

Consolidated Financial Results (Japanese Accounting Standards) for the First Six Months of the Fiscal Year Ending December 31, 2021

July 29, 2021

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Scheduled date for filing of quarterly report: August 6, 2021
 Scheduled date of commencement of dividend payment: September 6, 2021
 Supplementary documents for quarterly results: None
 Quarterly results briefing: Yes

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

1. Consolidated Financial Results for the First Six Months Ended June 30, 2021 (January 1, 2021 – June 30, 2021)

(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, 2021	30,870	(0.9)	2,041	5.5	2,150	5.5	1,101	17.6
June 30, 2020	31,145	(2.1)	1,935	(22.8)	2,038	(25.4)	936	(44.5)

(Note) Comprehensive income: 1,594 million yen (169.6%) for the six months ended June 30, 2021
 591 million yen (-44.5%) for the six months ended June 30, 2020

	Profit per share (basic)		Profit per share (diluted)	
	Yen		Yen	
Six months ended				
June 30, 2021	22.67		–	
June 30, 2020	19.01		–	

(2) Consolidated Financial Position

	Total assets		Net assets		Equity ratio	
	Million yen		Million yen		%	
As of June 30, 2021	89,845		59,501		66.2	
As of December 31, 2020	89,650		58,363		65.1	

(Reference) Shareholders' equity: As of June 30, 2021: 59,486 million yen
 As of December 31, 2020: 58,363 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
Year ended December 31, 2020	–	7.00	–	10.00	17.00
Year ending December 31, 2021	–	10.00			
Year ending December 31, 2021 (forecasts)			–	10.00	20.00

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

3. Consolidated Forecasts for the Fiscal Year Ending December 31, 2021 (January 1, 2021 – December 31, 2021)

(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	65,000	3.0	4,900	9.0	5,000	6.3	3,050	13.6	62.84

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

* Notes

(1) Changes in important subsidiaries during the period

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

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

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

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

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

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

(iii) Changes in accounting estimates: None

(iv) Restatement: None

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

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

As of June 30, 2021: 53,790,632 shares

As of December 31, 2020: 53,790,632 shares

(ii) Number of treasury shares at end of period

As of June 30, 2021: 5,164,357 shares

As of December 31, 2020: 5,255,622 shares

(iii) Average number of shares outstanding during the period

Six months ended June 30, 2021: 48,574,231 shares

Six months ended June 30, 2020: 49,257,588 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 (190,007 shares as of June 30, 2021, and 196,292 shares as of December 31, 2020). 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) (193,492 shares for the six months ended June 30, 2021, and 153,243 shares for the six months ended June 30, 2020).

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

This financial summary is not subject to the statutory quarterly review by a certified public accountant or an audit corporation, and the review of the quarterly consolidated financial statements under the Financial Instruments and Exchange Act has not been completed at the time of the disclosure of this financial summary. Therefore, the figures of the financial statements may change.

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1. Qualitative Information Regarding Results of Operations for the First Six Months Ended June 30, 2021

(1) Explanation Regarding Results of Operations

During the first six months of the fiscal year under review (January 1, 2021 to June 30, 2021), the Japanese economy remained in a severe situation although there were signs of a recovery in capital investment and other areas amid continued restraints on economic activities due to the COVID-19 pandemic.

The Japanese construction industry, which includes the core customers of the Okabe Group, faced a difficult environment. While public investment was solid, private investments in construction, with the exception of some large projects, were successively reconsidered and postponed under the lasting impact of COVID-19.

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

Results of operations by business segment are as follows:

(a) Construction-related products

In civil engineering products, sales of those used for prevention of landslide disasters were sluggish, reflecting a very significant decline in disaster recovery projects from the same period a year earlier.

In building structural products, sales of the Base Pack, etc. remained low, partly due to a fall in the number of new steel-framed building starts affected by COVID-19.

In building products and materials, building materials achieved solid sales in the United States. This primarily reflected to a rebound from the demand contraction due to the pandemic and the briskness of the housing market.

As a result, sales in the construction-related products segment fell 3.9% year on year, to 24,986 million yen, and operating profit decreased 24.6% year on year, to 1,717 million yen.

(b) Automotive products

In the United States, sales of automotive battery terminal products remained higher than the year-ago level, following the recovery in new car sales from falling demand due to COVID-19. As a result, net sales increased 14.8% year on year, to 4,470 million yen, and operating profit was 219 million yen (compared with an operating loss of 237 million yen for the same period of the previous year).

(c) Other businesses

Mainly because of the delivery of large projects using floating reef products in the marine business, net sales rose 11.9% year on year, to 1,413 million yen, and operating profit came to 103 million yen (compared with an operating loss of 103 million yen for the same period of the previous year).

Consequently, consolidated net sales for the first six months of the fiscal year under review fell 0.9% year on year, to 30,870 million yen, and consolidated operating profit increased 5.5% year on year, to 2,041 million yen. Consolidated ordinary profit increased 5.5% year on year, to 2,150 million yen, and profit attributable to owners of parent increased 17.6% year on year, to 1,101 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, 2020 – Jun. 30, 2020)		Consolidated first six months under review (Jan. 1, 2021 – Jun. 30, 2021)		Change (%)
		Amount	Proportion (%)	Amount	Proportion (%)	
Construction-related products	Temporary building and formwork products	3,274	10.5	3,162	10.2	(3.4)
	Civil engineering products	3,606	11.6	3,496	11.3	(3.1)
	Building structural products	10,067	32.3	9,013	29.2	(10.5)
	Building materials	5,884	18.9	5,727	18.6	(2.7)
	Subtotal – Japan	22,832	73.3	21,399	69.3	(6.3)
	Building products and materials (Note 2)	3,157	10.1	3,586	11.6	13.6
	Subtotal – overseas	3,157	10.1	3,586	11.6	13.6
	Subtotal – segment	25,990	83.4	24,986	80.9	(3.9)
Automotive products		3,892	12.5	4,470	14.5	14.8
Other businesses (Note 3)		1,263	4.1	1,413	4.6	11.9
Total		31,145	100.0	30,870	100.0	(0.9)

- (Note)
1. For information about the main operations of each business segment, please refer to “Segment information” on page 9.
 2. Because PT. FUJIBOLT INDONESIA, which manufactures and sells building products and materials in Indonesia, has become subject to consolidation in the fiscal year under review, the name “Building materials (Overseas)” has been changed to “Building products and materials.”
 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 other things, the manufacture and sale of marine materials, the manufacture and sale of fishing sinkers in the United States, and the manufacture and sale of industrial machinery products.

(2) Explanation Regarding Forecast for Fiscal Year Ending December 31, 2021

The Company decided to withdraw the medium-term performance targets under the medium-term management plan NEXT100 - PHASE 2 announced in February 2020, given the uncertainties of the COVID-19 impact. Today, the Company has announced a new medium-term management plan NEXT100 - PHASE 2.1 for the period until December 2024. For details, please refer to Medium-Term Management Plan NEXT100 - PHASE 2.1, which was published today.

No changes have been made to the full-year forecasts of consolidated financial results for the fiscal year ending December 31, 2021 that were announced on February 12, 2021.

2. Quarterly Consolidated Financial Statements and Key Notes

(1) Quarterly Consolidated Balance Sheet

(Million yen)

	Fiscal year ended December 31, 2020 (As of December 31, 2020)	Second quarter ended June 30, 2021 (As of June 30, 2021)
ASSETS		
Current assets		
Cash and deposits	21,982	25,033
Notes and accounts receivable - trade	20,868	19,406
Merchandise and finished goods	7,492	7,075
Work in process	1,318	1,747
Raw materials and supplies	1,877	2,107
Other	2,211	1,172
Allowance for doubtful accounts	(23)	(23)
Total current assets	55,728	56,519
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	11,167	11,328
Machinery, equipment and vehicles, net	4,378	4,602
Land	4,270	4,283
Other, net	1,771	1,558
Total property, plant and equipment	21,588	21,774
Intangible assets		
Goodwill	2,549	2,443
Other	374	363
Total intangible assets	2,924	2,807
Investments and other assets		
Investment securities	7,508	7,137
Other	1,986	1,695
Allowance for doubtful accounts	(94)	(95)
Total investments and other assets	9,400	8,737
Total non-current assets	33,913	33,318
Deferred assets		
Bond issuance costs	8	6
Total deferred assets	8	6
Total assets	89,650	89,845

(Million yen)

	Fiscal year ended December 31, 2020 (As of December 31, 2020)	Second quarter ended June 30, 2021 (As of June 30, 2021)
LIABILITIES		
Current liabilities		
Notes and accounts payable - trade	4,341	5,008
Electronically recorded obligations - operating	8,280	7,908
Short-term borrowings	3,126	3,625
Income taxes payable	931	723
Other	2,410	2,826
Total current liabilities	19,090	20,092
Non-current liabilities		
Bonds payable	1,000	1,000
Long-term borrowings	7,193	5,235
Provision for share awards	102	111
Retirement benefit liability	2,012	1,996
Asset retirement obligations	41	41
Other	1,847	1,866
Total non-current liabilities	12,196	10,251
Total liabilities	31,287	30,344
NET ASSETS		
Shareholders' equity		
Share capital	6,911	6,911
Capital surplus	6,083	6,035
Retained earnings	47,175	47,790
Treasury shares	(3,697)	(3,632)
Total shareholders' equity	56,473	57,105
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,941	1,844
Foreign currency translation adjustment	(20)	563
Remeasurements of defined benefit plans	(31)	(27)
Total accumulated other comprehensive income	1,889	2,381
Non-controlling interests	-	14
Total net assets	58,363	59,501
Total liabilities and net assets	89,650	89,845

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

(Million yen)

	First six months ended June 30, 2020 (Jan. 1, 2020 – Jun. 30, 2020)	First six months ended June 30, 2021 (Jan. 1, 2021 – Jun. 30, 2021)
Net sales	31,145	30,870
Cost of sales	22,667	22,211
Gross profit	8,478	8,658
Selling, general and administrative expenses	6,542	6,616
Operating profit	1,935	2,041
Non-operating income		
Interest income	8	10
Dividend income	71	84
Gain on sale of scraps	19	41
Other	93	58
Total non-operating income	193	194
Non-operating expenses		
Interest expenses	61	50
Other	29	34
Total non-operating expenses	90	85
Ordinary profit	2,038	2,150
Extraordinary income		
Gain on sale of non-current assets	0	48
Total extraordinary income	0	48
Extraordinary losses		
Environmental expenses	434	191
Loss on money transfer fraud at overseas subsidiaries	–	155
Other	64	47
Total extraordinary losses	499	394
Profit before income taxes	1,539	1,803
Income taxes - current	791	708
Income taxes - deferred	(187)	(6)
Total income taxes	603	701
Profit	936	1,102
Profit attributable to non-controlling interests	–	0
Profit attributable to owners of parent	936	1,101

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

(Million yen)

	First six months ended June 30, 2020 (Jan. 1, 2020 – Jun. 30, 2020)	First six months ended June 30, 2021 (Jan. 1, 2021 – Jun. 30, 2021)
Profit	936	1,102
Other comprehensive income		
Valuation difference on available-for-sale securities	(469)	(97)
Foreign currency translation adjustment	121	585
Remeasurements of defined benefit plans, net of tax	2	4
Total other comprehensive income	(344)	492
Comprehensive income	591	1,594
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	591	1,592
Comprehensive income attributable to non-controlling interests	–	2

(3) Notes to Quarterly Consolidated Financial Statements

(Note to ongoing concern assumptions)

None

(Note to significant changes in shareholders' equity)

None

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

(Calculation of Tax Expenses)

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

(Additional information)

(Accounting estimates associated with the COVID-19 pandemic)

There is no significant change in the assumptions for the accounting estimate on the impact of the COVID-19 pandemic stated in (Additional Information) in the annual securities report for the previous fiscal year.

(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 176 million yen for the previous consolidated fiscal year and 170 million yen for the first six months of the fiscal year under review. The number of treasury shares at the end of the term is 196,292 shares for the previous consolidated fiscal year and 190,007 shares for the first six months of the fiscal year under review.

(Restricted stock compensation program)

In accordance with the resolution adopted at the 77th Ordinary General Meeting of Shareholders that took place on March 26, 2021, the Company has introduced a restricted stock compensation plan as a new compensation plan for the Company's Directors, excluding those who also serve as Audit & Supervisory Committee Members and Outside Directors, and Operating Officers who do not serve as Directors for the purposes of giving them the incentive to continuously increase the Company's corporate value and stepping up value sharing with shareholders.

The Board of Directors' meeting on March 26, 2021 adopted a resolution for the disposal of treasury shares and payment reached completion on April 23, 2021.

(Segment information)

[Segment information]

I. First six months ended June 30, 2020 (January 1, 2020 – June 30, 2020)

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

(Million yen)

	Reportable segments				Adjustment	Amounts in quarterly consolidated statements of income (Note)
	Construction-related products	Automotive products	Other businesses	Total		
Net sales						
Sales to external customers	25,990	3,892	1,263	31,145	–	31,145
Intersegment internal sales and transfers	–	–	–	–	–	–
Total	25,990	3,892	1,263	31,145	–	31,145
Segment profit (loss)	2,276	(237)	(103)	1,935	–	1,935

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

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

None

II. First six months ended June 30, 2021 (January 1, 2021 – June 30, 2021)

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

(Million yen)

	Reportable segments				Adjustment	Amounts in quarterly consolidated statements of income (Note)
	Construction-related products	Automotive products	Other businesses	Total		
Net sales						
Sales to external customers	24,986	4,470	1,413	30,870	–	30,870
Intersegment internal sales and transfers	–	–	–	–	–	–
Total	24,986	4,470	1,413	30,870	–	30,870
Segment profit	1,717	219	103	2,041	–	2,041

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

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

None