

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

October 29, 2021

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Scheduled date for filing of quarterly report: November 12, 2021
 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, 2021 (January 1, 2021 – September 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	%
Nine months ended								
September 30, 2021	47,101	0.7	3,161	0.4	3,465	4.8	2,007	20.0
September 30, 2020	46,764	(4.0)	3,149	(21.5)	3,305	(22.9)	1,672	(36.3)

(Note) Comprehensive income: 2,766 million yen (107.5%) for the nine months ended September 30, 2021
 1,333 million yen (-31.2%) for the nine months ended September 30, 2020

	Profit per share (basic)		Profit per share (diluted)	
	Yen	Yen	Yen	Yen
Nine months ended				
September 30, 2021	41.31	–	–	–
September 30, 2020	34.11	–	–	–

(2) Consolidated Financial Position

	Total assets		Net assets		Equity ratio	
	Million yen	Million yen	Million yen	Million yen	%	%
As of September 30, 2021	90,562	60,186	60,186	66.4		
As of December 31, 2020	89,650	58,363	58,363	65.1		

(Reference) Shareholders' equity: As of September 30, 2021: 60,171 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	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	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 September 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 September 30, 2021: 5,163,423 shares

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

(iii) Average number of shares outstanding during the period

Nine months ended September 30, 2021: 48,590,081 shares

Nine months ended September 30, 2020: 49,040,654 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 (189,073 shares as of September 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 (nine months) (192,209 shares for the nine months ended September 30, 2021, and 166,318 shares for the nine months ended September 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 Nine Months Ended September 30, 2021

(1) Explanation Regarding Results of Operations

During the first nine months under review (January 1, 2021 to September 30, 2021), Japanese consumer spending remained in a severe situation due to the effects of COVID-19, although signs of recovery were observed in capital investment and some other sectors.

In the Japanese construction industry where the Okabe Group's core customers operate, public investment remained solid. However, conditions for private investment grew difficult with a continued trend of reconsidering or postponing construction work under the effects 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 and related items remained low, partly due to a fall in the number of new hotel and other steel-framed building starts under the effects of COVID-19.

In building products and materials, building materials achieved solid sales in the United States. This result mainly reflected a rebound from demand contraction due to the pandemic and continued favorable conditions in the housing market.

As a result, sales in the construction-related products segment fell 2.5% year on year, to 38,228 million yen, and operating profit decreased 20.9% year on year, to 2,794 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 24.6% year on year, to 6,727 million yen, and operating profit was 260 million yen (compared with an operating loss of 367 million yen for the same period of the previous year).

(c) Other businesses

Revenues from fishing sinkers improved, but sales of industrial machinery products remained sluggish. Due to these and other factors, net sales for the segment decreased 0.8% year on year, to 2,145 million yen, and operating profit came to 106 million yen (compared with an operating loss of 16 million yen posted for the same period of the previous fiscal year).

Consequently, consolidated net sales for the first nine months under review increased 0.7% year on year, to 47,101 million yen, and consolidated operating profit expanded 0.4% year on year, to 3,161 million yen. Consolidated ordinary profit rose 4.8% year on year, to 3,465 million yen, and profit attributable to owners of parent grew 20.0% year on year, to 2,007 million yen.

(For reference)

Net sales by business segments and product category (consolidated)

(Yen in millions, rounded down)

		Previous consolidated first nine months (Jan. 1, 2020 – Sep. 30, 2020)		Consolidated first nine months under review (Jan. 1, 2021 – Sep. 30, 2021)		Change (%)
		Amount	Proportion (%)	Amount	Proportion (%)	
Construction-related products	Temporary building and formwork products	4,973	10.6	4,747	10.1	(4.6)
	Civil engineering products	5,494	11.8	5,314	11.3	(3.3)
	Building structural products	15,111	32.3	13,689	29.0	(9.4)
	Building materials	8,754	18.7	8,558	18.2	(2.2)
	Subtotal – Japan	34,335	73.4	32,309	68.6	(5.9)
	Building products and materials (Note 2)	4,866	10.4	5,918	12.6	21.6
	Subtotal – overseas	4,866	10.4	5,918	12.6	21.6
	Subtotal – segment	39,201	83.8	38,228	81.2	(2.5)
Automotive products		5,400	11.6	6,727	14.3	24.6
Other businesses (Note 3)		2,162	4.6	2,145	4.5	(0.8)
Total		46,764	100.0	47,101	100.0	0.7

- (Notes) 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

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.

The Company on July 29, 2021 announced its medium-and long-term forecasts as part of NEXT100 - PHASE 2.1, a new medium-term management plan for the period until the fiscal year ending December 31, 2024. For details, please refer to the NEXT100 - PHASE 2.1 Medium-Term Management Plan.

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)	Third quarter ended September 30, 2021 (As of September 30, 2021)
ASSETS		
Current assets		
Cash and deposits	21,982	24,160
Notes and accounts receivable - trade	20,868	20,050
Merchandise and finished goods	7,492	7,226
Work in process	1,318	1,971
Raw materials and supplies	1,877	2,156
Other	2,211	1,302
Allowance for doubtful accounts	(23)	(23)
Total current assets	55,728	56,844
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	11,167	11,184
Machinery, equipment and vehicles, net	4,378	4,468
Land	4,270	4,284
Other, net	1,771	1,764
Total property, plant and equipment	21,588	21,700
Intangible assets		
Goodwill	2,549	2,389
Other	374	367
Total intangible assets	2,924	2,756
Investments and other assets		
Investment securities	7,508	7,542
Other	1,986	1,808
Allowance for doubtful accounts	(94)	(95)
Total investments and other assets	9,400	9,255
Total non-current assets	33,913	33,712
Deferred assets		
Bond issuance costs	8	6
Total deferred assets	8	6
Total assets	89,650	90,562

(Million yen)

	Fiscal year ended December 31, 2020 (As of December 31, 2020)	Third quarter ended September 30, 2021 (As of September 30, 2021)
LIABILITIES		
Current liabilities		
Notes and accounts payable - trade	4,341	5,003
Electronically recorded obligations - operating	8,280	8,048
Short-term borrowings	3,126	3,459
Income taxes payable	931	253
Provision for bonuses	-	341
Other	2,410	3,072
Total current liabilities	19,090	20,180
Non-current liabilities		
Bonds payable	1,000	1,000
Long-term borrowings	7,193	5,110
Provision for share awards	102	118
Retirement benefit liability	2,012	2,025
Asset retirement obligations	41	41
Other	1,847	1,900
Total non-current liabilities	12,196	10,196
Total liabilities	31,287	30,376
NET ASSETS		
Shareholders' equity		
Share capital	6,911	6,911
Capital surplus	6,083	6,035
Retained earnings	47,175	48,208
Treasury shares	(3,697)	(3,631)
Total shareholders' equity	56,473	57,524
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,941	2,090
Foreign currency translation adjustment	(20)	582
Remeasurements of defined benefit plans	(31)	(25)
Total accumulated other comprehensive income	1,889	2,647
Non-controlling interests	-	14
Total net assets	58,363	60,186
Total liabilities and net assets	89,650	90,562

(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, 2020 (Jan. 1, 2020 – Sep. 30, 2020)	First nine months ended September 30, 2021 (Jan. 1, 2021 – Sep. 30, 2021)
Net sales	46,764	47,101
Cost of sales	33,828	33,797
Gross profit	12,936	13,303
Selling, general and administrative expenses	9,786	10,142
Operating profit	3,149	3,161
Non-operating income		
Interest income	12	12
Dividend income	126	135
Gain on investments in investment partnerships	–	117
Other	149	152
Total non-operating income	287	418
Non-operating expenses		
Interest expenses	93	72
Other	38	41
Total non-operating expenses	132	113
Ordinary profit	3,305	3,465
Extraordinary income		
Gain on sale of non-current assets	0	50
Total extraordinary income	0	50
Extraordinary losses		
Environmental expenses	644	218
Loss on money transfer fraud at overseas subsidiaries	–	158
Other	125	72
Total extraordinary losses	770	448
Profit before income taxes	2,535	3,067
Income taxes - current	1,100	1,064
Income taxes - deferred	(237)	(5)
Total income taxes	862	1,059
Profit	1,672	2,008
Profit attributable to non-controlling interests	–	1
Profit attributable to owners of parent	1,672	2,007

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

(Million yen)

	First nine months ended September 30, 2020 (Jan. 1, 2020 – Sep. 30, 2020)	First nine months ended September 30, 2021 (Jan. 1, 2021 – Sep. 30, 2021)
Profit	1,672	2,008
Other comprehensive income		
Valuation difference on available-for-sale securities	(375)	148
Foreign currency translation adjustment	32	604
Remeasurements of defined benefit plans, net of tax	3	5
Total other comprehensive income	(339)	758
Comprehensive income	1,333	2,766
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,333	2,764
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 169 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 196,292 shares for the previous consolidated fiscal year and 189,073 shares for the first nine 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 nine months ended September 30, 2020 (January 1, 2020 – September 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	39,201	5,400	2,162	46,764	–	46,764
Intersegment internal sales and transfers	–	–	–	–	–	–
Total	39,201	5,400	2,162	46,764	–	46,764
Segment profit (loss)	3,533	(367)	(16)	3,149	–	3,149

(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 nine months ended September 30, 2021 (January 1, 2021 – September 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	38,228	6,727	2,145	47,101	–	47,101
Intersegment internal sales and transfers	–	–	–	–	–	–
Total	38,228	6,727	2,145	47,101	–	47,101
Segment profit	2,794	260	106	3,161	–	3,161

(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