

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

July 27, 2017

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Scheduled date for filing of quarterly report: August 10, 2017  
 Scheduled date of commencement of dividend payment: September 4, 2017  
 Supplementary documents for quarterly results: None  
 Quarterly results briefing: Yes (for institutional investors and analysts)

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

## 1. Consolidated Financial Results for the First Six Months Ended June 30, 2017 (January 1, 2017 – June 30, 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	%
Six months ended June 30, 2017	28,857	(4.9)	2,095	7.7	2,115	5.4	1,278	9.8
June 30, 2016	30,355	(7.9)	1,946	(21.4)	2,007	(20.4)	1,164	(29.6)

(Note) Comprehensive income: 2,815 million yen (–%) for the six months ended June 30, 2017  
 -196 million yen (–%) for the six months ended June 30, 2016

	Profit per share (basic)	Profit per share (diluted)
	Yen	Yen
Six months ended June 30, 2017	25.66	–
June 30, 2016	22.86	–

## (2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of June 30, 2017	85,687	53,622	62.6
As of December 31, 2016	81,919	51,404	62.8

(Reference) Shareholders' equity: As of June 30, 2017: 53,622 million yen  
 As of 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	–	15.00			
Year ending December 31, 2017 (forecasts)			–	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: 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
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 June 30, 2017: 53,790,632 shares

As of June 30, 2016: 53,790,632 shares

(ii) Number of treasury shares at end of period

As of June 30, 2017: 3,963,082 shares

As of June 30, 2016: 3,963,082 shares

(iii) Average number of shares outstanding during the period

Six months ended June 30, 2017: 49,827,550 shares

Six months ended June 30, 2016: 50,957,359 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 as of June 30, 2017, and 0 as of June 30, 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 (six months) (98,200 shares for the first six months 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 Six Months Ended June 30, 2017

### (1) Explanation Regarding Results of Operations

In the consolidated first six months under review (January 1, 2017 to June 30, 2017), the Japanese economy remained on a modest recovery path, with signs of improvement in employment and income and a recovery in capital expenditure.

In the Japanese construction industry, the Okabe Group's core customer, the floor area of construction that commenced during the first six months under review increased year on year as construction, including large redevelopment projects, etc. particularly in the Tokyo metropolitan area, gradually got underway.

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.

Strong performance in the construction-related products business reflecting this business environment and these activities and the absence in the fiscal year under review of the financial results (net sales and operating loss) of the hotel business, which was sold in the previous fiscal year, partly caused the consolidated net sales for the first six months of the fiscal year under review to decrease 4.9% year on year, to 28,857 million yen, operating profit to increase 7.7% year on year, to 2,095 million yen, ordinary profit to rise 5.4% year on year, to 2,115 million yen, and profit attributable to owners of parent to grow 9.8% year on year, to 1,278 million yen.

Results of operations by business segment are as follows:

#### (a) Construction-related products

Segment sales rose 5.2% year on year, to 23,925 million yen, and operating profit increased 7.2% year on year, to 1,721 million yen, mainly due to strong sales of building structural products and civil engineering products in Japan as a result of proposal-based marketing targeting construction sites and tapping into demand for earthquake retrofitting in urban civil engineering and strong sales of construction materials in North America.

#### (b) Automotive products

Sales decreased 2.0% year on year, to 4,570 million yen, and operating profit fell 11.3% year on year, to 450 million yen, mainly due to the impact of exchange rates caused by a stronger yen, which offset a rise in sales of battery terminals in local currency terms, mainly in Europe, compared to the first half of the previous fiscal year.

#### (c) Other businesses

Net sales declined 30.7% year on year, to 360 million yen and an operating loss of 75 million yen was posted (compared with an operating loss of 30 million yen in the same period a year ago), mainly reflecting the postponement of a large project in the marine business until the third quarter of the fiscal year or later.

(For reference)

Consolidated financial results of the hotel business segment in the first six months of the previous fiscal year (January 1, 2016, to June 30, 2016)

Net sales: 2,422 million yen

Operating loss: 136 million yen

(For reference)

Net sales by business segments and product category (consolidated)

(Yen in millions, rounded down)

		Previous consolidated first six months (Jan. 1, 2016 – Jun. 30, 2016)		Consolidated first six months under review (Jan. 1, 2017 – Jun. 30, 2017)		Change (%)
		Amount	Proportion (%)	Amount	Proportion (%)	
Construction-related products	Temporary building and formwork products	3,498	11.5	3,471	12.0	(0.8)
	Civil engineering products	2,535	8.4	2,813	9.8	10.9
	Building structural products	8,320	27.4	9,339	32.4	12.3
	Building materials (Japan) (Note 1)	6,237	20.5	6,012	20.8	(3.6)
	Subtotal – Japan	20,590	67.8	21,636	75.0	5.1
	Building materials (Overseas) (Note 1)	2,155	7.1	2,289	7.9	6.2
	Subtotal – overseas	2,155	7.1	2,289	7.9	6.2
	Subtotal – segment	22,746	74.9	23,925	82.9	5.2
Automotive products		4,666	15.4	4,570	15.8	(2.0)
Hotel business (Note 2)		2,422	8.0	–	–	(100.0)
Other businesses (Note 3)		520	1.7	360	1.3	(30.7)
Total		30,355	100.0	28,857	100.0	(4.9)

(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 full year of the fiscal year ending December 31, 2017 that were announced on February 14, 2017.

## 2. Quarterly Consolidated Financial Statements and Key Notes

### (1) Quarterly Consolidated Balance Sheet

(Thousand yen)

	Fiscal year ended December 31, 2016 (As of December 31, 2016)	Second quarter ended June 30, 2017 (As of June 30, 2017)
<b>ASSETS</b>		
Current assets		
Cash and deposits	22,694,593	25,431,962
Notes and accounts receivable - trade	20,048,397	19,683,653
Securities	500,000	—
Merchandise and finished goods	4,724,418	5,335,460
Work in process	874,016	993,552
Raw materials and supplies	1,411,755	1,739,933
Other	1,017,724	864,075
Allowance for doubtful accounts	(25,767)	(28,621)
Total current assets	51,245,139	54,020,016
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	8,744,807	8,948,541
Machinery, equipment and vehicles, net	3,369,792	3,751,850
Land	3,529,121	3,757,263
Other, net	1,307,706	1,938,748
Total property, plant and equipment	16,951,428	18,396,403
Intangible assets		
Goodwill	305,971	293,884
Other	375,876	350,499
Total intangible assets	681,847	644,384
Investments and other assets		
Investment securities	8,581,193	8,276,281
Other	4,592,267	4,510,857
Allowance for doubtful accounts	(154,042)	(179,920)
Total investments and other assets	13,019,419	12,607,217
Total non-current assets	30,652,695	31,648,004
Deferred assets		
Bond issuance cost	21,504	19,891
Total deferred assets	21,504	19,891
Total assets	81,919,339	85,687,912

(Thousand yen)

	Fiscal year ended December 31, 2016 (As of December 31, 2016)	Second quarter ended June 30, 2017 (As of June 30, 2017)
<b>LIABILITIES</b>		
Current liabilities		
Notes and accounts payable - trade	3,387,368	4,544,513
Electronically recorded obligations - operating	8,217,219	8,238,624
Short-term loans payable	453,078	1,851,901
Income taxes payable	1,742,437	575,218
Provision for bonuses	72,422	99,339
Other	3,700,897	3,587,724
Total current liabilities	17,573,424	18,897,321
Non-current liabilities		
Bonds payable	1,000,000	1,000,000
Long-term loans payable	8,338,000	8,306,000
Provision for stock-granting	—	7,412
Net defined benefit liability	1,675,377	1,675,106
Asset retirement obligations	40,167	40,340
Other	1,887,595	2,138,962
Total non-current liabilities	12,941,140	13,167,821
Total liabilities	30,514,565	32,065,143
<b>NET ASSETS</b>		
Shareholders' equity		
Capital stock	6,911,700	6,911,700
Capital surplus	6,039,545	6,062,754
Retained earnings	39,694,256	40,374,886
Treasury shares	(2,693,524)	(2,716,734)
Total shareholders' equity	49,951,977	50,632,606
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,992,179	2,475,703
Foreign currency translation adjustment	(505,554)	536,293
Remeasurements of defined benefit plans	(33,827)	(21,834)
Total accumulated other comprehensive income	1,452,797	2,990,162
Total net assets	51,404,774	53,622,768
Total liabilities and net assets	81,919,339	85,687,912

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

(Thousand yen)

	First six months ended June 30, 2016 (Jan. 1, 2016 – Jun. 30, 2016)	First six months ended June 30, 2017 (Jan. 1, 2017 – Jun. 30, 2017)
Net sales	30,355,983	28,857,687
Cost of sales	22,427,791	20,756,448
Gross profit	7,928,192	8,101,239
Selling, general and administrative expenses	5,981,986	6,005,363
Operating profit	1,946,205	2,095,876
Non-operating income		
Interest income	15,563	11,192
Dividend income	55,223	65,374
Gain on sales of scraps	16,267	34,055
Other	63,011	44,250
Total non-operating income	150,066	154,872
Non-operating expenses		
Interest expenses	48,971	26,243
Foreign exchange losses	20,375	51,884
Litigation expenses	–	32,314
Other	19,441	25,036
Total non-operating expenses	88,788	135,478
Ordinary profit	2,007,483	2,115,269
Extraordinary income		
Gain on sales of non-current assets	479	598
Gain on sales of investment securities	–	2,154
Total extraordinary income	479	2,752
Extraordinary losses		
Loss on disposal of non-current assets	2,822	10,073
Office transfer expenses	6,170	–
Factory transfer expenses	–	31,309
Other	–	4,965
Total extraordinary losses	8,992	46,348
Profit before income taxes	1,998,971	2,071,673
Income taxes - current	846,113	801,232
Income taxes - deferred	(11,933)	(8,119)
Total income taxes	834,179	793,113
Profit	1,164,791	1,278,560
Profit attributable to owners of parent	1,164,791	1,278,560



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

(Thousand yen)

	First six months ended June 30, 2016 (Jan. 1, 2016 – Jun. 30, 2016)	First six months ended June 30, 2017 (Jan. 1, 2017 – Jun. 30, 2017)
Profit	1,164,791	1,278,560
Other comprehensive income		
Valuation difference on available-for-sale securities	(326,923)	483,523
Foreign currency translation adjustment	(1,049,684)	1,041,847
Remeasurements of defined benefit plans, net of tax	15,638	11,992
Total other comprehensive income	(1,360,969)	1,537,364
Comprehensive income	(196,178)	2,815,924
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(96,178)	2,815,924

## (3) Quarterly Consolidated Statements of Cash Flows

(Thousand yen)

	First six months ended June 30, 2016 (Jan. 1, 2016 – Jun. 30, 2016)	First six months ended June 30, 2017 (Jan. 1, 2017 – Jun. 30, 2017)
<b>Cash flows from operating activities</b>		
Profit before income taxes	1,998,971	2,071,673
Depreciation	881,251	710,281
Increase (decrease) in provision for bonuses	27,579	26,917
Increase (decrease) in allowance for doubtful accounts	(30,617)	25,884
Increase (decrease) in net defined benefit liability	55,019	17,448
Interest and dividend income	(70,787)	(76,566)
Interest expenses	48,971	26,243
Loss (gain) on sales of non-current assets	1,325	6,242
Decrease (increase) in notes and accounts receivable - trade	2,948,377	499,743
Decrease (increase) in inventories	(767,975)	(744,927)
Increase (decrease) in notes and accounts payable - trade	(842,659)	1,138,475
Increase (decrease) in other current liabilities	21,697	315,545
Increase (decrease) in accrued consumption taxes	343,134	(247,880)
Other, net	110,819	146,099
Subtotal	4,725,106	3,915,180
Income taxes paid	(1,021,596)	(1,893,263)
Net cash provided by (used in) operating activities	3,703,509	2,021,916
<b>Cash flows from investing activities</b>		
Proceeds from withdrawal of time deposits	127,640	–
Proceeds from redemption of securities	–	500,000
Purchase of property, plant and equipment	(1,937,556)	(1,847,413)
Purchase of intangible assets	(12,833)	(30,499)
Purchase of investment securities	–	(200,000)
Proceeds from redemption of investment securities	–	200,000
Proceeds from sales of investment securities	–	1,001,470
Purchase of shares of subsidiaries	(30,000)	–
Purchase of insurance funds	(92,256)	(52,038)
Proceeds from maturity of insurance funds	13,650	168,801
Interest and dividend income received	68,052	91,591
Other, net	13,017	77,953
Net cash provided by (used in) investing activities	(1,850,285)	(90,135)
<b>Cash flows from financing activities</b>		
Increase in short-term loans payable	3,466,600	3,557,488
Decrease in short-term loans payable	(3,073,208)	(3,170,645)
Proceeds from long-term loans payable	1,250,000	1,000,000
Repayments of long-term loans payable	(2,298,000)	(48,000)
Cash dividends paid	(612,795)	(597,295)
Interest expenses paid	(55,528)	(26,602)
Other, net	(72,582)	(103,694)
Net cash provided by (used in) financing activities	(1,395,515)	611,250
Effect of exchange rate change on cash and cash equivalents	(146,584)	194,336
Net increase (decrease) in cash and cash equivalents	311,124	2,737,368
Cash and cash equivalents at beginning of period	14,445,204	22,694,593
Cash and cash equivalents at end of period	14,756,328	25,431,962

(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 second quarter of the fiscal year under review.

(Segment information)

[Segment information]

I. First six months ended June 30, 2016 (January 1, 2016 – June 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	22,746,754	4,666,073	2,422,569	520,586	30,355,983	–	30,355,983
Intersegment internal sales and transfers	–	–	1,277	–	1,277	(1,277)	–
Total	22,746,754	4,666,073	2,423,846	520,586	30,357,261	(1,277)	30,355,983
Segment income (loss)	1,606,039	507,424	(136,672)	(30,585)	1,946,205	–	1,946,205

(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 six months ended June 30, 2017 (January 1, 2017 – June 30, 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	23,925,969	4,570,799	360,918	28,857,687	–	28,857,687
Intersegment internal sales and transfers	–	–	–	–	–	–
Total	23,925,969	4,570,799	360,918	28,857,687	–	28,857,687
Segment income (loss)	1,721,689	450,185	(75,999)	2,095,876	–	2,095,876

(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.