

Summary of Consolidated Financial Results (Japanese Accounting Standards) for the Year Ended December 31, 2022

February 10, 2023

Company name: Okabe Co., Ltd.

Stock exchange listing: Prime Market of the Tokyo Stock Exchange

Stock code: 5959 URL: <https://www.okabe.co.jp/>

Representative: Hirohide Kawase, Representative Director, President and Chief Executive Officer

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Scheduled date of Annual General Meeting of Shareholders: March 30, 2023

Scheduled date of commencement of dividend payment: March 15, 2023

Scheduled date of filing of Annual Securities Report: March 30, 2023

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, 2022 (January 1, 2022 – December 31, 2022)

(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, 2022	76,854	18.5	5,271	21.6	5,471	15.8	3,848	46.5
December 31, 2021	64,829	2.7	4,334	(3.6)	4,726	0.5	2,627	(2.2)

(Note) Comprehensive income: 8,598 million yen (150.8%) for the year ended December 31, 2022
3,428 million yen (38.8%) for the year ended December 31, 2021

	Profit per share (basic)		Profit per share (diluted)		Return on equity	Ordinary profit to total assets	Operating profit to net sales
	Yen	Yen	Yen	Yen	%	%	%
Year ended							
December 31, 2022	81.30	–	–	–	6.0	5.6	6.9
December 31, 2021	54.13	–	–	–	4.4	5.2	6.7

(Reference) Equity in earnings (losses) of affiliates: Year ended December 31, 2022: – million yen
Year ended December 31, 2021: – 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, 2022	103,894	67,111	64.6	1,432.47
As of December 31, 2021	92,018	60,369	65.6	1,258.60

(Reference) Shareholders' equity: As of December 31, 2022: 67,092 million yen
As of December 31, 2021: 60,354 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, 2022	1,975	(8,202)	(18)	18,156
December 31, 2021	5,504	(696)	(3,346)	23,575

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, 2021	–	10.00	–	10.00	20.00	969	36.9	1.6
December 31, 2022	–	12.00	–	12.00	24.00	1,134	29.5	1.8
Year ending								
December 31, 2023 (forecasts)	–	12.50	–	12.50	25.00		30.1	

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

2. The year-end dividend per share for the year ended December 31, 2022 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, 2023 (January 1, 2023 – December 31, 2023)

(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	38,800	7.0	2,570	5.0	2,610	2.1	1,770	(17.2)	37.79
Full year	82,000	6.7	5,700	8.1	5,800	6.0	3,890	1.1	83.05

* Notes

(1) Changes in important subsidiaries during the period
(changes of specific subsidiaries in accordance with changes in the scope of consolidation): Yes
One new entity: (name) PT. Okabe Hardware Indonesia

(2) Changes in accounting policies, accounting estimates and restatement
(i) Changes in accounting policies caused by revision of accounting standards: Yes
(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, 2022: 49,290,632 shares
As of December 31, 2021: 50,690,632 shares
(ii) Number of treasury shares at end of period
As of December 31, 2022: 2,453,507 shares
As of December 31, 2021: 2,737,124 shares
(iii) Average number of shares outstanding during the period
Fiscal year ended December 31, 2022: 47,329,267 shares
Fiscal year ended December 31, 2021: 48,534,202 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 (179,594 shares as of December 31, 2022, and 187,674 shares as of December 31, 2021). 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 (182,579 shares for the year ended December 31, 2022, and 191,279 shares for the year ended December 31, 2021).

(Reference) Summary of Non-Consolidated Financial Results

1. Non-Consolidated Financial Results for the Fiscal Year Ended December 31, 2022 (January 1, 2022 – December 31, 2022)

(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, 2022	46,286	4.2	3,884	29.7	4,681	18.7	3,890	33.4
December 31, 2021	44,424	(3.1)	2,994	(27.2)	3,943	(13.3)	2,915	(7.7)

Year ended	Profit per share (basic)		Profit per share (diluted)	
	Yen		Yen	
December 31, 2022	82.21		-	
December 31, 2021	60.08		-	

(2) Non-Consolidated Financial Position

Year ended	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of December 31, 2022	83,245	56,288	67.6	1,201.80
As of December 31, 2021	81,212	54,788	67.5	1,142.53

(Reference) Shareholders' equity: As of December 31, 2022: 56,288 million yen
As of December 31, 2021: 54,788 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, 2022 to December 31, 2022)

During the fiscal year under review, the Japanese economy was in the process of normalization with full precautions to prevent the spread of COVID-19. Nonetheless, the outlook remained uncertain due to downside risks to the economy, including the war in Ukraine and the global trend of monetary tightening.

In the Japanese construction industry, where the Okabe Group's core customers operate, there were signs of a recovery in private investment and public investment was steady, but the industry was affected by continuing rises in steel prices.

In this business environment, the Okabe Group strove to achieve the sustainable growth of the Company and enhance corporate value, focusing on SDG-based management, including decarbonization, use of digital transformation, and acceleration of globalization, which are initiatives set out in the medium-term management plan, NEXT100-PHASE2.1, of which the final year is the year ending December 31, 2024.

Results of operations by business segment are as follows:

[Construction-related products]

Looking at domestic sales of construction-related products by product category, sales of temporary building and formwork products rose 10.2% year on year on firm sales of major products due to an increase in reinforced concrete building starts (floor area) and higher prices that reflected rises in steel prices. Sales of civil engineering products increased 0.2% year on year. Disaster recovery projects declined, but sales of products used for the prevention of landslide disasters, among other products, remained roughly flat from a year earlier, mainly by the pass-through of a rise in steel prices to product prices. Sales of building structural products climbed 8.2% year on year due to an increase in demand for the Base Pack particularly in plant construction projects and steel price increases passed on to Base Pack prices.

Overseas sales of construction-related products were firm on the back of a recovery from demand contraction due to the pandemic and a recovery in the housing market in the United States. In addition, sales of building products and materials in the United States rose 62.9% year on year in the local currency due to the expansion of the business as a result of the acquisition of a building products manufacturing business in the United States in October 2021.

As a result, sales in the construction-related products segment increased 19.8% year on year, to 63,081 million yen, and operating profit rose 34.5% year on year, to 5,098 million yen.

[Automotive products]

Net sales increased 11.8% year on year, to 9,914 million yen, reflecting solid sales of bolts and nuts for trucks/trainers in the United States as well as the effects of the weaker yen. Meanwhile, an operating loss of 144 million yen was posted (compared with an operating profit of 273 million yen for the same period of the previous year) chiefly due to the posting of expenses related to environmental impact monitoring, which were posted in extraordinary losses until the first half of the previous year, in cost of sales and selling, general and administrative expenses.

[Other businesses]

Net sales for the segment increased 17.4% year on year, to 3,859 million yen and operating profit rose 17.0%, to 317 million yen, reflecting firm sales of marine materials and industrial machinery products.

Consequently, consolidated net sales for the fiscal year under review increased 18.5% year on year, to 76,854 million yen, and consolidated operating profit rose 21.6% year on year, to 5,271 million yen. Consolidated ordinary profit climbed 15.8% year on year, to 5,471 million yen. Profit attributable to owners of parent grew 46.5% year on year, to 3,848 million yen, attributable to the recording of a gain on sale of investment securities as extraordinary income.

(For reference) Net sales by business segments and product category (consolidated)

(Yen in millions, rounded down)

		Previous fiscal year (Jan. 1, 2021 – Dec. 31, 2021)		Fiscal year under review (Jan. 1, 2022 – Dec. 31, 2022)		Change (%)
		Amount	Proportion (%)	Amount	Proportion (%)	
Construction -related products	Temporary building and formwork products	6,419	9.9	7,075	9.2	10.2
	Civil engineering products	7,252	11.2	7,266	9.5	0.2
	Building structural products	18,431	28.4	19,949	26.0	8.2
	Building materials	11,600	17.9	11,945	15.5	3.0
	Subtotal – Japan	43,704	67.4	46,237	60.2	5.8
	Building products and materials (Note 2)	8,966	13.8	16,843	21.9	87.9
	Subtotal – overseas	8,966	13.8	16,843	21.9	87.9
	Subtotal – segment	52,670	81.2	63,081	82.1	19.8
	Automotive products	8,871	13.7	9,914	12.9	11.8
	Other businesses (Note 3)	3,287	5.1	3,859	5.0	17.4
	Total	64,829	100.0	76,854	100.0	18.5

- (Notes) 1. For information about the main operations of each business segment, please refer to “Segment information” on page 18.
2. In Building products and materials, OCM Manufacturing LLC, a consolidated subsidiary of the Company, started to manufacture building products in October 2021. Sales of building products and materials are posted from the fiscal year under review.
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 63,515 million yen, an increase of 4,689 million yen from the previous fiscal year-end, due mainly to an increase in merchandise and finished goods.

Non-current assets increased 7,159 million yen from the previous fiscal year-end to 40,347 million yen, primarily owing to an increase in buildings and structures.

As a result, total assets increased 11,876 million yen from the previous fiscal year-end to 103,894 million yen.

[Liabilities]

Current liabilities at the end of the fiscal year amounted to 26,402 million yen, an increase of 4,689 million yen from the previous fiscal year-end, mainly due to an increase in short-term borrowings.

Non-current liabilities increased by 445 million yen from the previous fiscal year-end, to 10,381 million yen owing to an increase in bonds payable.

As a result, total liabilities increased 5,135 million yen from the previous fiscal year-end to 36,783 million yen.

[Net assets]

Net assets increased 6,741 million yen from the previous fiscal year-end to 67,111 million yen. The shareholders’ equity ratio was 64.6%, down 1.0 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 18,156 million yen, a decrease of 5,419 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 1,975 million yen (compared with net cash provided by operating activities of 5,504 million yen in the previous fiscal year). The major factor was an increase in inventories.

(Cash flows from investing activities)

Net cash used in investing activities during the fiscal year was 8,202 million yen (compared with net cash used in financing activities of 696 million yen in the previous fiscal year). The major factor was payments for the acquisition of businesses.

(Cash flows from financing activities)

Net cash used in financing activities during the fiscal year was 18 million yen (compared with net cash used in financing activities of 3,346 million yen in the previous fiscal year). The major factor was an increase in proceeds from short-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. However, uncertainty will persist given rising steel prices, monetary tightening worldwide, changes in exchange rates, and other factors.

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, 2023, the Group will strive to expand operations in the United States, taking advantage of strong construction demand. In the ASEAN region, the Group will develop new businesses and accelerate its global expansion.

The Company has made the following consolidated results forecasts for the fiscal year ending December 31, 2023.

(Yen in millions, rounded down)

	Net sales	Operating profit	Ordinary profit	Profit attributable to owners of parent
Fiscal year ended December 31, 2022 (Actual)	76,854	5,271	5,471	3,848
Year ending December 31, 2023 (forecasts)	82,000	5,700	5,800	3,890
Change (%)	6.7%	8.1%	6.0%	1.1%

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

The Company's basic policy is to maintain stable dividends, a payout ratio of 30% or more, 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 Company will effectively use internal reserves for capital expenditures and corporate acquisitions to expand its business.

In accordance with this basic policy, the Company plans to pay a year-end dividend for the fiscal year under review of 12 yen per share. With the interim dividend of 12 yen per share that has already been paid, this will result in an annual dividend for the fiscal year under review of 24 yen per share, and a payout ratio of 29.5%.

For the next fiscal year, the Company plans to pay a dividend of 25 yen per share, the sum of interim and year-end dividends that will be 12.5 yen each, and the payout ratio will be 30.1%.

2. Corporate Group

The Okabe Group (Okabe Co., Ltd. and its associated companies) consists of Okabe Co., Ltd. (“the Company”), 14 subsidiaries (12 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. The Company sold products in China by using its sales subsidiary Okabe China Co., Ltd. However, the Company resolved to dissolve and liquidate Okabe China at a Board of Directors meeting held on November 22, 2022. Okabe China is undergoing liquidation proceedings.

(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.

(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 mainly in the U.S. 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 Company established PT. Okabe Hardware Indonesia, a local subsidiary in Indonesia, on April 28, 2022. PT. Okabe Hardware Indonesia is included in the scope of consolidation. PT. Okabe Hardware Indonesia is making preparations to begin the purchase and sale of building materials of other companies.

The Company established PT. Okabe Retail Indonesia, a local subsidiary in Indonesia, on November 23, 2022. The balance sheet and statement of income of PT. Okabe Retail Indonesia are consolidated from the fiscal year ending December 31, 2023. PT. Okabe Retail Indonesia is making preparations to start purchase and sale of building materials of other companies.

[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, mainly manufactures, and sells automotive battery parts in the U.S. market. Italian subsidiary Water Gremlin Aquila Co. S.p.A. mainly 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.

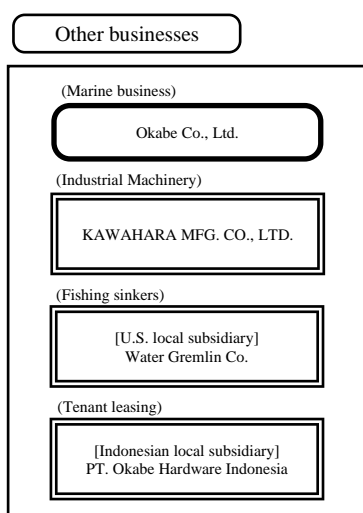
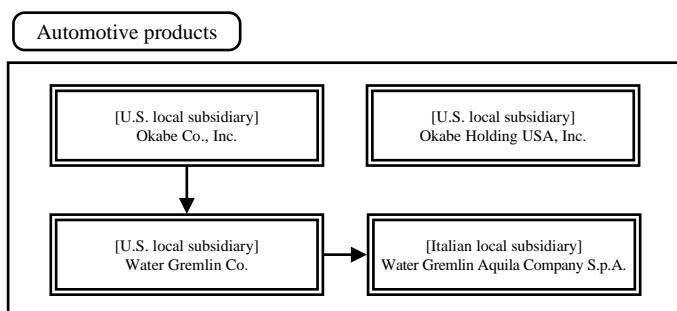
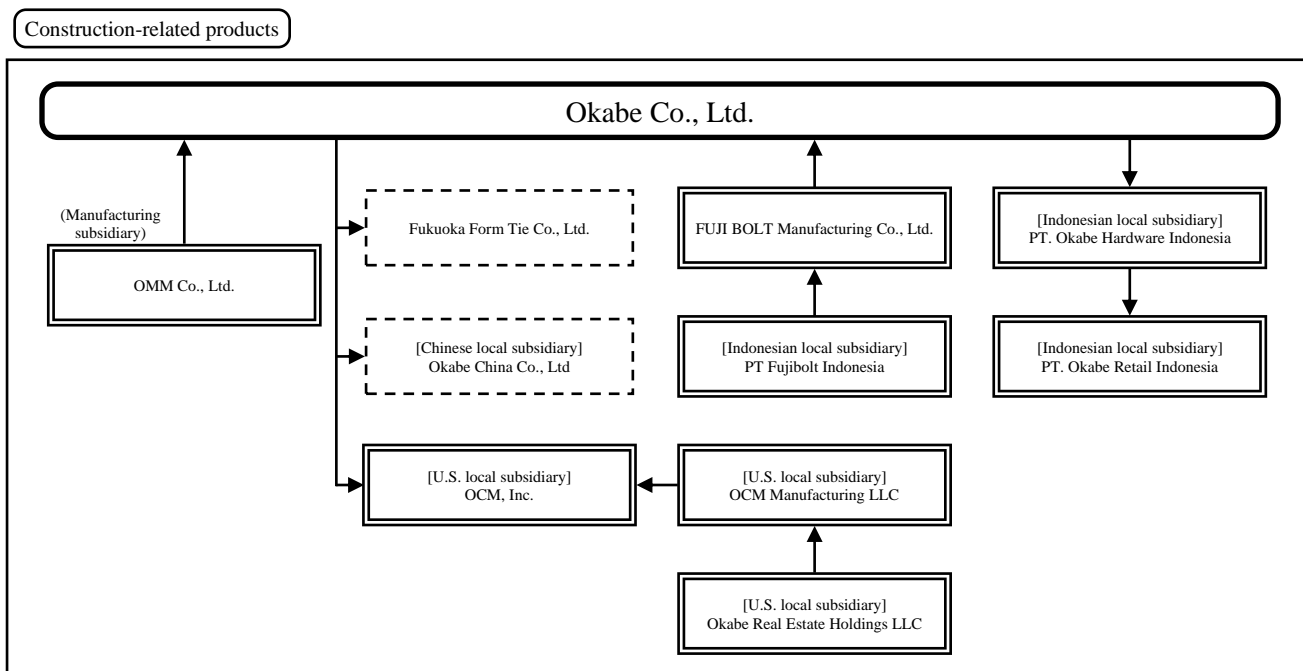
The Company’s marine business involves the development, manufacture and sale of marine materials.

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.

PT. Okabe Hardware Indonesia, whose main business is purchasing and selling building products and materials, is making preparations to start the tenant leasing business, a non-construction-related products business.

[Business Flow Diagram]

The following diagram summarizes the business operations listed above.



- (Notes) 1. The Company established PT. Okabe Hardware Indonesia on April 28, 2022 and has included it in the scope of consolidation.
2. The Company established PT. Okabe Retail Indonesia on November 23, 2022. The balance sheet and statement of income of the company will be consolidated from the fiscal year ending December 31, 2023.
3. The Company resolved to dissolve and liquidate Okabe China at a Board of Directors meeting held on November 22, 2022. Okabe China is undergoing liquidation proceedings.

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, 2021)	Fiscal year under review (As of December 31, 2022)
ASSETS		
Current assets		
Cash and deposits	23,575	18,156
Notes and accounts receivable - trade	16,277	–
Notes and accounts receivable - trade, and contract assets	–	17,538
Electronically recorded monetary claims - operating	5,118	5,864
Merchandise and finished goods	8,269	13,799
Work in process	1,809	1,992
Raw materials and supplies	2,356	4,795
Other	1,442	1,395
Allowance for doubtful accounts	(25)	(28)
Total current assets	58,825	63,515
Non-current assets		
Property, plant and equipment		
Buildings and structures	18,815	23,151
Accumulated depreciation	(7,156)	(8,137)
Buildings and structures, net	11,658	15,013
Machinery, equipment and vehicles	16,723	19,623
Accumulated depreciation	(12,373)	(14,257)
Machinery, equipment and vehicles, net	4,349	5,365
Land	4,269	6,185
Leased assets	1,145	1,200
Accumulated depreciation	(556)	(659)
Leased assets, net	589	541
Construction in progress	352	479
Other	2,028	2,026
Accumulated depreciation	(1,647)	(1,643)
Other, net	380	383
Total property, plant and equipment	21,600	27,968
Intangible assets		
Goodwill	2,089	3,811
Other	358	357
Total intangible assets	2,448	4,168
Investments and other assets		
Investment securities	7,387	6,094
Deferred tax assets	79	220
Other	1,718	1,937
Allowance for doubtful accounts	(47)	(43)
Total investments and other assets	9,138	8,209
Total non-current assets	33,187	40,347
Deferred assets		
Bond issuance cost	5	32
Total deferred assets	5	32
Total assets	92,018	103,894

(Million yen)

	Previous fiscal year (As of December 31, 2021)	Fiscal year under review (As of December 31, 2022)
LIABILITIES		
Current liabilities		
Notes and accounts payable - trade	5,181	5,085
Electronically recorded obligations - operating	8,924	9,782
Short-term borrowings	4,318	5,865
Provision for loss on liquidation of subsidiaries and associates	–	21
Income taxes payable	438	1,245
Other	2,850	4,402
Total current liabilities	21,712	26,402
Non-current liabilities		
Bonds payable	1,000	1,750
Long-term borrowings	4,997	4,605
Deferred tax liabilities	549	479
Provision for share awards	125	149
Retirement benefit liability	1,933	2,141
Asset retirement obligations	54	54
Other	1,276	1,200
Total non-current liabilities	9,935	10,381
Total liabilities	31,648	36,783
NET ASSETS		
Shareholders' equity		
Share capital	6,911	6,911
Capital surplus	5,983	5,983
Retained earnings	46,724	48,536
Treasury shares	(1,953)	(1,774)
Total shareholders' equity	57,666	59,656
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,982	1,443
Foreign currency translation adjustment	698	6,095
Remeasurements of defined benefit plans	6	(102)
Total accumulated other comprehensive income	2,688	7,436
Non-controlling interests	15	18
Total net assets	60,369	67,111
Total liabilities and net assets	92,018	103,894

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

(Million yen)

	Previous fiscal year (Jan. 1, 2021 – Dec. 31, 2021)	Fiscal year under review (Jan. 1, 2022 – Dec. 31, 2022)
Net sales	64,829	76,854
Cost of sales	46,689	56,199
Gross profit	18,140	20,655
Selling, general and administrative expenses	13,806	15,383
Operating profit	4,334	5,271
Non-operating income		
Interest income	15	14
Dividend income	171	189
Proceeds from sale of scrap	95	141
Gain on investments in investment partnerships	117	–
Other	148	68
Total non-operating income	548	414
Non-operating expenses		
Interest expenses	94	143
Other	61	70
Total non-operating expenses	155	213
Ordinary profit	4,726	5,471
Extraordinary income		
Gain on sale of non-current assets	52	81
Gain on sale of investment securities	–	709
Total extraordinary income	52	790
Extraordinary losses		
Impairment losses	244	392
Environmental expenses	221	–
Loss on money transfer fraud at overseas subsidiaries	159	–
Other	81	103
Total extraordinary losses	706	495
Profit before income taxes	4,072	5,767
Income taxes - current	1,415	1,943
Income taxes - deferred	28	(24)
Total income taxes	1,444	1,919
Profit	2,628	3,847
Profit attributable to non-controlling interests	1	(0)
Profit attributable to owners of parent	2,627	3,848

(Consolidated statements of comprehensive income)

(Million yen)

	Previous fiscal year (Jan. 1, 2021 – Dec. 31, 2021)	Fiscal year under review (Jan. 1, 2022 – Dec. 31, 2022)
Profit	2,628	3,847
Other comprehensive income		
Valuation difference on available-for-sale securities	40	(539)
Foreign currency translation adjustment	721	5,399
Remeasurements of defined benefit plans, net of tax	38	(109)
Total other comprehensive income	800	4,751
Comprehensive income	3,428	8,598
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	3,425	8,595
Comprehensive income attributable to non-controlling interests	2	3

(3) Consolidated Statements of Changes in Equity

Previous fiscal year (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 the beginning of period	6,911	6,083	47,175	(3,697)	56,473
Cumulative effects of changes in accounting policies					–
Restated balance	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 of 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 the beginning of period	1,941	(20)	(31)	1,889	–	58,363
Cumulative effects of changes in accounting policies				–		–
Restated balance	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 of 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

Fiscal year under review (from January 1, 2022 to December 31, 2022)

(Million yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	6,911	5,983	46,724	(1,953)	57,666
Cumulative effects of changes in accounting policies			8		8
Restated balance	6,911	5,983	46,733	(1,953)	57,675
Changes during period					
Dividends of surplus			(1,051)		(1,051)
Profit attributable to owners of parent			3,848		3,848
Purchase of treasury shares				(880)	(880)
Disposal of treasury shares			(0)	66	66
Cancellation of treasury shares			(992)	992	–
Change in scope of consolidation					–
Net changes in items other than shareholders' equity					–
Total changes during period	–	–	1,802	178	1,981
Balance at end of period	6,911	5,983	48,536	(1,774)	59,656

	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	1,982	698	6	2,688	15	60,369
Cumulative effects of changes in accounting policies				–		8
Restated balance	1,982	698	6	2,688	15	60,378
Changes during period						
Dividends of surplus				–		(1,051)
Profit attributable to owners of parent				–		3,848
Purchase of treasury shares				–		(880)
Disposal of treasury shares				–		66
Cancellation of treasury shares				–		–
Change in scope of consolidation				–		–
Net changes in items other than shareholders' equity	(539)	5,396	(109)	4,747	3	4,750
Total changes during period	(539)	5,396	(109)	4,747	3	6,732
Balance at end of period	1,443	6,095	(102)	7,436	18	67,111

(4) Consolidated Statement of Cash Flows

(Million yen)

	Previous fiscal year (Jan. 1, 2021 – Dec. 31, 2021)	Fiscal year under review (Jan. 1, 2022 – Dec. 31, 2022)
Cash flows from operating activities		
Profit before income taxes	4,072	5,767
Depreciation	1,878	2,508
Amortization of goodwill	217	382
Impairment losses	244	392
Increase (decrease) in allowance for doubtful accounts	(46)	(3)
Increase (decrease) in retirement benefit liability	(35)	44
Interest and dividend income	(187)	(204)
Interest expenses	94	143
Loss on retirement of non-current assets	3	5
Loss (gain) on investments in investment partnerships	(117)	15
Loss (gain) on sales of investment securities	0	(709)
Environmental expenses	221	–
Loss on money transfer fraud at overseas subsidiaries	159	–
Decrease (increase) in trade receivables	(294)	(300)
Decrease (increase) in other current assets	564	2
Decrease (increase) in inventories	(1,347)	(5,389)
Increase (decrease) in trade payables	1,164	565
Increase (decrease) in other current liabilities	412	(91)
Increase (decrease) in other non-current liabilities	(3)	(19)
Decrease (increase) in consumption taxes refund receivable	–	(169)
Increase (decrease) in accrued consumption taxes	(61)	225
Other	(147)	91
Subtotal	6,791	3,255
Income taxes paid	(1,739)	(1,280)
Income taxes refund	832	–
Environmental expenses paid	(221)	–
Payments for loss on money transfer fraud at overseas subsidiaries	(159)	–
Net cash provided by (used in) operating activities	5,504	1,975
Cash flows from investing activities		
Purchase of property, plant and equipment	(918)	(2,774)
Purchase of intangible assets	(90)	(60)
Purchase of investment securities	(300)	(101)
Proceeds from sale of investment securities	232	1,334
Payments for acquisition of businesses	–	(6,872)
Purchase of insurance funds	(196)	(205)
Proceeds from maturity of insurance funds	269	175
Interest and dividends received	182	205
Other	125	96
Net cash provided by (used in) investing activities	(696)	(8,202)

(Million yen)

	Previous fiscal year (Jan. 1, 2021 – Dec. 31, 2021)	Fiscal year under review (Jan. 1, 2022 – Dec. 31, 2022)
Cash flows from financing activities		
Proceeds from short-term borrowings	10,071	68,923
Repayments of short-term borrowings	(10,750)	(66,598)
Proceeds from long-term borrowings	100	100
Repayments of long-term borrowings	(546)	(2,238)
Purchase of treasury shares	(998)	(500)
Proceeds from issuance of bonds	–	1,716
Dividends paid	(976)	(1,052)
Interest paid	(95)	(142)
Repayments of lease obligations	(218)	(225)
Other	67	–
Net cash provided by (used in) financing activities	(3,346)	(18)
Effect of exchange rate change on cash and cash equivalents	69	827
Net increase (decrease) in cash and cash equivalents	1,530	(5,419)
Cash and cash equivalents at beginning of period	21,982	23,575
Increase in cash and cash equivalents resulting from inclusion of subsidiaries in consolidation	63	–
Cash and cash equivalents at end of period	23,575	18,156

(5) Notes for Consolidated Financial Statements

(Note to going concern assumptions)

None

(Changes in accounting policies)

(Adoption of the Accounting Standard for Revenue Recognition, etc.)

The Company started to apply the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020, hereinafter the “Revenue Recognition Accounting Standard”), etc. at the beginning of the fiscal year under review. Accordingly, it recognized revenue in the amount expected to be received in exchange for promised goods and services at points where control over such goods or services is transferred to customers.

Major changes attributable to the application of the Revenue Recognition Accounting Standard, etc. are as follows.

(i) Construction

The Company applied the completed contract method to account for construction sales. From the fiscal year under review, the Company is applying the method of recognizing revenue in a certain period according to the fulfillment of performance obligations except for very short term contracts.

(ii) Consideration paid to customers, such as a rebate

The Company recorded a consideration paid to the customers, such as a rebate, in selling, general and administrative expenses. From the fiscal year under review, the Company is reducing it from the transaction price.

The Revenue Recognition Accounting Standard, etc. is applied according to the provisional measures stipulated in the proviso in Paragraph 84 of the standard. With respect to the application of a new accounting policy, it is applied to the balance of retained earnings at the beginning of the fiscal year under review. This balance of retained earnings is obtained through calculation using the cumulative amount of the impact from retrospective application of the new accounting policy to periods prior to the beginning of the fiscal year under review, either by adding it to or deducting it from the retained earnings. However, applying the method stipulated in Paragraph 86 of the Revenue Recognition Accounting Standard, the Company does not retroactively apply the new accounting policy to the contracts almost all of whose revenue was recognized in compliance with the conventional method before the beginning of the fiscal year under review. In addition, the Company accounts for all contract changes made prior to the beginning of the fiscal year under review by applying the method prescribed in (1) of Paragraph 86 of the Revenue Recognition Accounting Standard based on the contract terms, after reflecting all contract changes, and added or subtracted their cumulative effect to or from retained earnings at the beginning of the fiscal year under review.

Due to the application of the Accounting Standard for Revenue Recognition, etc., net sales in the fiscal year under review fell 736 million yen, cost of sales rose 50 million yen, gross profit declined 786 million yen, and selling, general and administrative expenses decreased 795 million yen, compared with the figures before the application of the standard. The impact of the application of the Accounting Standard for Revenue Recognition, etc. on operating profit, ordinary profit and profit before income taxes is minor and insignificant. The impact of the application of the Accounting Standard for Revenue Recognition, etc. on retained earnings at the beginning of the fiscal year under review and per-share information is also minor and insignificant.

With the application of the Revenue Recognition Accounting Standard, etc., notes and accounts receivable - trade posted under current assets on the consolidated balance sheet of the previous fiscal year is included in notes and accounts receivable - trade and contract assets starting in the fiscal year under review. An amount that fell into contract liabilities of advances received included in other in current liabilities in the consolidated balance sheet in the previous fiscal year is stated as contract liabilities, which is included in other in current liabilities in the fiscal year under review.

In accordance with the transitional treatment stipulated in Article 89-2 of the Revenue Recognition Accounting Standard, figures for the previous fiscal year have not been restated in accordance with the new methods of indication.

(Application of Accounting Standard for Fair Value Measurement, etc.)

The Company adopted the Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30, July 4, 2019; “Fair Value Measurement Accounting Standard”) and other standards at the beginning of the fiscal year under review and will apply the new accounting policies described in the Fair Value Measurement Accounting Standard, etc. in future periods in accordance with the transitional procedures set out in Paragraph 19 of the Fair Value Measurement Accounting Standard and Paragraph 44-2 of the Accounting Standard for Financial Instruments. The effect of the application of this accounting standard on the consolidated financial statements is minor.

(Additional information)

(Accounting estimates associated with the COVID-19 pandemic)

The impact of COVID-19 is uncertain, and the Company has made accounting estimates on the assumption that COVID-19 will continue to have effects for a certain period in the next fiscal year and beyond. The accounting estimates do not have any significant effects on the results of operations and financial position in the fiscal year under review.

Any changes in the above assumption, such as a prolonged period when COVID-19 has effects due to increases in COVID-19 case numbers, could affect the Group's results of operations and financial position from the next fiscal year under review.

(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.

(i) 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.

(ii) 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 168 million yen at the end of the previous consolidated fiscal year and 161 million yen at the end of the consolidated fiscal year under review. The number of treasury shares outstanding was 187,674 shares at the end of the previous consolidated fiscal year and 179,594 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 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 30, 2022 adopted a resolution for the disposal of treasury shares and payment reached completion on April 27, 2022.

(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, the manufacture and sale of industrial machinery products and operations in preparation for starting tenant leases.

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 and a breakdown of sales for each reportable business segment

Previous fiscal year (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.

Fiscal year under review (from January 1, 2022 to December 31, 2022)

(Million yen)

	Reportable segments				Adjustment (Note 1)	Amounts in consolidated financial statements (Note 2)
	Construction- related products	Automotive products	Other businesses	Total		
Net sales						
Temporary building and formwork products	7,075	–	–	7,075	–	7,075
Civil engineering products	7,266	–	–	7,266	–	7,266
Building structural products	19,949	–	–	19,949	–	19,949
Building products and materials	28,789	–	–	28,789	–	28,789
Battery parts, etc.	–	7,574	–	7,574	–	7,574
Bolts and nuts, etc.	–	2,339	–	2,339	–	2,339
Other	–	–	3,859	3,859	–	3,859
Revenue from contracts with customers	63,081	9,914	3,859	76,854	–	76,854
Other revenue	–	–	–	–	–	–
Sales to external customers	63,081	9,914	3,859	76,854	–	76,854
Intersegment internal sales and transfers	–	–	–	–	–	–
Total	63,081	9,914	3,859	76,854	–	76,854
Segment profit (loss)	5,098	(144)	317	5,271	–	5,271
Segment assets	77,471	15,849	5,623	98,944	4,950	103,894
Other items						
Depreciation	1,904	523	81	2,508	–	2,508
Amortization of goodwill	201	28	152	382	–	382
Increase in property, plant and equipment and intangible assets	7,936	273	336	8,546	–	8,546

(Notes)

1. The adjustment consists of the following items.

The adjustment of 4,950 million yen for segment assets consists of a deduction of 312 million yen for intersegment transactions and an addition of 5,262 million yen for corporate assets that cannot be allocated to a particular segment.

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

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

[Related information]

Previous fiscal year (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.

Fiscal year under review (from January 1, 2022 to December 31, 2022)

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
49,643	23,928	3,282	76,854

(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
13,879	11,136	2,952	27,968

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, 2021 to December 31, 2021)

(Significant impairment losses in non-current assets)

None

(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.

Fiscal year under review (from January 1, 2022 to December 31, 2022)

(Significant impairment losses in non-current assets)

(Million yen)

	Reportable segments				Company-wide / Eliminations	Total
	Construction- related products	Automotive products	Other businesses	Total		
Impairment losses	–	212	179	392	–	392

(Significant changes in the amount of goodwill)

OCM Manufacturing LLC, a consolidated subsidiary, acquired part of the business of Vimco Inc. in the first three months of the fiscal year under review, and as a result, goodwill of 14,830 thousand U.S. dollars (1,640 million yen) was recorded in the construction-related products segment.

[Matters concerning changes in reportable segments]

As described in the “Change in accounting policies,” the Company has applied the Revenue Recognition Accounting Standard, etc. from the beginning of the first three months of the fiscal year under review and changed the accounting method for revenue recognition. Reflecting this change, it has modified the calculation method for reportable segments in the same manner. The impact of change on the reportable segments is minor and insignificant.

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

Previous fiscal year (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

Fiscal year under review (from January 1, 2022 to December 31, 2022)

(Million yen)

	Reportable segments				Company-wide / Eliminations	Total
	Construction- related products	Automotive products	Other businesses	Total		
Amortization of goodwill	201	28	152	382	–	382
Balance at end of period	2,092	–	1,718	3,811	–	3,811

[Information on gain on bargain purchase by reportable segment]

Previous fiscal year (from January 1, 2021 to December 31, 2021)

None

Fiscal year under review (from January 1, 2022 to December 31, 2022)

None

(Per-share information)

(Yen)

	Previous fiscal year (Jan. 1, 2021– Dec. 31, 2021)	Fiscal year under review (Jan. 1, 2022 – Dec. 31, 2022)
Net assets per share	1,258.60	1,432.47
Profit per share	54.13	81.30

- (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 are 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 (187,674 shares for the previous consolidated fiscal year; 179,594 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 (191,279 shares for the previous consolidated fiscal year; 182,579 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, 2021– Dec. 31, 2021)	Fiscal year under review (Jan. 1, 2022 – Dec. 31, 2022)
Profit per share (basic)		
Profit attributable to owners of parent (million yen)	2,627	3,848
Amount not attributable to common shareholders (million yen)	–	–
Profit attributable to owners of parent pertaining to common stock (million yen)	2,627	3,848
Average number of shares of common stock outstanding during the period (shares)	48,534,202	47,329,267

(Significant events after the reporting period)

None