

## Consolidated Financial Results (Japanese Accounting Standards) for the First Nine Months of the Fiscal Year Ending December 31, 2019

October 31, 2019

Company name: Okabe Co., Ltd. Stock exchange listing: First Section of the Tokyo Stock Exchange  
 Stock code: 5959 URL: <http://www.okabe.co.jp/>  
 Representative: Makoto Hirowatari, President  
 Contact: Yasushi Hosomichi, Managing Director in Charge of Administrative Division  
 Tel. +81-3-3624-5119

Scheduled date for filing of quarterly report: November 14, 2019  
 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, 2019 (January 1, 2019 – September 30, 2019)

## (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	
Nine months ended	Million yen	%	Million yen	%	Million yen	%	Million yen	%
September 30, 2019	48,732	2.8	4,013	2.4	4,286	2.6	2,627	11.3
September 30, 2018	47,390	5.8	3,918	12.7	4,175	14.8	2,361	3.4

(Note) Comprehensive income: 1,938 million yen (24.3%) for the nine months ended September 30, 2019  
 1,559 million yen (-64.4%) for the nine months ended September 30, 2018

	Profit per share (basic)	Profit per share (diluted)
Nine months ended	Yen	Yen
September 30, 2019	52.73	–
September 30, 2018	47.39	–

## (2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of September 30, 2019	89,161	56,925	63.8
As of December 31, 2018	87,701	56,333	64.2

(Reference) Shareholders' equity: As of September 30, 2019: 56,925 million yen  
 As of December 31, 2018: 56,333 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, 2018	–	13.00	–	13.00	26.00
Year ending December 31, 2019	–	14.00	–		
Year ending December 31, 2019 (forecasts)				14.00	28.00

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

## 3. Consolidated Forecasts for the Fiscal Year Ending December 31, 2019 (January 1, 2019 – December 31, 2019)

(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	68,500	5.7	6,100	14.0	6,200	10.7	4,300	37.4	86.29

(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 September 30, 2019:	53,790,632 shares
As of December 31, 2018:	53,790,632 shares
    - (ii) Number of treasury shares at end of period
 

As of September 30, 2019:	3,959,477 shares
As of December 31, 2018:	3,961,539 shares
    - (iii) Average number of shares outstanding during the period
 

Nine months ended September 30, 2019:	49,830,302 shares
Nine months ended September 30, 2018:	49,828,249 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 (94,447 shares as of September 30, 2019, and 96,509 shares as of December 31, 2018). 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) (95,300 shares for the nine months ended September 30, 2019, and 97,390 shares for the nine months ended September 30, 2018).

\* 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.

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## 1. Qualitative Information Regarding Results of Operations for the First Nine Months Ended September 30, 2019

### (1) Explanation Regarding Results of Operations

In the consolidated first nine months under review (January 1, 2019 to September 30, 2019), the Japanese economy maintained a gradual recovery trend, with corporate earnings consistently robust, despite some weakness observed in export.

The Japanese construction industry, which includes the core customers for the Okabe Group, experienced a difficult environment, such as a year-on-year fall in the floor area of construction that commenced during the first nine months of the fiscal year under review.

In this business environment, the Okabe Group sought to increase its market share by developing new products and enhancing existing product lines using the new center for comprehensive experiments it had established as well as the distribution warehouses in the U.S. through the key measures in the medium-term three year management plan “NEXT 100: Exciting Future.”

As a result of such business environments and actions, the consolidated net sales for the first nine months of the fiscal year under review increased 2.8% year on year, to 48,732 million yen, operating profit increased 2.4% year on year, to 4,013 million yen, ordinary profit increased 2.6% year on year, to 4,286 million yen, and profit attributable to owners of parent increased 11.3% year on year, to 2,627 million yen.

Results of operations by business segment are as follows:

#### (a) Construction-related products

In the domestic business, sales of building structural products such as one-side rings and reinforcing bar joints that contribute to labor savings and civil engineering products such as lock bolts used for disaster recovery and reconstruction remained strong.

In the U.S., OCM, Inc., a consolidated subsidiary, increased its market share by improving its product supply capabilities through the utilization of logistics warehouses.

As a result, net sales increased 2.7% year on year, to 40,078 million yen. As for profits, actions were taken to address rising logistics and other costs, as a result of which operating profit increased 10.2% year on year, to 3,858 million yen.

#### (b) Automotive products

Sales of battery terminal products remained weak following a fall in utilization rates associated with countermeasures against environmental problems at a plant in the U.S. (for more details, please see the timely disclosure material “Resumption of Operations of Production Facilities at an Overseas Subsidiary (Disclosure of Progress)” on March 4, 2019). As a result, net sales decreased 13.0% year on year, to 6,622 million yen, and operating profit decreased 85.9% year on year, to 68 million yen.

#### (c) Other businesses

As a result of posting 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, and strong sales of fish aggregating devices, net sales increased 171.6% year on year, to 2,030 million yen, and operating profit amounted to 85 million yen (compared with an operating loss of 68 million yen in the same period of the previous fiscal year).

(For reference)

Net sales by business segments and product category (consolidated)

(Yen in millions, rounded down)

		Previous consolidated first nine months (Jan. 1, 2018 – Sep. 30, 2018)		Consolidated first nine months under review (Jan. 1, 2019 – Sep. 30, 2019)		Change (%)
		Amount	Proportion (%)	Amount	Proportion (%)	
Construction-related products	Temporary building and formwork products	5,399	11.4	5,304	10.9	(1.8)
	Civil engineering products	4,280	9.0	4,724	9.7	10.4
	Building structural products	15,399	32.5	15,965	32.7	3.7
	Building materials (Japan)	9,581	20.2	9,298	19.1	(2.9)
	Subtotal – Japan	34,660	73.1	35,293	72.4	1.8
	Building materials (Overseas)	4,372	9.2	4,784	9.8	9.4
	Subtotal – overseas	4,372	9.2	4,784	9.8	9.4
	Subtotal – segment	39,032	82.3	40,078	82.2	2.7
Automotive products		7,609	16.1	6,622	13.6	(13.0)
Other businesses (Note)		747	1.6	2,030	4.2	171.6
Total		47,390	100.0	48,732	100.0	2.8

(Note) 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, 2019

While the results of the automotive products segment were sluggish, mainly due to the effects of environmental problems, results of the construction-related products segment remained firm. As a result, the performance of the Company in the first nine months of the fiscal year under review remains generally steady in comparison with the results forecast announced on February 14, 2019. Therefore, there are no changes to the existing consolidated results forecasts for the full year of the fiscal year ending December 31, 2019.

## 2. Quarterly Consolidated Financial Statements and Key Notes

### (1) Quarterly Consolidated Balance Sheet

(Million yen)

	Fiscal year ended December 31, 2018 (As of December 31, 2018)	Third quarter ended September 30, 2019 (As of September 30, 2019)
<b>ASSETS</b>		
Current assets		
Cash and deposits	23,762	21,193
Notes and accounts receivable - trade	22,633	21,679
Merchandise and finished goods	6,766	7,958
Work in process	1,103	1,560
Raw materials and supplies	1,761	1,986
Other	1,724	1,484
Allowance for doubtful accounts	(24)	(23)
Total current assets	57,727	55,839
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	11,231	10,794
Machinery, equipment and vehicles, net	4,201	4,025
Land	3,854	4,242
Other, net	1,981	2,392
Total property, plant and equipment	21,268	21,454
Intangible assets		
Goodwill	189	2,625
Other	230	261
Total intangible assets	420	2,887
Investments and other assets		
Investment securities	6,487	6,931
Other	1,883	2,137
Allowance for doubtful accounts	(100)	(100)
Total investments and other assets	8,269	8,968
Total non-current assets	29,958	33,309
Deferred assets		
Bond issuance cost	15	12
Total deferred assets	15	12
Total assets	87,701	89,161

(Million yen)

	Fiscal year ended December 31, 2018 (As of December 31, 2018)	Third quarter ended September 30, 2019 (As of September 30, 2019)
<b>LIABILITIES</b>		
Current liabilities		
Notes and accounts payable - trade	4,781	5,248
Electronically recorded obligations - operating	9,505	8,750
Short-term borrowings	1,683	7,795
Income taxes payable	1,076	517
Provision for bonuses	–	347
Other	2,991	2,756
Total current liabilities	20,038	25,415
Non-current liabilities		
Bonds payable	1,000	1,000
Long-term borrowings	7,060	2,461
Provision for share-based remuneration	49	70
Retirement benefit liability	1,828	1,868
Asset retirement obligations	40	41
Other	1,350	1,379
Total non-current liabilities	11,329	6,820
Total liabilities	31,367	32,235
<b>NET ASSETS</b>		
Shareholders' equity		
Share capital	6,911	6,911
Capital surplus	6,062	6,062
Retained earnings	43,563	44,843
Treasury shares	(2,715)	(2,713)
Total shareholders' equity	53,822	55,104
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,716	1,746
Foreign currency translation adjustment	816	98
Remeasurements of defined benefit plans	(22)	(23)
Total accumulated other comprehensive income	2,510	1,821
Total net assets	56,333	56,925
Total liabilities and net assets	87,701	89,161

(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, 2018 (Jan. 1, 2018 – Sep. 30, 2018)	First nine months ended September 30, 2019 (Jan. 1, 2019 – Sep. 30, 2019)
Net sales	47,390	48,732
Cost of sales	34,095	34,897
Gross profit	13,294	13,835
Selling, general and administrative expenses	9,376	9,821
Operating profit	3,918	4,013
Non-operating income		
Interest income	32	23
Dividend income	111	128
Reversal of provision for loss on litigation	–	135
Other	207	118
Total non-operating income	351	406
Non-operating expenses		
Interest expenses	33	48
Commission for syndicated loans	26	26
Foreign exchange losses	–	31
Other	34	26
Total non-operating expenses	94	133
Ordinary profit	4,175	4,286
Extraordinary income		
Gain on sales of non-current assets	100	0
Gain on sales of investment securities	467	0
Other	1	–
Total extraordinary income	570	0
Extraordinary losses		
Loss on disposal of non-current assets	130	17
Loss on sales of investment securities	–	65
Loss on factory closure	974	52
Environmental expenses	–	95
Other	71	21
Total extraordinary losses	1,176	252
Profit before income taxes	3,569	4,034
Income taxes - current	1,289	1,390
Income taxes - deferred	(81)	16
Total income taxes	1,208	1,407
Profit	2,361	2,627
Profit attributable to owners of parent	2,361	2,627



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

(Million yen)

	First nine months ended September 30, 2018 (Jan. 1, 2018 – Sep. 30, 2018)	First nine months ended September 30, 2019 (Jan. 1, 2019 – Sep. 30, 2019)
Profit	2,361	2,627
Other comprehensive income		
Valuation difference on available-for-sale securities	(516)	29
Foreign currency translation adjustment	(297)	(718)
Remeasurements of defined benefit plans, net of tax	12	(1)
Total other comprehensive income	(802)	(689)
Comprehensive income	1,559	1,938
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,559	1,938

## (3) Quarterly Consolidated Statements of Cash Flows

(Million yen)

	First nine months ended September 30, 2018 (Jan. 1, 2018 – Sep. 30, 2018)	First nine months ended September 30, 2019 (Jan. 1, 2019 – Sep. 30, 2019)
<b>Cash flows from operating activities</b>		
Profit before income taxes	3,569	4,034
Depreciation	1,239	1,259
Increase (decrease) in provision for bonuses	326	304
Increase (decrease) in retirement benefit liability	53	40
Interest and dividend income	(143)	(152)
Interest expenses	33	48
Loss (gain) on sales of non-current assets	(100)	(0)
Loss (gain) on sales of investment securities	(467)	65
Loss on factory closure	152	52
Increase (decrease) in provision for loss on factory closure	806	–
Decrease (increase) in trade receivables	(754)	1,442
Decrease (increase) in inventories	(1,576)	(1,778)
Decrease (increase) in other current assets	373	9
Increase (decrease) in trade payables	520	(150)
Increase (decrease) in other current liabilities	(487)	(1,059)
Increase (decrease) in accrued consumption taxes	80	110
Other	167	249
Subtotal	3,792	4,476
Income taxes paid	(2,682)	(1,904)
Loss on factory closure paid	(37)	(52)
Net cash provided by (used in) operating activities	1,071	2,519
<b>Cash flows from investing activities</b>		
Proceeds from withdrawal of time deposits	1,196	–
Purchase of property, plant and equipment	(3,484)	(1,261)
Proceeds from sales of property, plant and equipment	211	255
Purchase of intangible assets	(40)	(124)
Purchase of investment securities	(199)	(490)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	–	(2,821)
Proceeds from sales of investment securities	1,765	125
Purchase of insurance funds	(89)	(148)
Proceeds from collection of long-term deposits	3,110	–
Interest and dividends received	151	151
Other	(124)	(21)
Net cash provided by (used in) investing activities	2,496	(4,335)
<b>Cash flows from financing activities</b>		
Proceeds from short-term borrowings	3,927	4,306
Repayments of short-term borrowings	(3,497)	(3,266)
Proceeds from long-term borrowings	100	850
Repayments of long-term borrowings	(1,352)	(1,747)
Dividends paid	(814)	(718)
Interest paid	(34)	(49)
Other	(123)	(130)
Net cash provided by (used in) financing activities	(1,794)	(755)
Effect of exchange rate change on cash and cash equivalents	(44)	(56)
Net increase (decrease) in cash and cash equivalents	1,729	(2,629)
Cash and cash equivalents at beginning of period	21,082	23,762
Cash and cash equivalents at end of period	22,811	21,133

(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)

(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 88 million yen for the previous consolidated fiscal year and 86 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 96,509 shares for the previous consolidated fiscal year and 94,447 shares for the first nine months of the fiscal year under review.

(Application of "Partial Amendments to Accounting Standard for Tax Effect Accounting," etc.)

The Company has applied the Partial Amendments to Accounting Standard for Tax Effect Accounting (ASBJ Statement No. 28, revised on February 16, 2018), etc. since the beginning of the first quarter of the fiscal year under review, under which deferred tax assets are presented in the category of "investments and other assets" and deferred tax liabilities are included in "non-current liabilities."

(Segment information)

[Segment information]

I. First nine months ended September 30, 2018 (January 1, 2018 – September 30, 2018)

1. Net sales and income (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	39,032	7,609	747	47,390	–	47,390
Intersegment internal sales and transfers	–	–	–	–	–	–
Total	39,032	7,609	747	47,390	–	47,390
Segment income (loss)	3,501	485	(68)	3,918	–	3,918

(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

(Million yen)

	Reportable segments				Adjustment	Total
	Construction-related products	Automotive products	Other businesses	Total		
Impairment loss	–	562	–	562	–	562

(Note) Impairment loss of 562 million yen relating to the automotive products business is included in “loss on factory closure” on the quarterly consolidated statements of income.

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

1. Net sales and income (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 income	3,858	68	85	4,013	–	4,013

(Note) Segment income 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 quarter of the current consolidated fiscal year.