

Summary of Consolidated Financial Results (Japanese Accounting Standards) for the Year Ended December 31, 2021

February 10, 2022

Company name: Okabe Co., Ltd. Stock exchange listing: First Section of the Tokyo Stock Exchange
 Stock code: 5959 URL: <https://www.okabe.co.jp/>
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Scheduled date of Annual General Meeting of Shareholders: March 30, 2022
 Scheduled date of commencement of dividend payment: March 15, 2022
 Scheduled date of filing of Annual Securities Report: March 30, 2022
 Supplementary materials for annual financial results: None
 Information meeting for annual financial results: Yes (for institutional investors and analysts)

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

1. Consolidated Financial Results for the Fiscal Year Ended December 31, 2021 (January 1, 2021 – December 31, 2021)

(1) Consolidated Results of Operations

(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	%
Year ended								
December 31, 2021	64,829	2.7	4,334	(3.6)	4,726	0.5	2,627	(2.2)
December 31, 2020	63,127	(3.5)	4,496	(15.1)	4,702	(16.3)	2,685	(19.6)

(Note) Comprehensive income: 3,428 million yen (38.8%) for the year ended December 31, 2021
 2,469 million yen (-15.9%) for the year ended December 31, 2020

	Profit per share (basic)	Profit per share (diluted)	Return on equity	Ordinary profit to total assets	Operating profit to net sales
	Yen	Yen	%	%	%
Year ended					
December 31, 2021	54.13	–	4.4	5.2	6.7
December 31, 2020	54.90	–	4.6	5.3	7.1

(Reference) Equity in earnings (losses) of affiliates: Year ended December 31, 2021: – million yen
 Year ended December 31, 2020: – million yen

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of December 31, 2021	92,018	60,369	65.6	1,258.60
As of December 31, 2020	89,650	58,363	65.1	1,202.49

(Reference) Shareholders' equity: As of December 31, 2021: 60,354 million yen
 As of December 31, 2020: 58,363 million yen

(3) Consolidated Cash Flows

	Net cash provided by (used in) operating activities	Net cash provided by (used in) investing activities	Net cash provided by (used in) financing activities	Cash and cash equivalents at end of period
	Million yen	Million yen	Million yen	Million yen
Year ended				
December 31, 2021	5,504	(696)	(3,346)	23,575
December 31, 2020	4,881	(1,742)	(1,979)	21,982

2. Dividends

	Dividend per share					Total amounts of dividends	Payout ratio (consolidated)	Dividends to net assets (consolidated)
	End of first quarter	End of second quarter	End of third quarter	Year-end	Annual			
Year ended	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
December 31, 2020	–	7.00	–	10.00	17.00	829	31.0	1.4
December 31, 2021	–	10.00	–	10.00	20.00	969	36.9	1.6
Year ending								
December 31, 2022 (forecasts)	–	11.00	–	11.00	22.00		30.6	

(Notes) 1. Revisions to dividend forecasts published most recently: None

2. The year-end dividend per share for the year ended December 31, 2021 and the figures and indicators related to it are forecasts. When the figures are determined by resolution of the Board of Directors, the Company will disclose them promptly.

3. Consolidated Forecasts for the Fiscal Year Ending December 31, 2022 (January 1, 2022 – December 31, 2022)

(Percentages represent year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Profit per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
First half	34,540	11.9	2,070	1.4	2,160	0.5	1,500	36.2	31.28
Full year	72,500	11.8	5,100	17.7	5,300	12.1	3,450	31.3	71.94

* Notes

(1) Changes in important subsidiaries during the period
(changes of specific subsidiaries in accordance with changes in the scope of consolidation): Yes
Two new subsidiaries (Names) OCM Manufacturing LLC and Okabe Real Estate Holdings LLC

(2) 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

(3) Number of shares outstanding (common shares):
(i) Number of shares outstanding at end of period (including treasury shares)
As of December 31, 2021: 50,690,632 shares
As of December 31, 2020: 53,790,632 shares
(ii) Number of treasury shares at end of period
As of December 31, 2021: 2,737,124 shares
As of December 31, 2020: 5,255,622 shares
(iii) Average number of shares outstanding during the period
Fiscal year ended December 31, 2021: 48,534,202 shares
Fiscal year ended December 31, 2020: 48,923,967 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 (187,674 shares as of December 31, 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 (191,279 shares for the year ended December 31, 2021, and 173,235 shares for the year ended December 31, 2020).

(Reference) Summary of Non-Consolidated Financial Results

1. Non-Consolidated Financial Results for the Fiscal Year Ended December 31, 2021 (January 1, 2021 – December 31, 2021)

(1) Non-Consolidated Results of Operations (Percentages represent year-on-year changes.)

Year ended	Net sales		Operating profit		Ordinary profit		Profit	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
December 31, 2021	44,424	(3.1)	2,994	(27.2)	3,943	(13.3)	2,915	(7.7)
December 31, 2020	45,823	(4.0)	4,115	(6.2)	4,545	(6.0)	3,158	(1.2)

Year ended	Profit per share (basic)		Profit per share (diluted)	
	Yen		Yen	
December 31, 2021	60.08		-	
December 31, 2020	64.56		-	

(2) Non-Consolidated Financial Position

As of	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
December 31, 2021	81,212	54,788	67.5	1,142.53
December 31, 2020	79,353	53,209	67.1	1,096.31

(Reference) Shareholders' equity: As of December 31, 2021: 54,788 million yen
As of December 31, 2020: 53,209 million yen

* Summaries of consolidated financial results are not subject to audit by certified public accountants or audit corporations.

* 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. Overview of Results of Operations, Etc.

(1) Overview of Results of Operations for the Fiscal Year under Review (January 1, 2021 to December 31, 2021)

In the fiscal year under review, the future of the Japanese economy remained unpredictable. There was concern over economic stagnation due to the prolonged COVID-19 pandemic.

In the Japanese construction industry, where the Okabe Group's core customers operate, public investment remained solid, and there were signs of recovery in private investment. However, the industry environment remained difficult as rises in steel prices became obvious.

In this business environment, the Okabe Group developed a new medium-term management plan, NEXT100-PHASE2.1, of which the final year is the year ending December 31, 2024, based on assumptions of the external environment after the end of the pandemic. Under the management plan, the Group continued to aim to achieve sustainable growth together with society and strove to achieve the sustainable growth of the Company and enhance corporate value, undertaking three key initiatives: SDG-based management, including decarbonization, use of digital transformation, and acceleration of globalization.

Results of operations by business segment are as follows:

[Construction-related products]

A breakdown of sales for construction-related products in Japan shows that sales of temporary building and formwork products decreased 4.1% year on year as a result of weak sales of main products mainly due to a fall in the floor area of the RC construction that commenced during the fiscal year under review. Sales of civil engineering products declined 3.6% year on year due to sluggish sales of those used for the prevention of landslide disasters, mainly as a result of a decline in disaster recovery projects. Sales of building structural products fell 6.0% year on year, reflecting low sales of the Base Pack and related items partly due to a fall in the number of new hotel and other steel-framed building starts under the effects of COVID-19.

Sales of construction-related products overseas increased 32.7% year on year due to strong sales of building products and materials 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 increased 0.5% year on year, to 52,670 million yen, and operating profit fell 16.5% year on year, to 3,789 million yen.

[Automotive products]

Net sales increased 20.3% year on year, to 8,871 million yen, and operating profit of 273 million yen was posted (compared with an operating loss of 193 million yen in the previous fiscal year), mainly reflecting strong sales of automotive battery terminal products, following a recovery in new car sales from falling demand due to COVID-19.

[Other businesses]

Sales of marine materials were strong, but sales of industrial machinery products remained sluggish. Because of these and other factors, net sales for the segment decreased 2.4% year on year, to 3,287 million yen. Operating profit increased 78.0%, to 271 million yen, reflecting an improvement in profit from fishing sinkers.

Consequently, consolidated net sales for the fiscal year under review increased 2.7% year on year, to 64,829 million yen, and consolidated operating profit dropped 3.6% year on year, to 4,334 million yen. Consolidated ordinary profit rose 0.5% year on year, to 4,726 million yen, and profit attributable to owners of parent fell 2.2% year on year, to 2,627 million yen.

(For reference)

Net sales by business segments and product category (consolidated)

(Yen in millions, rounded down)

		Previous fiscal year (Jan. 1, 2020 – Dec. 31, 2020)		Fiscal year under review (Jan. 1, 2021 – Dec. 31, 2021)		Change (%)
		Amount	Proportion (%)	Amount	Proportion (%)	
Construction-related products	Temporary building and formwork products	6,690	10.6	6,419	9.9	(4.1)
	Civil engineering products	7,526	11.9	7,252	11.2	(3.6)
	Building structural products	19,613	31.1	18,431	28.4	(6.0)
	Building materials	11,799	18.7	11,600	17.9	(1.7)
	Subtotal – Japan	45,629	72.3	43,704	67.4	(4.2)
	Building products and materials (Note 2)	6,755	10.7	8,966	13.8	32.7
	Subtotal – overseas	6,755	10.7	8,966	13.8	32.7
	Subtotal – segment	52,384	83.0	52,670	81.2	0.5
Automotive products		7,374	11.7	8,871	13.7	20.3
Other businesses (Note 3)		3,368	5.3	3,287	5.1	(2.4)
Total		63,127	100.0	64,829	100.0	2.7

- (Notes) 1. For information about the main operations of each business segment, please refer to “Segment information” on page 17.
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) Overview of Financial Position for the Fiscal Year under Review

[Assets]

Current assets at the end of the fiscal year amounted to 58,825 million yen, an increase of 3,097 million yen from the previous fiscal year-end, due mainly to an increase in cash and deposits.

Non-current assets decreased 726 million yen from the previous fiscal year-end, to 33,187 million yen, primarily owing to a decrease in goodwill.

As a result, total assets increased 2,367 million yen from the previous fiscal year-end to 92,018 million yen.

[Liabilities]

Current liabilities at the end of the fiscal year amounted to 21,712 million yen, an increase of 2,621 million yen from the previous fiscal year-end, mainly due to an increase in short-term borrowings.

Non-current liabilities decreased by 2,260 million yen from the previous fiscal year-end, to 9,935 million yen, largely due to a decrease in long-term borrowings.

As a result, total liabilities increased 360 million yen from the previous fiscal year-end to 31,648 million yen.

[Net assets]

Net assets increased 2,006 million yen from the previous fiscal year-end to 60,369 million yen. The shareholders’ equity ratio was 65.6%, up 0.5 percentage points from the end of the previous fiscal year.

(3) Overview of Cash Flows for the Fiscal Year under Review

Cash and cash equivalents at the end of the fiscal year totaled 23,575 million yen, an increase of 1,593 million yen from the end of the previous fiscal year.

The following is a summary of cash flows and major factors for the fiscal year under review.

(Cash flows from operating activities)

Net cash provided by operating activities during the fiscal year came to 5,504 million yen (compared with net cash provided by operating activities of 4,881 million yen in the previous fiscal year). The major factor was an increase in trade payables.

(Cash flows from investing activities)

Net cash used in investing activities during the fiscal year was 696 million yen (compared with net cash used in investing activities of 1,742 million yen in the previous fiscal year). The major factor was a decrease in purchase of property, plant and equipment.

(Cash flows from financing activities)

Net cash used in financing activities during the fiscal year was 3,346 million yen (compared with net cash used in financing activities of 1,979 million yen in the previous fiscal year). The major factor was a decrease in proceeds from long-term borrowings.

(4) Future Outlook

In the Japanese economy, public investment will likely remain firm, and capital investments in the private sector are expected to continue to recover moderately. There is, however, concern that economic stagnation due to new COVID-19 variants and surging steel prices will put downward pressure on earnings.

Foreseeing this changing external environment, with the goal of achieving sustainable growth together with society, the Group will seek to become a resilient company able to respond to changes in the external environment through three key initiatives—SDG-based management, including decarbonization, use of digital transformation, and acceleration of globalization—established in the Group's medium-term management plan, NEXT100-PHASE2.1, which was announced in July 2021.

In the fiscal year ending December 31, 2022, the Group will focus on expanding sales of high value-added products, particularly building structural products, of which the lineup has been expanded. The Group will also work to expand sales of building products and materials by responding to local requests in a finely tuned manner as a manufacturer, taking advantage of the acquisition of a manufacturer of building materials in the United States in October 2021.

The Company has made the following consolidated results forecasts for the fiscal year ending December 31, 2022.

(Yen in millions, rounded down)

	Net sales	Operating profit	Ordinary profit	Profit attributable to owners of parent
Previous forecast (announced on July 29, 2021)	66,250	5,100	5,300	3,450
Revised forecast (announced on February 10, 2022)	72,500	5,100	5,300	3,450
Fiscal year ended December 31, 2021	64,829	4,334	4,726	2,627
Year-on-year change (%)	11.8%	17.7%	12.1%	31.3%

(5) Basic Policy for Dividends and Dividends for the Fiscal Year under Review and the Next Fiscal Year

The Group's basic policy is to maintain stable dividends to enhance the return of profits to shareholders. The dividend is also linked to consolidated business results and comprehensively reflects the need to bolster internal reserves to strengthen the Group's financial position and fund future business operations, among other needs. The Company's basic policy for dividends of surplus is to pay both an interim dividend and a year-end dividend each year. The organs that determine the dividends are the Board of Directors for the interim dividend and the Board of Directors or the General Meeting of Shareholders for the year-end dividend.

In accordance with this basic policy, the Company plans to pay a year-end dividend for the fiscal year under review of 10 yen per share. With the interim dividend of 10 yen per share that has already been paid, this will result in an annual dividend for the fiscal year under review of 20 yen per share, and a payout ratio of 36.9%.

For the next fiscal year, the Company plans to pay a dividend of 22 yen per share, the sum of interim and year-end dividends that will be 11 yen each, and the payout ratio will be 30.6%.

2. Corporate Group

The Okabe Group (Okabe Co., Ltd. and its associated companies) consists of Okabe Co., Ltd. (“the Company”), 13 subsidiaries (11 of which are consolidated) and 3 affiliated companies. These companies are engaged primarily in the manufacture and sale of construction materials and equipment. The Group is also focusing on expanding operations in other business fields.

The positioning of the Company and its key associated companies and their relationship with the business segments are as follows.

[Construction-related products]

(Temporary building and formwork products)

The Company develops associated construction methods and develops, manufactures and sells products used with these methods. Subsidiary OMM Co., Ltd. manufactures temporary building and formwork products ordered by the Company. Fukuoka Form Tie Co., Ltd. purchases temporary building and formwork products mainly from the Company and sells them in Kyushu. In addition, the Company sells products in China by using its sales subsidiary Okabe China Co., Ltd.

(Civil engineering products)

The Company develops associated construction methods and develops, manufactures and sells products used with these methods.

(Building structural products)

The Company develops associated construction methods and develops, manufactures and sells products used with these methods. FUJI BOLT Manufacturing Co., Ltd. is engaged in the development, manufacture and marketing of building structural products, and the Company sells products sourced from FUJI BOLT Manufacturing Co., Ltd. PT Fujibolt Indonesia, which is a local subsidiary of FUJI BOLT Manufacturing Co., Ltd. in Indonesia, is engaged in the development, manufacture and marketing of building structural products, and FUJI BOLT Manufacturing Co., Ltd. purchases, processes and sells products from PT Fujibolt Indonesia.

The Company conducted an absorption-type merger on January 1, 2021, with FUJI KIZAI Co., Ltd., which executes seismic reinforcement work, etc.

(Building materials)

The Company uses its sales network to sell building materials that are purchased from other companies. In addition, U.S. subsidiary OCM, Inc. purchases products sold by the Company in Japan and products compatible with local construction methods in and outside the U.S. and sells them in the U.S.

OCM, Inc., a consolidated subsidiary of the Company, established OCM Manufacturing LLC and Okabe Real Estate Holdings LLC on September 14, 2021. The established companies acquired the building materials manufacturing business from Vimco Inc. (Pennsylvania, USA) and started business on October 6, 2021. OCM Manufacturing LLC primarily manufactures building materials, and OCM, Inc. purchases and sells the building materials. Okabe Real Estate Holdings LLC manages commercial real estate, which is necessary for the building materials manufacturing business. The balance sheets and statements of income of the two new companies will be consolidated from the fiscal year ending December 31, 2022.

[Automotive products]

U.S subsidiary Okabe Co., Inc. is engaged mainly in the design and sale of automotive bolts and screw nuts in the U.S. Another U.S. subsidiary, Water Gremlin Co., develops, manufactures, and sells automotive battery parts in the U.S. market. Italian subsidiary Water Gremlin Aquila Co. S.p.A. develops, manufactures, and sells automotive battery parts in Europe.

Okabe Holding USA, Inc. is a holding company that owns all the shares of Water Gremlin Co. and Water Gremlin Aquila Co. S.p.A.

[Other businesses]

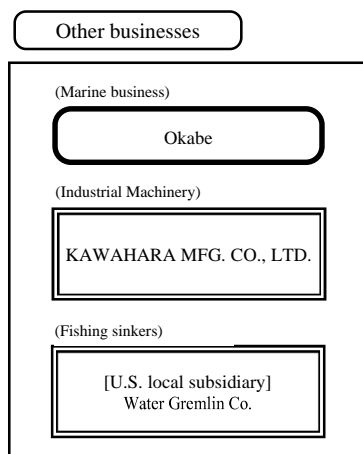
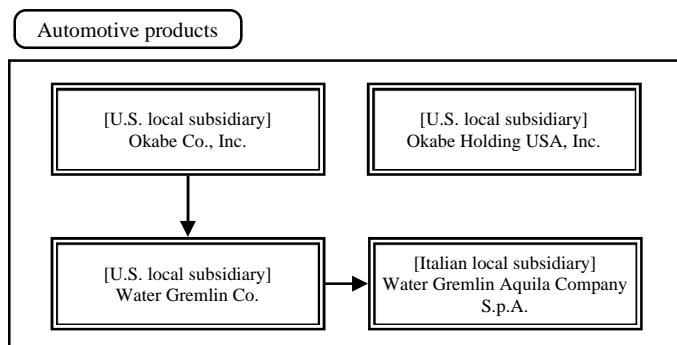
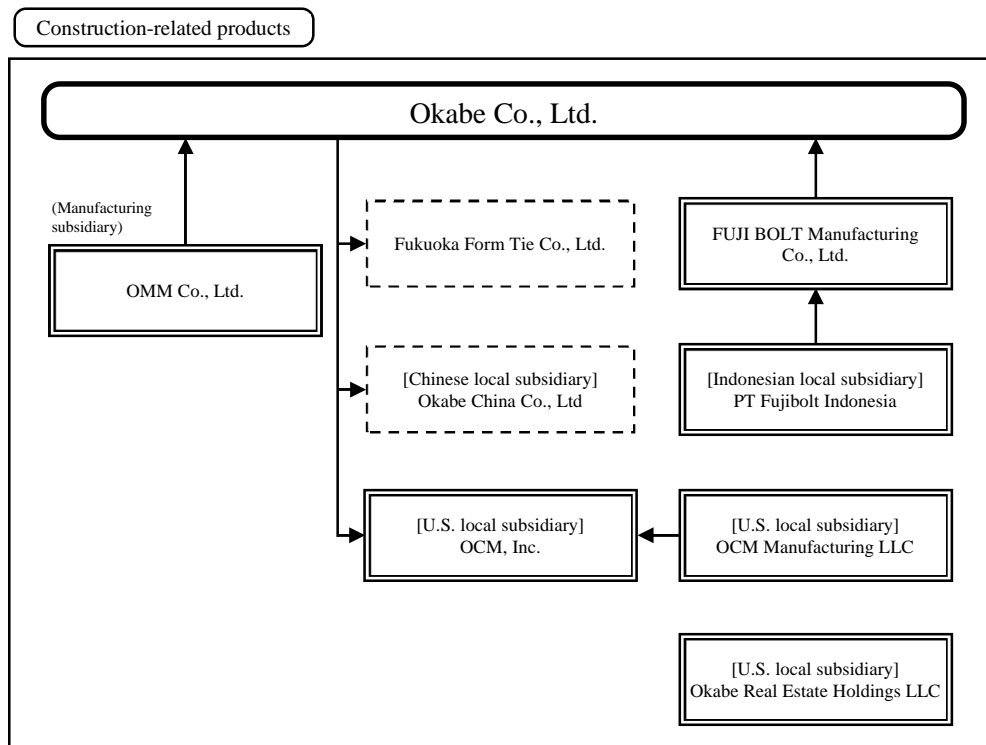
KAWAHARA MFG. CO., LTD. manufactures and sells industrial machinery products.

The Company’s marine business involves the development, manufacture and sale of marine materials.

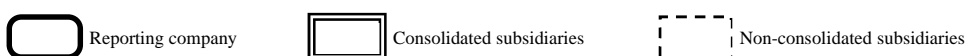
Water Gremlin Co., which is engaged mainly in the manufacture and sale of automotive products, also manufactures and sells fishing sinkers, which are non-automotive products.

[Business Flow Diagram]

The following diagram summarizes the business operations listed above.



← Products



- (Notes) 1. The Company conducted an absorption-type merger on January 1, 2021, with FUJI KIZAI Co., Ltd.
 2. PT Fujibolt Indonesia was included in the scope of consolidation on January 1, 2021.
 3. OCM, Inc., a consolidated subsidiary of the Company, established OCM Manufacturing LLC and Okabe Real Estate Holdings LLC on September 14, 2021. They started business on October 6, 2021. The balance sheets and statements of income of the two new companies will be consolidated from the fiscal year ending December 31, 2022.

3. Basic Approach to Selection of Accounting Standards

The Okabe Group's policy is to prepare its consolidated financial statements based on Japanese Accounting Standards for the present time, taking the comparability of the consolidated financial statements between terms and between companies into consideration.

The Group plans to examine application of the International Financial Reporting Standards (IFRS) in the future, based on consideration of a number of factors in Japan and overseas.

4. Consolidated Financial Statements and Key Notes

(1) Consolidated Balance Sheets

(Million yen)

	Previous fiscal year (As of December 31, 2020)	Fiscal year under review (As of December 31, 2021)
ASSETS		
Current assets		
Cash and deposits	21,982	23,575
Notes and accounts receivable - trade	20,868	21,396
Merchandise and finished goods	7,492	8,269
Work in process	1,318	1,809
Raw materials and supplies	1,877	2,356
Other	2,211	1,442
Allowance for doubtful accounts	(23)	(25)
Total current assets	55,728	58,825
Non-current assets		
Property, plant and equipment		
Buildings and structures	17,830	18,815
Accumulated depreciation	(6,663)	(7,156)
Buildings and structures, net	11,167	11,658
Machinery, equipment and vehicles	15,762	16,723
Accumulated depreciation	(11,383)	(12,373)
Machinery, equipment and vehicles, net	4,378	4,349
Land	4,270	4,269
Leased assets	1,135	1,145
Accumulated depreciation	(519)	(556)
Leased assets, net	615	589
Construction in progress	770	352
Other	1,912	2,028
Accumulated depreciation	(1,526)	(1,647)
Other, net	385	380
Total property, plant and equipment	21,588	21,600
Intangible assets		
Goodwill	2,549	2,089
Other	374	358
Total intangible assets	2,924	2,448
Investments and other assets		
Investment securities	7,508	7,387
Long-term loans receivable	110	-
Deferred tax assets	90	79
Other	1,785	1,718
Allowance for doubtful accounts	(94)	(47)
Total investments and other assets	9,400	9,138
Total non-current assets	33,913	33,187
Deferred assets		
Bond issuance cost	8	5
Total deferred assets	8	5
Total assets	89,650	92,018

(Million yen)

	Previous fiscal year (As of December 31, 2020)	Fiscal year under review (As of December 31, 2021)
LIABILITIES		
Current liabilities		
Notes and accounts payable - trade	4,341	5,181
Electronically recorded obligations - operating	8,280	8,924
Short-term borrowings	3,126	4,318
Lease obligations	177	201
Income taxes payable	931	438
Other	2,233	2,648
Total current liabilities	19,090	21,712
Non-current liabilities		
Bonds payable	1,000	1,000
Long-term borrowings	7,193	4,997
Lease obligations	461	421
Deferred tax liabilities	526	549
Provision for share awards	102	125
Retirement benefit liability	2,012	1,933
Asset retirement obligations	41	54
Other	858	855
Total non-current liabilities	12,196	9,935
Total liabilities	31,287	31,648
NET ASSETS		
Shareholders' equity		
Share capital	6,911	6,911
Capital surplus	6,083	5,983
Retained earnings	47,175	46,724
Treasury shares	(3,697)	(1,953)
Total shareholders' equity	56,473	57,666
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,941	1,982
Foreign currency translation adjustment	(20)	698
Remeasurements of defined benefit plans	(31)	6
Total accumulated other comprehensive income	1,889	2,688
Non-controlling interests	–	15
Total net assets	58,363	60,369
Total liabilities and net assets	89,650	92,018

(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income
(Consolidated statements of income)

(Million yen)

	Previous fiscal year (Jan. 1, 2020 – Dec. 31, 2020)	Fiscal year under review (Jan. 1, 2021 – Dec. 31, 2021)
Net sales	63,127	64,829
Cost of sales	45,509	46,689
Gross profit	17,618	18,140
Selling, general and administrative expenses	13,121	13,806
Operating profit	4,496	4,334
Non-operating income		
Interest income	16	15
Dividend income	151	171
Proceeds from sale of scrap	43	95
Gain on investments in investment partnerships	–	117
Other	162	148
Total non-operating income	374	548
Non-operating expenses		
Interest expenses	122	94
Other	45	61
Total non-operating expenses	167	155
Ordinary profit	4,702	4,726
Extraordinary income		
Gain on sale of non-current assets	0	52
Gain on sale of investment securities	0	–
Total extraordinary income	0	52
Extraordinary losses		
Impairment losses	25	244
Loss on valuation of investment securities	139	–
Environmental expenses	810	221
Loss on disaster	72	77
Loss on money transfer fraud at overseas subsidiaries	–	159
Other	79	3
Total extraordinary losses	1,127	706
Profit before income taxes	3,576	4,072
Income taxes - current	1,481	1,415
Income taxes - refund	(1,161)	–
Income taxes - deferred	570	28
Total income taxes	890	1,444
Profit	2,685	2,628
Profit attributable to non-controlling interests	–	1
Profit attributable to owners of parent	2,685	2,627

(Consolidated statements of comprehensive income)

(Million yen)

	Previous fiscal year (Jan. 1, 2020 – Dec. 31, 2020)	Fiscal year under review (Jan. 1, 2021 – Dec. 31, 2021)
Profit	2,685	2,628
Other comprehensive income		
Valuation difference on available-for-sale securities	(82)	40
Foreign currency translation adjustment	(117)	721
Remeasurements of defined benefit plans, net of tax	(16)	38
Total other comprehensive income	(216)	800
Comprehensive income	2,469	3,428
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,469	3,425
Comprehensive income attributable to non-controlling interests	–	2

(3) Consolidated Statements of Changes in Equity

Previous fiscal year (from January 1, 2020 to December 31, 2020)

(Million yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	6,911	6,062	45,502	(2,712)	55,763
Changes during period					
Dividends of surplus			(1,040)		(1,040)
Profit attributable to owners of parent			2,685		2,685
Purchase of treasury shares				(1,059)	(1,059)
Disposal of treasury shares		21		75	96
Cancellation of treasury shares					–
Change in scope of consolidation			27		27
Net changes in items other than shareholders' equity					–
Total changes during period	–	21	1,672	(984)	709
Balance at end of period	6,911	6,083	47,175	(3,697)	56,473

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	2,024	97	(15)	2,106	–	57,869
Changes during period						
Dividends of surplus				–		(1,040)
Profit attributable to owners of parent				–		2,685
Purchase of treasury shares				–		(1,059)
Disposal of treasury shares				–		96
Cancellation of treasury shares				–		–
Change in scope of consolidation	(8)			(8)		19
Net changes in items other than shareholders' equity	(74)	(117)	(16)	(208)		(208)
Total changes during period	(82)	(117)	(16)	(216)	–	493
Balance at end of period	1,941	(20)	(31)	1,889	–	58,363

Fiscal year under review (from January 1, 2021 to December 31, 2021)

(Million yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	6,911	6,083	47,175	(3,697)	56,473
Changes during period					
Dividends of surplus			(975)		(975)
Profit attributable to owners of parent			2,627		2,627
Purchase of treasury shares				(479)	(479)
Disposal of treasury shares		8		66	75
Cancellation of treasury shares		(52)	(2,103)	2,155	–
Change in scope of consolidation		(56)	1		(54)
Net changes in items other than shareholders' equity					–
Total changes during period	–	(100)	(450)	1,743	1,192
Balance at end of period	6,911	5,983	46,724	(1,953)	57,666

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	1,941	(20)	(31)	1,889	–	58,363
Changes during period						
Dividends of surplus				–		(975)
Profit attributable to owners of parent				–		2,627
Purchase of treasury shares				–		(479)
Disposal of treasury shares				–		75
Cancellation of treasury shares				–		–
Change in scope of consolidation				–		(54)
Net changes in items other than shareholders' equity	40	719	38	798	15	813
Total changes during period	40	719	38	798	15	2,006
Balance at end of period	1,982	698	6	2,688	15	60,369

(4) Consolidated Statement of Cash Flows

(Million yen)

	Previous fiscal year (Jan. 1, 2020 – Dec. 31, 2020)	Fiscal year under review (Jan. 1, 2021 – Dec. 31, 2021)
Cash flows from operating activities		
Profit before income taxes	3,576	4,072
Depreciation	1,772	1,878
Amortization of goodwill	240	217
Impairment losses	25	244
Increase (decrease) in allowance for doubtful accounts	(11)	(46)
Increase (decrease) in retirement benefit liability	62	(35)
Interest and dividend income	(167)	(187)
Interest expenses	122	94
Loss on retirement of non-current assets	58	3
Loss (gain) on valuation of investment securities	139	–
Loss (gain) on investments in investment partnerships	–	(117)
Environmental expenses	810	221
Loss on money transfer fraud at overseas subsidiaries	–	155
Decrease (increase) in trade receivables	1,555	(294)
Decrease (increase) in other current assets	(697)	564
Decrease (increase) in inventories	104	(1,347)
Increase (decrease) in trade payables	(791)	1,164
Increase (decrease) in other current liabilities	178	412
Increase (decrease) in other non-current liabilities	16	(3)
Increase (decrease) in accrued consumption taxes	(135)	(61)
Other	(89)	(147)
Subtotal	6,770	6,788
Income taxes paid	(1,078)	(1,739)
Income taxes refund	–	832
Environmental expenses paid	(810)	(221)
Payments for loss on money transfer fraud at overseas subsidiaries	–	(155)
Net cash provided by (used in) operating activities	4,881	5,504
Cash flows from investing activities		
Proceeds from withdrawal of time deposits	60	–
Purchase of property, plant and equipment	(1,671)	(918)
Purchase of intangible assets	(204)	(90)
Purchase of investment securities	(0)	(300)
Proceeds from sale of investment securities	0	232
Purchase of insurance funds	(131)	(196)
Proceeds from maturity of insurance funds	64	269
Loan advances	(19)	–
Proceeds from collection of loans receivable	20	–
Interest and dividends received	172	182
Other	(32)	125
Net cash provided by (used in) investing activities	(1,742)	(696)

(Million yen)

	Previous fiscal year (Jan. 1, 2020 – Dec. 31, 2020)	Fiscal year under review (Jan. 1, 2021 – Dec. 31, 2021)
Cash flows from financing activities		
Proceeds from short-term borrowings	6,676	10,071
Repayments of short-term borrowings	(5,260)	(10,750)
Proceeds from long-term borrowings	6,100	100
Repayments of long-term borrowings	(7,174)	(546)
Purchase of treasury shares	(1,059)	(998)
Dividends paid	(1,041)	(976)
Interest paid	(110)	(95)
Repayments of lease obligations	(203)	(218)
Other	93	67
Net cash provided by (used in) financing activities	(1,979)	(3,346)
Effect of exchange rate change on cash and cash equivalents	54	69
Net increase (decrease) in cash and cash equivalents	1,213	1,530
Cash and cash equivalents at beginning of period	20,604	21,982
Increase in cash and cash equivalents resulting from inclusion of subsidiaries in consolidation	164	63
Cash and cash equivalents at end of period	21,982	23,575

(5) Notes for Consolidated Financial Statements

(Note to going concern assumptions)

None

(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 outstanding was 176 million yen at the end of the previous consolidated fiscal year and 168 million yen at the end of the consolidated fiscal year under review. The number of treasury shares outstanding was 196,292 shares at the end of the previous consolidated fiscal year and 187,674 shares at the end of the consolidated 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, 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]

1. Description of reporting segments

Reporting segments of the Okabe Group are individual units for which separate financial information is available and that are subject to a periodic review by the Board of Directors for the purposes of evaluating performance and determining the allocation of resources.

The Group is engaged in the construction-related products business and business activities in several other industries. Comprehensive strategies are established and business activities conducted for products and services in Japan and other countries for each major business that is categorized based on the type of industry.

Consequently, there are three reporting segments for major business activities categorized by industry: construction-related products, automotive products and other businesses.

Construction-related products includes manufacture and sales of temporary building and formwork products, civil engineering products and building structural products and sale of building materials.

Automotive products includes manufacture and sales of automotive products.

Other businesses engage in operations such as 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. Methods for calculating sales, profit (loss), assets, liabilities and other items by reportable segment

Accounting methods for the reported business segments are almost the same as those used for the preparation of consolidated financial statements.

Reportable segment profit is presented based on operating profit (loss).

Intersegment sales or transfers of funds are presented based on actual market prices.

3 Information regarding sales, profit (loss), assets, liabilities and other items for each reportable business segment

Previous fiscal year (from January 1, 2020 to December 31, 2020)

(Million yen)

	Reportable segments				Adjustment (Note 1)	Amounts in consolidated financial statements (Note 2)
	Construction- related products	Automotive products	Other businesses	Total		
Net sales						
Sales to external customers	52,384	7,374	3,368	63,127	–	63,127
Intersegment internal sales and transfers	–	–	–	–	–	–
Total	52,384	7,374	3,368	63,127	–	63,127
Segment profit (loss)	4,537	(193)	152	4,496	–	4,496
Segment assets	57,389	12,904	5,559	75,852	13,797	89,650
Other items						
Depreciation	1,237	471	63	1,772	–	1,772
Amortization of goodwill	17	50	172	240	–	240
Increase in property, plant and equipment and intangible assets	1,098	548	52	1,699	–	1,699

(Notes)

1. The adjustment consists of the following items.

The adjustment of 13,797 million yen for segment assets consists of a deduction of 395 million yen for intersegment transactions and an addition of 14,192 million yen for corporate assets that cannot be allocated to a particular segment.

The main components of corporate assets are investments of unused funds (deposits) and long-term investments (investment securities).

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

Fiscal year under review (from January 1, 2021 to December 31, 2021)

(Million yen)

	Reportable segments				Adjustment (Note 1)	Amounts in consolidated financial statements (Note 2)
	Construction- related products	Automotive products	Other businesses	Total		
Net sales						
Sales to external customers	52,670	8,871	3,287	64,829	–	64,829
Intersegment internal sales and transfers	–	–	–	–	–	–
Total	52,670	8,871	3,287	64,829	–	64,829
Segment profit	3,789	273	271	4,334	–	4,334
Segment assets	66,978	12,735	5,209	84,923	7,095	92,018
Other items						
Depreciation	1,311	499	67	1,878	–	1,878
Amortization of goodwill	17	27	172	217	–	217
Increase in property, plant and equipment and intangible assets	971	366	59	1,397	–	1,397

(Notes)

1. The adjustment consists of the following items.

The adjustment of 7,095 million yen for segment assets consists of a deduction of 382 million yen for intersegment transactions and an addition of 7,477 million yen for corporate assets that cannot be allocated to a particular segment.

The main components of corporate assets are investments of unused funds (deposits) and long-term investments (investment securities).

2. Segment profit matches the operating profit in the consolidated statements of income.

[Related information]

Previous fiscal year (from January 1, 2020 to December 31, 2020)

1. Information by products and services

Omitted because similar information is presented in segment information

2. Information by geographical areas

(1) Net sales

(Million yen)

Japan	North America	Others	Total
48,537	11,415	3,174	63,127

(Note) Net sales are based on the locations of customers and categorized in accordance with countries or regions.

(2) Property, plant and equipment

(Million yen)

Japan	North America	Others	Total
15,210	5,716	661	21,588

3. Information on a major customer

(Million yen)

Name of customer	Net sales	Name of relevant segment
MM & KENZAI Corporation	6,393	Construction-related products

Fiscal year under review (from January 1, 2021 to December 31, 2021)

1. Information by products and services

Omitted because similar information is presented in segment information

2. Information by geographical areas

(1) Net sales

(Million yen)

Japan	North America	Others	Total
46,507	14,865	3,456	64,829

(Note) Net sales are based on the locations of customers and categorized in accordance with countries or regions.

(2) Property, plant and equipment

(Million yen)

Japan	North America	Others	Total
14,836	5,932	832	21,600

3. Information on a major customer

The information is omitted because net sales to major customers are less than 10% of consolidated net sales.

[Non-current assets impairment losses, goodwill and other information for each reportable segment]

Previous fiscal year (from January 1, 2020 to December 31, 2020)

The information is omitted because it has little significance.

Fiscal year under review (from January 1, 2021 to December 31, 2021)

(Significant changes in the amount of goodwill)

A goodwill impairment loss was posted in the Other businesses segment, which resulted in a significant change in the amount of goodwill. Goodwill decreased 244 million yen due to the impairment loss.

[Information on amortization of goodwill and unamortized balance by reportable segment]

Previous fiscal year (from January 1, 2020 to December 31, 2020)

(Million yen)

	Reportable segments				Company-wide / Eliminations	Total
	Construction- related products	Automotive products	Other businesses	Total		
Amortization of goodwill	17	50	172	240	–	240
Balance at end of period	209	52	2,288	2,549	–	2,549

Fiscal year under review (from January 1, 2021 to December 31, 2021)

(Million yen)

	Reportable segments				Company-wide / Eliminations	Total
	Construction- related products	Automotive products	Other businesses	Total		
Amortization of goodwill	17	27	172	217	–	217
Balance at end of period	191	27	1,870	2,089	–	2,089

[Information on gain on bargain purchase by reportable segment]

Previous fiscal year (from January 1, 2020 to December 31, 2020)

None

Fiscal year under review (from January 1, 2021 to December 31, 2021)

None

(Per-share information)

(Yen)

	Previous fiscal year (Jan. 1, 2020 – Dec. 31, 2020)	Fiscal year under review (Jan. 1, 2021 – Dec. 31, 2021)
Net assets per share	1,202.49	1,258.60
Profit per share	54.90	54.13

- (Notes)
1. Diluted profit per share is not stated because there is no dilutive share.
 2. The Company's own shares that remain in the stock-granting ESOP trust and recorded as treasury shares in shareholders' equity are included in treasury shares that will be deducted in the calculation of the number of shares outstanding at the end of period to calculate net assets per share (196,292 shares for the previous consolidated fiscal year; 187,674 shares for the consolidated fiscal year under review).
 3. The Company's own shares that remain in the stock-granting ESOP trust and are recorded as treasury shares in shareholders' equity are included in treasury shares that will be deducted in the calculation of the average number of shares outstanding during the period to calculate profit per share (173,235 shares for the previous consolidated fiscal year; 191,279 shares for the consolidated fiscal year under review).
 4. The basis for calculation of profit per share is as stated below.

Item	Previous fiscal year (Jan. 1, 2020 – Dec. 31, 2020)	Fiscal year under review (Jan. 1, 2021 – Dec. 31, 2021)
Profit per share (basic)		
Profit attributable to owners of parent (million yen)	2,685	2,627
Amount not attributable to common shareholders (million yen)	–	–
Profit attributable to owners of parent pertaining to common stock (million yen)	2,685	2,627
Average number of shares of common stock outstanding during the period (shares)	48,923,967	48,534,202

(Significant events after the reporting period)

(Establishment of subsidiaries and acquisition of business)

OCM, Inc. (the account close date is September 30), a consolidated subsidiary of the Company, established new companies, OCM Manufacturing LLC (“OCMM”) and Okabe Real Estate Holdings LLC (“ORE”), on September 14, 2021.

Meanwhile, the Board of Directors of the Company resolved to acquire the building materials manufacturing business from Vimco Inc. (Pennsylvania, USA) at a meeting held on August 24, 2021, and the Company concluded a business transfer agreement on September 3, 2021. On September 14, 2021, the Company concluded a memorandum that says that its position under the agreement will be assigned to OCMM and ORE. OCMM and ORE acquired the business on October 6, 2021 and started the business on the same date.

The balance sheets and statements of income of both companies will be consolidated from the fiscal year ending December 31, 2022.

(1) Purpose of the establishment of subsidiaries and the business acquisition

The new companies were established to add the production function to OCM, Inc., which engages in purchases and sales in the United States. The business acquisition is intended for the new companies to develop their businesses as manufacturers and to actively tap into demand for infrastructure development in the United States.

(2) Outlines of subsidiaries established

Name: OCM Manufacturing LLC

Address: 250 Hansen Access Road, King of Prussia, PA 19406 U.S.A

Business: Manufacture of building products and materials

Share capital: 41 million U.S. dollars

Established: September 14, 2021

Number of shares acquired: 410,000

Acquisition cost: 41 million U.S. dollars

Shareholding: 100%

Company: Okabe Real Estate Holdings LLC

Address: 250 Hansen Access Road, King of Prussia, PA 19406 U.S.A

Business: Management of commercial real estate

Share capital: 19 million U.S. dollars
Established: September 14, 2021
Number of shares acquired: 190,000
Acquisition cost: 19 million U.S. dollars
Shareholding: 100%

(3) Outline of business acquisition

(i) Name and business of acquired company

Name of acquired company: Vimco Inc. (Pennsylvania, USA)

Business: Manufacture of building products and materials

(ii) Main reason for business combination

Stated in (1)

(iii) Date of business combination

October 6, 2021 (date of business acquisition)

(iv) Legal form of business combination

Business acquisition in exchange for cash

(v) Names and businesses of companies after business combination

- OCM Manufacturing LLC (engaging in the building materials manufacturing business acquired from Vimco Inc.)
- Okabe Real Estate Holdings LLC (engaging in the commercial real estate management business acquired from Vimco Inc.)

(4) Cost of acquisition of the acquired company and a breakdown of the cost by type of consideration

The information is not disclosed in accordance with the confidential provision of the business transfer agreement.

(5) Major acquisition-related costs and amounts of costs

The information is omitted because it has little significant.

(6) Amount of goodwill, reason for goodwill, and method and period of amortization

(i) Amount of goodwill

14.830 million U.S. dollars

(ii) Reason for goodwill

The main reason is future additional earnings power that is expected from future business development.

(iii) Method and period of amortization

Straight-line method over 10 years

(7) Assets accepted and liabilities assumed on the date of business combination and a breakdown of them

Current assets: 9.127 million U.S. dollars

Non-current assets: 31.699 million U.S. dollars

Total assets: 40.827 million U.S. dollars

No liabilities have been assumed.