

Consolidated Financial Results (Japanese Accounting Standards) for the First Three Months of the Fiscal Year Ending December 31, 2023

April 28, 2023

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 Stock code: 5959 URL: <https://www.okabe.co.jp/>
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Scheduled date for filing of quarterly report: May 15, 2023
 Scheduled date of commencement of dividend payment: –
 Supplementary documents for quarterly results: None
 Quarterly results briefing: None

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

1. Consolidated Financial Results for the First Three Months Ended March 31, 2023 (January 1, 2023 – March 31, 2023)

(1) Consolidated Results of Operations (Accumulated Total)

(Percentages represent year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Three months ended								
March 31, 2023	18,671	6.2	968	(19.1)	962	(22.0)	533	(24.9)
March 31, 2022	17,588	17.8	1,196	39.8	1,233	38.4	710	143.9

(Note) Comprehensive income: -1,433 million yen (–%) for the three months ended March 31, 2023
 1,137 million yen (340.7%) for the three months ended March 31, 2022

	Profit per share (basic)		Profit per share (diluted)	
	Yen		Yen	
Three months ended				
March 31, 2023	11.46		–	
March 31, 2022	14.97		–	

(2) Consolidated Financial Position

	Total assets		Net assets		Equity ratio	
	Million yen		Million yen		%	
As of						
March 31, 2023	98,664		64,706		65.6	
December 31, 2022	103,894		67,111		64.6	

(Reference) Shareholders' equity: As of March 31, 2023: 64,690 million yen
 As of December 31, 2022: 67,092 million yen

2. Dividends

	Dividend per share				
	End of first quarter	End of second quarter	End of third quarter	Year-end	Annual
Year ended December 31, 2022	–	12.00	–	12.00	24.00
Year ending December 31, 2023	–				
Year ending December 31, 2023 (forecasts)		12.50	–	12.50	25.00

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

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	

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

* Notes

(1) Changes in important subsidiaries during the period

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

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

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

(3) Changes in accounting policies, accounting estimates and restatement

(i) Changes in accounting policies caused by revision of accounting standards: Yes

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

(iii) Changes in accounting estimates: None

(iv) Restatement: None

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

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

As of March 31, 2023: 49,290,632 shares

As of December 31, 2022: 49,290,632 shares

(ii) Number of treasury shares at end of period

As of March 31, 2023: 3,003,794 shares

As of December 31, 2022: 2,453,507 shares

(iii) Average number of shares outstanding during the period

Three months ended March 31, 2023: 46,577,325 shares

Three months ended March 31, 2022: 47,492,673 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 (177,653 shares as of March 31, 2023, and 179,594 shares as of December 31, 2022). 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 (three months) (178,537 shares for the three months ended March 31, 2023, and 185,184 shares for the three months ended March 31, 2022).

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

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

○ Index for Supplementary Information

1. Qualitative Information Regarding Results of Operations for the First Three Months Ended March 31, 2023	2
(1) Explanation Regarding Results of Operations	2
(2) Explanation Regarding Forecast for Fiscal Year Ending December 31, 2023.....	3
2. Quarterly Consolidated Financial Statements and Key Notes	4
(1) Quarterly Consolidated Balance Sheet.....	4
(2) Quarterly Consolidated Statement of Income and Quarterly Consolidated Statement of Comprehensive Income	6
Quarterly Consolidated Statement of Income	
First three-month period	6
Quarterly Consolidated Statement of Comprehensive Income	
First three-month period	7
(3) Notes to Quarterly Consolidated Financial Statements.....	8
Note to going concern assumptions	8
Note to significant changes in shareholders' equity	8
Application of particular accounts procedures to the preparation of quarterly consolidated financial statements	8
Changes in accounting policies	8
Additional information.....	8
Segment information.....	9
Significant events after the reporting period	10

1. Qualitative Information Regarding Results of Operations for the First Three Months Ended March 31, 2023

(1) Explanation Regarding Results of Operations

During the first three months of the fiscal year under review (January 1, 2023 to March 31, 2023), the Japanese economy remained unpredictable due to concerns about an economic downturn caused by global monetary tightening and rising prices, despite the gradual easing of restrictions associated with COVID-19 and moves toward the normalization of economic activities.

In the Japanese construction industry, where the Okabe Group's core customers operate, private investment continued to pick up, but the environment remained challenging due to soaring labor costs caused by a chronic shortage of construction workers, rising steel material prices, and prolonged high electricity and fuel costs.

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:

(a) Construction-related products

In civil engineering products, sales of products used for the prevention of landslide disasters, among other products, slightly decreased mainly as a result of a decline in disaster recovery projects.

In building structural products, sales of studs and other in-house products remained strong thanks to efforts to capture demand for redevelopment projects in the Tokyo Metropolitan area.

Sales of building products and materials (overseas) increased due to the effect of the weaker yen on foreign exchange rates, although sales growth of construction materials was sluggish due to the slowdown in the U.S. housing market as a result of interest rate hikes.

As a result, sales in the construction-related products segment increased 6.6% year on year, to 15,147 million yen, and operating profit decreased 4.8% year on year, to 1,022 million yen.

(b) Automotive products

Net sales increased 6.2% year on year, to 2,464 million yen, reflecting the effect of the weaker yen on foreign exchange rates, although sales growth of automotive battery terminal products was sluggish on the back of deteriorating business confidence in the United States. An operating loss of 107 million yen was posted (compared with an operating loss of 57 million yen for the same period of the previous year) chiefly due to a fall in the gross profit margin associated with a lower factory utilization rate.

(c) Other businesses

Net sales decreased 0.2% year on year, to 1,059 million yen, mainly due to a decline in large projects in the marine business, although sales of industrial machinery products remained firm. Operating profit decreased 70.2% year on year, to 53 million yen.

Consequently, consolidated net sales for the first three months of the fiscal year under review increased 6.2% year on year, to 18,671 million yen, and consolidated operating profit declined 19.1% year on year, to 968 million yen. Consolidated ordinary profit decreased 22.0% year on year, to 962 million yen, and profit attributable to owners of parent dropped 24.9% year on year, to 533 million yen.

(For reference)

Net sales by business segments and product category (consolidated)

(Yen in millions, rounded down)

		Previous consolidated first three months (Jan. 1, 2022 – Mar. 31, 2022)		Consolidated first three months under review (Jan. 1, 2023 – Mar. 31, 2023)		Change
		Amount	Proportion (%)	Amount	Proportion (%)	
Construction-related products	Temporary building and formwork products	1,575	9.0	1,735	9.3	10.2
	Civil engineering products	1,866	10.6	1,843	9.9	(1.2)
	Building structural products	4,374	24.9	4,628	24.8	5.8
	Building materials	2,833	16.1	2,925	15.6	3.2
	Subtotal – Japan	10,650	60.6	11,132	59.6	4.5
	Building products and materials	3,555	20.2	4,014	21.5	12.9
	Subtotal – overseas	3,555	20.2	4,014	21.5	12.9
	Subtotal – segment	14,206	80.8	15,147	81.1	6.6
Automotive products		2,321	13.2	2,464	13.2	6.2
Other businesses (Note 2)		1,061	6.0	1,059	5.7	(0.2)
Total		17,588	100.0	18,671	100.0	6.2

- (Notes) 1. For information about the main operations of each business segment, please refer to “Segment information” on page 9.
2. Other businesses include those for diversification that do not form part of the Company’s core businesses, i.e., construction-related products and automotive products. This segment includes, among other things, the manufacture and sale of marine materials, the manufacture and sale of fishing sinkers in the United States, and the manufacture and sale of industrial machinery products.

(2) Explanation Regarding Forecast for Fiscal Year Ending December 31, 2023

There are no changes to the consolidated results forecasts for the first half and the full year of the fiscal year ending December 31, 2023 that were announced on February 10, 2023.

2. Quarterly Consolidated Financial Statements and Key Notes

(1) Quarterly Consolidated Balance Sheet

(Million yen)

	Fiscal year ended December 31, 2022 (As of December 31, 2022)	First three months ended March 31, 2023 (As of March 31, 2023)
ASSETS		
Current assets		
Cash and deposits	18,156	17,328
Notes and accounts receivable - trade, and contract assets	17,538	15,516
Electronically recorded monetary claims - operating	5,864	5,646
Merchandise and finished goods	13,799	13,005
Work in process	1,992	2,003
Raw materials and supplies	4,795	4,419
Other	1,395	1,505
Allowance for doubtful accounts	(28)	(25)
Total current assets	63,515	59,399
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	15,013	14,281
Machinery, equipment and vehicles, net	5,365	4,961
Land	6,185	5,933
Other, net	1,403	1,545
Total property, plant and equipment	27,968	26,722
Intangible assets		
Goodwill	3,811	3,558
Other	357	350
Total intangible assets	4,168	3,909
Investments and other assets		
Investment securities	6,094	6,687
Other	2,158	1,959
Allowance for doubtful accounts	(43)	(43)
Total investments and other assets	8,209	8,603
Total non-current assets	40,347	39,234
Deferred assets		
Bond issuance costs	32	30
Total deferred assets	32	30
Total assets	103,894	98,664

(Million yen)

	Fiscal year ended December 31, 2022 (As of December 31, 2022)	First three months ended March 31, 2023 (As of March 31, 2023)
LIABILITIES		
Current liabilities		
Notes and accounts payable - trade	5,085	5,070
Electronically recorded obligations - operating	9,782	8,998
Short-term borrowings	5,865	4,869
Income taxes payable	1,245	420
Provision for bonuses	-	259
Provision for loss on liquidation of subsidiaries and associates	21	21
Other	4,402	3,914
Total current liabilities	26,402	23,553
Non-current liabilities		
Bonds payable	1,750	1,750
Long-term borrowings	4,605	4,484
Provision for share awards	149	155
Retirement benefit liability	2,141	2,164
Asset retirement obligations	54	55
Other	1,680	1,794
Total non-current liabilities	10,381	10,403
Total liabilities	36,783	33,957
NET ASSETS		
Shareholders' equity		
Share capital	6,911	6,911
Capital surplus	5,983	5,983
Retained earnings	48,536	48,506
Treasury shares	(1,774)	(2,181)
Total shareholders' equity	59,656	59,219
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,443	1,791
Foreign currency translation adjustment	6,095	3,780
Remeasurements of defined benefit plans	(102)	(101)
Total accumulated other comprehensive income	7,436	5,470
Non-controlling interests	18	16
Total net assets	67,111	64,706
Total liabilities and net assets	103,894	98,664

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

(Million yen)

	First three months ended March 31, 2022 (Jan. 1, 2022 – Mar. 31, 2022)	First three months ended March 31, 2023 (Jan. 1, 2023 – Mar. 31, 2023)
Net sales	17,588	18,671
Cost of sales	12,835	13,674
Gross profit	4,753	4,997
Selling, general and administrative expenses	3,556	4,028
Operating profit	1,196	968
Non-operating income		
Interest income	2	10
Dividend income	33	29
Proceeds from sale of scrap	28	31
Other	21	25
Total non-operating income	85	97
Non-operating expenses		
Interest expenses	24	81
Other	23	21
Total non-operating expenses	48	103
Ordinary profit	1,233	962
Extraordinary income		
Gain on sale of non-current assets	50	1
Total extraordinary income	50	1
Extraordinary losses		
Loss on disposal of non-current assets	2	14
Impairment losses	181	–
Other	1	–
Total extraordinary losses	185	14
Profit before income taxes	1,099	950
Income taxes - current	384	419
Income taxes - deferred	4	(2)
Total income taxes	388	416
Profit	710	533
Loss attributable to non-controlling interests	(0)	(0)
Profit attributable to owners of parent	710	533

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

(Million yen)

	First three months ended March 31, 2022 (Jan. 1, 2022 – Mar. 31, 2022)	First three months ended March 31, 2023 (Jan. 1, 2023 – Mar. 31, 2023)
Profit	710	533
Other comprehensive income		
Valuation difference on available-for-sale securities	(78)	348
Foreign currency translation adjustment	506	(2,317)
Remeasurements of defined benefit plans, net of tax	(0)	0
Total other comprehensive income	426	(1,967)
Comprehensive income	1,137	(1,433)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,136	(1,431)
Comprehensive income attributable to non-controlling interests	0	(2)

(3) Notes to Quarterly Consolidated Financial Statements

(Note to going concern assumptions)

None

(Note to significant changes in shareholders' equity)

None

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

(Calculation of tax expenses)

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

(Changes in accounting policies)

(Application of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 842 "Leases")

ASC 842 "Leases" has been applied from the beginning of the first three months of the fiscal year under review at overseas consolidated subsidiaries that have adopted US GAAP. As a result, all lease transactions of lessees at overseas consolidated subsidiaries are, in principle, recorded as assets and liabilities on the balance sheet.

Consequently, "Other (net)" in "Property, plant and equipment" increased 225 million yen, "Other" in "Current liabilities" increased 77 million yen, and "Other" in "Non-current liabilities" increased 150 million yen in the quarterly consolidated balance sheet as of the end of the first three months of the fiscal year under review.

(Additional information)

(Accounting estimates associated with the COVID-19 pandemic)

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

(Transactions of Delivering the Company's Own Stock to Employees, etc. through Trusts)

The Company has introduced the stock-granting ESOP trust system, a trust-type employee incentive plan under which the Company's own shares are issued to its employees for the purpose of encouraging the motivation of the employees of the Company and the Okabe Group and enhancing the welfare program.

(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 is 161 million yen for the previous consolidated fiscal year and 159 million yen for the first three months of the fiscal year under review. The number of treasury shares at the end of the term is 179,594 shares for the previous consolidated fiscal year and 177,653 shares for the first three months of the fiscal year under review.

(Segment information)

[Segment information]

I. First three months ended March 31, 2022 (January 1, 2022 – March 31, 2022)

1. Net sales and profit (loss) for each reportable segment and the breakdown of revenue

(Million yen)

	Reportable segments				Adjustment	Amounts in quarterly consolidated statements of income (Note)
	Construction-related products	Automotive products	Other businesses	Total		
Net sales						
Temporary building and formwork products	1,575	–	–	1,575	–	1,575
Civil engineering products	1,866	–	–	1,866	–	1,866
Building structural products	4,374	–	–	4,374	–	4,374
Building products and materials	6,389	–	–	6,389	–	6,389
Battery parts, etc.	–	1,834	–	1,834	–	1,834
Bolts and nuts, etc.	–	486	–	486	–	486
Other	–	–	1,061	1,061	–	1,061
Revenue from contracts with customers	14,206	2,321	1,061	17,588	–	17,588
Other revenue	–	–	–	–	–	–
Sales to external customers	14,206	2,321	1,061	17,588	–	17,588
Intersegment internal sales and transfers	–	–	–	–	–	–
Total	14,206	2,321	1,061	17,588	–	17,588
Segment profit (loss)	1,074	(57)	179	1,196	–	1,196

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

2. Non-current assets impairment losses, goodwill and other information for each reportable segment
(Significant impairment losses in non-current assets)

An impairment loss in non-current assets is posted in the automotive products segment. The impairment loss recorded in the first three months of the fiscal year under review was 181 million yen.

(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.

II. First three months ended March 31, 2023 (January 1, 2023 – March 31, 2023)

1. Net sales and profit (loss) for each reportable segment and the breakdown of revenue

(Million yen)

	Reportable segments				Adjustment	Amounts in quarterly consolidated statements of income (Note)
	Construction-related products	Automotive products	Other businesses	Total		
Net sales						
Temporary building and formwork products	1,735	–	–	1,735	–	1,735
Civil engineering products	1,843	–	–	1,843	–	1,843
Building structural products	4,628	–	–	4,628	–	4,628
Building products and materials	6,939	–	–	6,939	–	6,939
Battery parts, etc.	–	1,909	–	1,909	–	1,909
Bolts and nuts, etc.	–	555	–	555	–	555
Other	–	–	1,059	1,059	–	1,059
Revenue from contracts with customers	15,147	2,464	1,059	18,671	–	18,671
Other revenue	–	–	–	–	–	–
Sales to external customers	15,147	2,464	1,059	18,671	–	18,671
Intersegment internal sales and transfers	–	–	–	–	–	–
Total	15,147	2,464	1,059	18,671	–	18,671
Segment profit (loss)	1,022	(107)	53	968	–	968

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

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

None

(Significant events after the reporting period)

None