first nine months of the fiscal year under review, cash flows associated with the purchases or sales of shares in subsidiaries that do not result in a change in the scope of consolidation are posted in Cash flows from financing activities. Cash flows associated with expenses related to the purchases of shares in subsidiaries that result in a change in the scope of consolidation and expenses related to the purchases or sales of shares in subsidiaries that do not result in a change in the scope of consolidation are posted in Cash flows from operating activities.

The Accounting Standard for Business Combinations, etc. are applied from the beginning of the first three months of the fiscal year under review, and the application follows the provisional accounting set out in 58-2 (4) of the Accounting Standard for Business Combinations, 44-5 (4) of the Accounting Standard for Consolidated Financial Statements, and 57-4 (4) of the Accounting Standard for Business Divestitures.

The application of these accounting standards has no impact on earnings.

(Changes in Accounting Policies That Are Difficult to Distinguish from Changes in Accounting Estimates)

(Changes in Depreciation Method of Property, Plant and Equipment)

Previously, the depreciation of property, plant and equipment (excluding lease assets) of the Company and its domestic consolidated subsidiaries had been calculated using mainly the declining balance method (the straight line method was used for the depreciation of buildings (excluding structures attached to buildings) acquired on or after April 1, 1998). However, from the first three months of the fiscal year under review, the method for the depreciation of property, plant and equipment was changed from the declining balance method to the straight line method.

This change is based on the judgment that changing the method for the depreciation of property, plant and equipment from the declining balance method to the straight line method will reflect the actual status more appropriately since an investigation of the usage of property, plant and equipment in Japan that was carried out when the Ibaraki Factory, established the previous fiscal year, went into full-scale operation in the fiscal year under review found that the stable operation of the equipment of the Company and its domestic consolidated subsidiaries was expected in the long term.

As a result, operating income, ordinary income and profit before income taxes for the first nine months of the fiscal year under review each increased 220,424 thousand yen compared with their respective values calculated using the conventional accounting methods.

3. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheet

(Thousand yen)

	Fiscal year ended December 31, 2015 (As of December 31, 2015)	First nine months ended September 30, 2016 (As of September 30, 2016)
ASSETS		
Current assets		
Cash and deposits	15,195,942	26,526,976
Notes and accounts receivable - trade	21,626,846	18,938,016
Merchandise and finished goods	5,135,923	5,037,189
Work in process	847,791	954,258
Raw materials and supplies	1,564,992	1,629,927
Other	1,265,808	1,498,314
Allowance for doubtful accounts	(34,533)	(18,532)
Total current assets	45,602,769	54,566,150
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	16,776,108	8,844,843
Machinery, equipment and vehicles, net	3,577,032	3,247,665
Land	6,145,856	3,741,169
Other, net	2,338,244	1,283,241
Total property, plant and equipment	28,837,241	17,116,919
Intangible assets		
Goodwill	447,811	328,077
Other	608,579	409,363
Total intangible assets	1,056,391	737,440
Investments and other assets		
Investment securities	6,863,372	6,580,629
Other	1,618,739	4,595,692
Allowance for doubtful accounts	(191,673)	(156,395)
Total investments and other assets	8,290,438	11,019,926
Total non-current assets	38,184,071	28,874,287
Deferred assets		
Bond issuance cost	–	22,310
Total deferred assets	–	22,310
Total assets	83,786,841	83,462,748

(Thousand yen)

	Fiscal year ended December 31, 2015 (As of December 31, 2015)	First nine months ended September 30, 2016 (As of September 30, 2016)
LIABILITIES		
Current liabilities		
Notes and accounts payable - trade	5,499,809	4,108,969
Electronically recorded obligations - operating	9,041,472	7,683,577
Short-term loans payable	5,470,045	2,515,695
Income taxes payable	678,261	2,255,373
Provision for bonuses	70,883	393,845
Other	3,133,059	3,212,509
Total current liabilities	23,893,531	20,169,971
Non-current liabilities		
Bonds payable	–	1,000,000
Long-term loans payable	7,088,000	8,354,000
Net defined benefit liability	1,591,309	1,621,805
Asset retirement obligations	39,829	40,083
Other	2,572,624	1,786,728
Total non-current liabilities	11,291,763	12,802,616
Total liabilities	35,185,295	32,972,587
NET ASSETS		
Shareholders' equity		
Capital stock	6,911,700	6,911,700
Capital surplus	6,039,545	6,039,545
Retained earnings	35,248,014	38,423,791
Treasury shares	(1,693,473)	(2,031,589)
Total shareholders' equity	46,505,786	49,343,447
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,732,095	1,555,974
Deferred gains or losses on hedges	–	(21,012)
Foreign currency translation adjustment	399,513	(372,288)
Remeasurements of defined benefit plans	(35,849)	(15,959)
Total accumulated other comprehensive income	2,095,759	1,146,713
Total net assets	48,601,546	50,490,160
Total liabilities and net assets	83,786,841	83,462,748

(2) Quarterly Consolidated Statement of Income and Quarterly Consolidated Statement of Comprehensive Income

(Quarterly Consolidated Statement of Income)

(First nine-month period)

(Thousand yen)

	First nine months ended September 30, 2015 (Jan. 1, 2015 – Sep. 30, 2015)	First nine months ended September 30, 2016 (Jan. 1, 2016 – Sep. 30, 2016)
Net sales	50,877,286	48,328,490
Cost of sales	37,201,406	35,098,909
Gross profit	13,675,880	13,229,581
Selling, general and administrative expenses	9,414,576	9,149,168
Operating income	4,261,303	4,080,412
Non-operating income		
Interest income	30,758	27,656
Dividend income	98,146	102,155
Other	163,638	154,059
Total non-operating income	292,543	283,871
Non-operating expenses		
Interest expenses	104,008	67,221
Foreign exchange losses	4,189	64,074
Other	41,396	32,298
Total non-operating expenses	149,595	163,595
Ordinary income	4,404,250	4,200,689
Extraordinary income		
Gain on sales of non-current assets	225,425	478
Gain on sales of shares of subsidiaries and associates	–	6,150,918
Other	251	–
Total extraordinary income	225,677	6,151,396
Extraordinary losses		
Loss on disposal of non-current assets	4,895	5,583
Special retirement expense	–	17,254
Factory transfer expenses	7,537	–
Other	–	10,670
Total extraordinary losses	12,432	33,508
Profit before income taxes	4,617,495	10,318,577
Income taxes - current	1,748,584	3,732,576
Income taxes - deferred	(7,724)	(10,158)
Total income taxes	1,740,860	3,722,417
Profit	2,876,635	6,596,160
Profit attributable to owners of parent	2,876,635	6,596,160

(Quarterly Consolidated Statements of Comprehensive Income)

(First nine-month period)

(Thousand yen)

	First nine months ended September 30, 2015 (Jan. 1, 2015 – Sep. 30, 2015)	First nine months ended September 30, 2016 (Jan. 1, 2016 – Sep. 30, 2016)
Profit	2,876,635	6,596,160
Other comprehensive income		
Valuation difference on available-for-sale securities	(178,004)	(176,120)
Deferred gains or losses on hedges	–	(21,012)
Foreign currency translation adjustment	1,248,317	(771,802)
Remeasurements of defined benefit plans, net of tax	3,768	19,889
Total other comprehensive income	1,074,081	(949,045)
Comprehensive income	3,950,717	5,647,114
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	3,950,717	5,647,114

(3) Quarterly Consolidated Statements of Cash Flows

(Thousand yen)

	First nine months ended September 30, 2015 (Jan. 1, 2015 – Sep. 30, 2015)	First nine months ended September 30, 2016 (Jan. 1, 2016 – Sep. 30, 2016)
Cash flows from operating activities		
Profit before income taxes	4,617,495	10,318,577
Depreciation	1,297,702	1,385,732
Increase (decrease) in provision for bonuses	443,484	322,962
Increase (decrease) in allowance for doubtful accounts	(14,585)	(36,314)
Increase (decrease) in net defined benefit liability	27,580	60,184
Interest and dividend income	(128,904)	(129,811)
Interest expenses	104,008	67,221
Loss (gain) on sales of shares of subsidiaries and associates	–	(6,150,918)
Loss (gain) on sales of non-current assets	(225,425)	1,326
Decrease (increase) in notes and accounts receivable - trade	842,705	1,928,128
Decrease (increase) in inventories	(656,227)	(626,597)
Decrease (increase) in other current assets	(125,563)	87,233
Increase (decrease) in notes and accounts payable - trade	(1,284,041)	(679,097)
Increase (decrease) in other current liabilities	(447,724)	(238,990)
Increase (decrease) in accrued consumption taxes	(231,063)	431,035
Other, net	104,197	192,233
Subtotal	4,323,638	6,932,904
Income taxes paid	(2,570,271)	(2,061,728)
Net cash provided by (used in) operating activities	1,753,367	4,871,175
Cash flows from investing activities		
Proceeds from withdrawal of time deposits	–	206,385
Purchase of property, plant and equipment	(2,779,770)	(2,415,878)
Purchase of intangible assets	(42,464)	(54,512)
Proceeds from sales of intangible assets	222,651	–
Purchase of investment securities	(300,000)	–
Purchase of shares of subsidiaries	(30,000)	(30,000)
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	–	12,288,092
Purchase of insurance funds	(130,347)	(99,276)
Proceeds from maturity of insurance funds	126,708	125,514
Payments into long-term deposits	–	(3,110,472)
Interest and dividend income received	127,682	127,440
Other, net	302,306	22,296
Net cash provided by (used in) investing activities	(2,503,233)	7,059,589
Cash flows from financing activities		
Increase in short-term loans payable	7,029,591	4,525,060
Decrease in short-term loans payable	(6,939,434)	(5,188,489)
Proceeds from long-term loans payable	7,100,000	5,831,353
Repayments of long-term loans payable	(3,418,000)	(2,326,000)
Purchase of treasury shares	(1,558,399)	(998,932)
Proceeds from issuance of bonds	–	977,420
Cash dividends paid	(657,421)	(681,769)
Interest expenses paid	(112,358)	(73,762)
Commission for syndicate loan paid	(187,920)	–
Other, net	(107,979)	(111,136)
Net cash provided by (used in) financing activities	1,148,077	1,953,743
Effect of exchange rate change on cash and cash equivalents	271,590	(570,938)
Net increase (decrease) in cash and cash equivalents	669,802	13,313,570
Cash and cash equivalents at beginning of period	17,782,908	14,445,204
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	(594)	(1,431,798)
Cash and cash equivalents at end of period	18,452,116	26,326,976

(4) Notes to Quarterly Consolidated Financial Statements

(Note to ongoing concern assumptions)

None

(Note to significant changes in shareholders' equity)

None

(Segment information)

[Segment information]

I. First nine months ended September 30, 2015 (January 1, 2015 – September 30, 2015)

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

(Thousand yen)

	Reportable segments					Adjustment	Amounts in quarterly consolidated statements of income (Note)
	Construction-related products	Automotive products	Hotel business	Other businesses	Total		
Net sales							
Sales to external customers	38,044,443	7,591,206	4,241,029	1,000,607	50,877,286	–	50,877,286
Intersegment internal sales and transfers	–	–	2,220	–	2,220	(2,220)	–
Total	38,044,443	7,591,206	4,243,249	1,000,607	50,879,506	(2,220)	50,877,286
Segment income (loss)	3,429,550	852,961	(16,115)	(5,093)	4,261,303	–	4,261,303

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

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

None

II. First nine months ended September 30, 2016 (January 1, 2016 – September 30, 2016)

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

(Thousand yen)

	Reportable segments					Adjustment	Amounts in quarterly consolidated statements of income (Note)
	Construction-related products	Automotive products	Hotel business	Other businesses	Total		
Net sales							
Sales to external customers	35,235,279	6,963,996	5,204,026	925,188	48,328,490	–	48,328,490
Intersegment internal sales and transfers	–	–	1,705	–	1,705	(1,705)	–
Total	35,235,279	6,963,996	5,205,732	925,188	48,330,196	(1,705)	48,328,490
Segment income (loss)	2,792,681	808,549	501,863	(22,681)	4,080,412	–	4,080,412

(Note) 1. Segment income (loss) matches the operating income in the quarterly consolidated statements of income.

2. In the Hotel business, Okabe North America, Inc. and Coast Hotels Limited that operated the Hotel business have been excluded from the scope of consolidation in the consolidated first nine months under review, as a result of the transfer of all their shares on September 6, 2016. However, the statement of income until September 5, 2016 has been included. As a result, segment assets in the Hotel business declined 13,254,051 thousand yen compared with those at the end of the previous consolidated fiscal year.

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

None

3. Matters related to changes in the reportable business segment

(Changes in Depreciation Method of Property, Plant and Equipment)

As stated in "Changes in Accounting Policies That Are Difficult to Distinguish from Changes in Accounting Estimates," the depreciation of property, plant and equipment (excluding lease assets) of the Company and its domestic consolidated subsidiaries was previously calculated using mainly the declining balance method (the straight line method was used for the depreciation of buildings (excluding structures attached to buildings) acquired on or after April 1, 1998). However, from the first three months of the fiscal year under review, the method for the depreciation of property, plant and equipment was changed from the declining balance method to the straight line method. As a result, segment income in the construction-related products segment in the first nine months of the fiscal year under review increased 216,164 thousand yen compared with the value calculated using the declining balance method, and the segment loss in the "other businesses" segment in the first nine months under review declined 4,260 thousand yen.