

Consolidated Financial Results (Japanese Accounting Standards) for the First Three Months of the Fiscal Year Ending December 31, 2017

April 28, 2017

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 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 Three Months Ended March 31, 2017 (January 1, 2017 – March 31, 2017)

(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	%
Three months ended								
March 31, 2017	13,424	(9.6)	877	5.2	853	1.5	486	2.9
March 31, 2016	14,857	(4.0)	834	(7.1)	840	(9.0)	473	(31.8)

(Note) Comprehensive income: 2,016 million yen (–%) for the three months ended March 31, 2017
 –42 million yen (–%) for the three months ended March 31, 2016

	Profit per share (basic)		Profit per share (diluted)	
	Yen		Yen	
Three months ended				
March 31, 2017	9.77		–	
March 31, 2016	9.29		–	

(2) Consolidated Financial Position

	Total assets		Net assets		Equity ratio	
	Million yen		Million yen		%	
Three months ended						
March 31, 2017	83,811		52,823		63.0	
Year ended						
December 31, 2016	81,919		51,404		62.8	

(Reference) Shareholders' equity: Three months ended March 31, 2017: 52,823 million yen
 Year ended December 31, 2016: 51,404 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, 2016	–	12.00	–	12.00	24.00
Year ending December 31, 2017	–				
Year ending December 31, 2017 (forecasts)		15.00	–	15.00	30.00

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

(Note) Breakdown of dividends at the end of the second quarter of the fiscal year ending December 31, 2017 (forecast): Ordinary dividend 12.00 yen and commemorative dividend 3.00 yen
 Breakdown of dividends at the end of the fiscal year ending December 31, 2017 (forecast): Ordinary dividend 12.00 yen and commemorative dividend 3.00 yen

3. Consolidated Forecasts for the Fiscal Year Ending December 31, 2017 (January 1, 2017 – December 31, 2017)

(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
Interim	29,270	(3.6)	2,280	17.2	2,320	15.6	1,440	23.6	28.40
Full year	62,000	(1.9)	5,700	3.1	5,800	0.3	3,640	(53.7)	71.81

(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 9 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 March 31, 2017: 53,790,632 shares

As of December 31, 2016: 53,790,632 shares

(ii) Number of treasury shares at end of period

As of March 31, 2017: 3,963,082 shares

As of December 31, 2016: 3,963,082 shares

(iii) Average number of shares outstanding during the period

Three months ended March 31, 2017: 49,827,550 shares

Three months ended March 31, 2016: 50,957,372 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 (98,200 shares in the first quarter of the fiscal year ending December 31, 2017, and 0 in the fiscal year ended December 31, 2016). 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 (three months) (98,200 shares for the first quarter of the fiscal year ending December 31, 2017, and 0 in the fiscal year ended December 31, 2016).

* This financial summary is not subject to the statutory quarterly review.

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

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.

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1. Qualitative Information Regarding Results of Operations for the First Three Months Ended March 31, 2017

(1) Explanation Regarding Results of Operations

In the first three months of the fiscal year under review (January 1, 2017 to March 31, 2017), the Japanese economy remained on a modest recovery path, with signs of improvement in corporate earnings and employment. The outlook remained uncertain, however, given factors such as the growing uncertainty surrounding the global economy and volatility in the financial and capital markets.

In the Japanese construction industry, the Okabe Group's core customer, signs of recovery were seen in the floor areas of constructions that commenced during the period, including constructions for large redevelopment projects, etc. that started gradually, particularly in the Tokyo metropolitan area.

In this business environment, the Okabe Group established the medium-term management plan "NEXT 100: Exciting Future" covering the three years starting from the fiscal year under review, which marks its centennial anniversary, and launched activities to build the foundation for its success in the next 100 years.

In addition to this business environment and these activities, the absence in the fiscal year under review of the financial results of the hotel business, which was sold in the previous fiscal year, partly caused the consolidated net sales for the first three months of the fiscal year under review to decrease 9.6% year on year, to 13,424 million yen, operating profit to increase 5.2% year on year, to 877 million yen, ordinary profit to rise 1.5% year on year, to 853 million yen, and profit attributable to owners of parent to grow 2.9% year on year, to 486 million yen.

Results of operations by business segment are as follows:

(a) Construction-related products

Segment sales rose 1.8% year on year, to 11,287 million yen, and operating profit increased 11.0% year on year, to 756 million yen, mainly due to strong sales of building structural products as a result of the market penetration of new products such as the Base Pack V Series and continuous proposal-based marketing targeting construction sites, mainly in the Tokyo Metropolitan area where there is a strong demand.

(b) Automotive products

Sales decreased 9.3% year on year, to 2,049 million yen, and operating profit fell 12.7% year on year, to 189 million yen, mainly due to the impact of exchange rates caused by a stronger yen, which offset the strong sales in the local currency of China as a result of efforts to open up a battery terminal market in China.

(c) Other businesses

In the marine business, sales declined 53.8% year on year, to 87 million yen, and an operating loss of 68 million yen was incurred (operating loss of 24 million yen in the same period of the previous year), primarily reflecting the postponement of a large project until the next or subsequent quarters.

(For reference)

Consolidated financial results of the hotel business segment in the first three months of the previous fiscal year (January 1, 2016, to March 31, 2016)

Net sales: 1,323 million yen

Operating loss: 39 million yen

(For reference)

Net sales by business segments and product category (consolidated)

(Yen in millions, rounded down)

		Previous consolidated first three months (Jan. 1, 2016 – Mar. 31, 2016)		Consolidated first three months under review (Jan. 1, 2017 – Mar. 31, 2017)		Change
		Amount	Proportion	Amount	Proportion	
Construction-related products	Temporary building and formwork products	1,745	11.7	1,637	12.2	(6.2)
	Civil engineering products	1,345	9.1	1,433	10.7	6.5
	Building structural products	3,757	25.3	4,307	32.1	14.6
	Building materials (Japan) (Note 1)	3,239	21.8	2,889	21.5	(10.8)
	Subtotal – Japan	10,088	67.9	10,267	76.5	1.8
	Building materials (Overseas) (Note 1)	995	6.7	1,019	7.6	2.4
	Subtotal – overseas	995	6.7	1,019	7.6	2.4
	Subtotal – segment	11,084	74.6	11,287	84.1	1.8
Automotive products		2,259	15.2	2,049	15.3	(9.3)
Hotel business (Note 2)		1,323	8.9	–	–	(100.0)
Other businesses (Note 3)		189	1.3	87	0.6	(53.8)
Total		14,857	100.0	13,424	100.0	(9.6)

(Notes) 1. Beginning the fiscal year under review, building materials in the construction-related product business is divided into Japan and overseas segments in the report.

2. The hotel business was sold and the process was completed in the previous fiscal year.

3. 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.

(2) Explanation Regarding Forecast for Fiscal Year Ending December 31, 2017

There are no changes to the consolidated results forecasts for the first half and the full year of the fiscal year ending December 31, 2017 that were announced on February 14, 2017.

2. Quarterly Consolidated Financial Statements
(1) Quarterly Consolidated Balance Sheet

(Thousand yen)

	Fiscal year ended December 31, 2016 (As of December 31, 2016)	First three months ended March 31, 2017 (As of March 31, 2017)
ASSETS		
Current assets		
Cash and deposits	22,694,593	24,495,815
Notes and accounts receivable - trade	20,048,397	18,248,572
Securities	500,000	-
Merchandise and finished goods	4,724,418	5,821,542
Work in process	874,016	993,622
Raw materials and supplies	1,411,755	1,575,786
Other	1,017,724	965,275
Allowance for doubtful accounts	(25,767)	(29,727)
Total current assets	51,245,139	52,070,886
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	8,744,807	9,087,853
Machinery, equipment and vehicles, net	3,369,792	3,868,425
Land	3,529,121	3,776,948
Other, net	1,307,706	1,203,871
Total property, plant and equipment	16,951,428	17,937,097
Intangible assets		
Goodwill	305,971	323,076
Other	375,876	370,241
Total intangible assets	681,847	693,318
Investments and other assets		
Investment securities	8,581,193	8,612,210
Other	4,592,267	4,639,204
Allowance for doubtful accounts	(154,042)	(161,453)
Total investments and other assets	13,019,419	13,089,961
Total non-current assets	30,652,695	31,720,377
Deferred assets		
Bond issuance cost	21,504	20,698
Total deferred assets	21,504	20,698
Total assets	81,919,339	83,811,962

(Thousand yen)

	Fiscal year ended December 31, 2016 (As of December 31, 2016)	First three months ended March 31, 2017 (As of March 31, 2017)
LIABILITIES		
Current liabilities		
Notes and accounts payable - trade	3,387,368	4,349,438
Electronically recorded obligations - operating	8,217,219	7,712,390
Short-term loans payable	453,078	822,825
Income taxes payable	1,742,437	283,253
Provision for bonuses	72,422	286,013
Other	3,700,897	3,665,169
Total current liabilities	17,573,424	17,119,090
Non-current liabilities		
Bonds payable	1,000,000	1,000,000
Long-term loans payable	8,338,000	9,222,000
Net defined benefit liability	1,675,377	1,657,475
Asset retirement obligations	40,167	40,254
Other	1,887,595	1,950,018
Total non-current liabilities	12,941,140	13,869,747
Total liabilities	30,514,565	30,988,837
NET ASSETS		
Shareholders' equity		
Capital stock	6,911,700	6,911,700
Capital surplus	6,039,545	6,062,754
Retained earnings	39,694,256	39,583,317
Treasury shares	(2,693,524)	(2,716,734)
Total shareholders' equity	49,951,977	49,841,037
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,992,179	2,013,705
Foreign currency translation adjustment	(505,554)	996,212
Remeasurements of defined benefit plans	(33,827)	(27,831)
Total accumulated other comprehensive income	1,452,797	2,982,086
Total net assets	51,404,774	52,823,124
Total liabilities and net assets	81,919,339	83,811,962

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

(Thousand yen)

	First three months ended March 31, 2016 (Jan. 1, 2016 – Mar. 31, 2016)	First three months ended March 31, 2017 (Jan. 1, 2017 – Mar. 31, 2017)
Net sales	14,857,079	13,424,114
Cost of sales	11,069,942	9,661,966
Gross profit	3,787,136	3,762,148
Selling, general and administrative expenses	2,952,979	2,884,932
Operating profit	834,156	877,216
Non-operating income		
Interest income	7,890	5,624
Dividend income	20,863	21,601
Proceeds from sale of scrap	5,487	15,708
Reversal of allowance for doubtful accounts	18,375	–
Other	21,913	21,096
Total non-operating income	74,530	64,030
Non-operating expenses		
Interest expenses	26,826	12,013
Foreign exchange losses	31,467	64,383
Other	9,901	11,495
Total non-operating expenses	68,195	87,892
Ordinary profit	840,491	853,354
Extraordinary income		
Gain on sales of non-current assets	–	108
Total extraordinary income	–	108
Extraordinary losses		
Loss on disposal of non-current assets	671	8,183
Factory transfer expenses	–	22,153
Other	–	2,510
Total extraordinary losses	671	32,846
Profit before income taxes	839,820	820,616
Income taxes - current	360,970	340,654
Income taxes - deferred	5,367	(7,029)
Total income taxes	366,337	333,624
Profit	473,482	486,991
Profit attributable to owners of parent	473,482	486,991

(Quarterly Consolidated Statement of Comprehensive Income)
(First three-month period)

(Thousand yen)

	First three months ended March 31, 2016 (Jan. 1, 2016 – Mar. 31, 2016)	First three months ended March 31, 2017 (Jan. 1, 2017 – Mar. 31, 2017)
Profit	473,482	486,991
Other comprehensive income		
Valuation difference on available-for-sale securities	(243,391)	21,525
Foreign currency translation adjustment	(277,589)	1,501,767
Remeasurements of defined benefit plans, net of tax	4,642	5,996
Total other comprehensive income	(516,338)	1,529,289
Comprehensive income	(42,856)	2,016,280
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(42,856)	2,016,280

(3) Quarterly Consolidated Statement of Cash Flows

(Thousand yen)

	First three months ended March 31, 2016 (Jan. 1, 2016 – Mar. 31, 2016)	First three months ended March 31, 2017 (Jan. 1, 2017 – Mar. 31, 2017)
Cash flows from operating activities		
Profit before income taxes	839,820	820,616
Depreciation	447,375	347,381
Increase (decrease) in provision for bonuses	205,474	213,591
Increase (decrease) in allowance for doubtful accounts	(18,053)	7,410
Increase (decrease) in net defined benefit liability	18,392	(11,360)
Interest and dividend income	(28,754)	(27,225)
Interest expenses	26,826	12,013
Decrease (increase) in notes and accounts receivable - trade	3,299,190	1,998,390
Decrease (increase) in inventories	(694,805)	(926,133)
Increase (decrease) in notes and accounts payable - trade	(276,224)	(57,000)
Increase (decrease) in other current liabilities	(548,189)	(371,878)
Increase (decrease) in other non-current liabilities	4,000	(8,351)
Increase (decrease) in accrued consumption taxes	321,537	(196,670)
Other, net	169,350	162,749
Subtotal	3,765,942	1,963,531
Income taxes paid	(685,852)	(1,723,480)
Net cash provided by (used in) operating activities	3,080,089	240,050
Cash flows from investing activities		
Proceeds from withdrawal of time deposits	263,565	–
Proceeds from redemption of securities	–	500,000
Purchase of property, plant and equipment	(1,392,037)	(302,237)
Purchase of investment securities	–	(200,000)
Proceeds from redemption of investment securities	–	200,000
Purchase of shares of subsidiaries	(30,000)	–
Purchase of insurance funds	(13,000)	(26,848)
Interest and dividend income received	28,149	27,370
Other, net	(22,331)	(24,617)
Net cash provided by (used in) investing activities	(1,165,655)	173,666
Cash flows from financing activities		
Increase in short-term loans payable	1,230,311	2,382,939
Decrease in short-term loans payable	(1,331,909)	(2,043,718)
Proceeds from long-term loans payable	1,050,000	900,000
Repayments of long-term loans payable	(1,074,000)	(24,000)
Cash dividends paid	(79,335)	(65,933)
Interest expenses paid	(24,480)	(12,902)
Other, net	(36,007)	(67,472)
Net cash provided by (used in) financing activities	(265,421)	1,068,912
Effect of exchange rate change on cash and cash equivalents	(23,615)	318,591
Net increase (decrease) in cash and cash equivalents	1,625,396	1,801,221
Cash and cash equivalents at beginning of period	14,445,204	22,694,593
Cash and cash equivalents at end of period	16,070,600	24,495,815

(4) 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)

(Application of the Implementation Guidance on Recoverability of Deferred Tax Assets)

The Implementation Guidance on Recoverability of Deferred Tax Assets (ASBJ Guidance No. 26, March 28, 2016) has been applied to the consolidated results since the first quarter of the fiscal year under review.

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

At the meeting held on February 14, 2017, the Board of Directors of the Company passed a resolution to introduce 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 stock granting rules 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 and the number of such treasury shares outstanding are 89,951 thousand yen and 98,200 shares, respectively, in the first quarter of the fiscal year under review.

(Segment information)

[Segment information]

I. First three months ended March 31, 2016 (January 1, 2016 – March 31, 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	11,084,256	2,259,793	1,323,765	189,263	14,857,079	–	14,857,079
Intersegment internal sales and transfers	–	–	641	–	641	(641)	–
Total	11,084,256	2,259,793	1,324,407	189,263	14,857,720	(641)	14,857,079
Segment income (loss)	681,115	216,869	(39,013)	(24,813)	834,156	–	834,156

(Note) Segment income (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

II. First three months ended March 31, 2017 (January 1, 2017 – March 31, 2017)

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	Other businesses	Total		
Net sales						
Sales to external customers	11,287,111	2,049,530	87,473	13,424,114	–	13,424,114
Intersegment internal sales and transfers	–	–	–	–	–	–
Total	11,287,111	2,049,530	87,473	13,424,114	–	13,424,114
Segment income (loss)	756,169	189,268	(68,221)	877,216	–	877,216

(Note) Segment income (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

3. Matters related to changes in the reportable business segment

The hotel business has been excluded from the reported segments due to the sale of the segment during the previous fiscal year.