

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

October 27, 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  
 Contact: Yasushi Hosomichi, Director and Senior Managing Executive Officer in charge of Administrative Division and International Division  
 Tel. +81-3-3624-5119

Scheduled date for filing of quarterly report: November 14, 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 Nine Months Ended September 30, 2023 (January 1, 2023 – September 30, 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	%
Nine months ended								
September 30, 2023	58,162	3.0	3,419	(12.8)	3,553	(12.9)	745	(76.6)
September 30, 2022	56,444	19.8	3,920	24.0	4,080	17.7	3,187	58.8

(Note) Comprehensive income: 2,311 million yen (-66.8%) for the nine months ended September 30, 2023  
 6,957 million yen (151.4%) for the nine months ended September 30, 2022

	Profit per share (basic)		Profit per share (diluted)	
	Yen	Yen	Yen	Yen
Nine months ended				
September 30, 2023	16.08	–	–	–
September 30, 2022	67.23	–	–	–

## (2) Consolidated Financial Position

	Total assets		Net assets		Equity ratio	
	Million yen	Million yen	Million yen	Million yen	%	%
As of						
September 30, 2023	99,709	67,768	67,768	67.9		
December 31, 2022	103,894	67,111	67,111	64.6		

(Reference) Shareholders' equity: As of September 30, 2023: 67,749 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
	Yen	Yen	Yen	Yen	Yen
Year ended December 31, 2022	–	12.00	–	12.00	24.00
Year ending December 31, 2023	–	12.50	–		
Year ending December 31, 2023 (forecasts)				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	Yen
Full year	79,300	3.2	4,100	(22.2)	4,200	(23.2)	950	(75.3)	20.52	

(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 September 30, 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 September 30, 2023:   | 3,131,416 shares  |
| As of December 31, 2022:  | 2,453,507 shares  |
| (iii) Average number of shares outstanding during the period                  |                   |
| Nine months ended September 30, 2023:   | 46,328,785 shares |
| Nine months ended September 30, 2022:   | 47,401,558 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 (175,586 shares as of September 30, 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 (nine months) (177,156 shares for the nine months ended September 30, 2023, and 183,451 shares for the nine months ended September 30, 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.

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## 1. Qualitative Information Regarding Results of Operations for the First Nine Months Ended September 30, 2023

### (1) Explanation Regarding Results of Operations

During the first nine months of the fiscal year under review (January 1, 2023 to September 30, 2023), the Japanese economy remained unpredictable chiefly due to unstable conditions overseas and trends in financial markets, despite the post-COVID-19 normalization of economic activities and a moderate economic recovery.

In the Japanese construction industry, where the Okabe Group's core customers operate, public investment was stable and private investment continued to pick up, but the environment remained challenging chiefly due to soaring labor costs caused by a chronic shortage of construction workers and continued high steel material 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:

#### (a) Construction-related products

Sales of temporary building and formwork products and building structural products marketed under the house brand were buoyant chiefly as a result of a focus on capturing demand from redevelopment projects in urban areas. Sales of civil engineering products were also firm due to the appropriate response to demand for products used to prevent landslide disasters.

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. However, operating profit dropped due to increases in packing and transportation costs, sales commission and other factors.

As a result, sales in the construction-related products segment increased 3.4% year on year, to 47,671 million yen, and operating profit decreased 14.7% year on year, to 3,315 million yen.

#### (b) Automotive products

Net sales increased 1.7% year on year, to 7,621 million yen due to the effect of exchange rates reflecting the weaker yen, although growth in sales of automotive battery terminal products was sluggish in the United States. The operating loss was reduced to 61 million yen (from an operating loss of 178 million yen for the same period of the previous year) due to a focus on reducing fixed costs and labor costs.

#### (c) Other businesses

Net sales rose 1.6% year on year, to 2,869 million yen mainly due to strong sales of industrial machinery products. Operating profit decreased 21.4% year on year, to 165 million yen, reflecting weak fishing sinker sales.

Consequently, consolidated net sales for the first nine months of the fiscal year under review increased 3.0% year on year, to 58,162 million yen, consolidated operating profit declined 12.8% year on year, to 3,419 million yen, and consolidated ordinary profit decreased 12.9% year on year, to 3,553 million yen. Non-current assets of the business manufacturing and selling battery terminal products in the automotive products business in the United States became subject to impairment due to the severe deterioration of its profitability in the first six months. Thus, impairment losses of 1,807 million yen were posted as extraordinary losses, resulting in a profit attributable to owners of parent of 745 million yen (down 76.6% year on year).

(For reference)

Net sales by business segments and product category (consolidated)

(Yen in millions, rounded down)

		Previous consolidated first nine months (Jan. 1, 2022 – Sep. 30, 2022)		Consolidated first nine months under review (Jan. 1, 2023 – Sep. 30, 2023)		Change
		Amount	Proportion	Amount	Proportion	
Construction-related products	Temporary building and formwork products	5,135	9.1	5,410	9.3	5.4
	Civil engineering products	5,356	9.5	5,458	9.4	1.9
	Building structural products	14,485	25.7	15,447	26.6	6.6
	Building materials	8,934	15.8	8,752	15.0	(2.0)
	Subtotal – Japan	33,911	60.1	35,069	60.3	3.4
	Building products and materials	12,212	21.6	12,602	21.7	3.2
	Subtotal – overseas	12,212	21.6	12,602	21.7	3.2
	Subtotal – segment	46,123	81.7	47,671	82.0	3.4
Automotive products		7,497	13.3	7,621	13.1	1.7
Other businesses (Note 2)		2,823	5.0	2,869	4.9	1.6
Total		56,444	100.0	58,162	100.0	3.0

(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

No changes have been made to the revised full-year forecasts of consolidated financial results for the fiscal year ending December 31, 2023 that were disclosed on July 28, 2023.

Water Gremlin Company, a U.S. battery terminal business, and Water Gremlin Holdings, Inc. (formerly Okabe Holding USA, Inc.), the holding company of Water Gremlin Company, filed for Chapter 11 bankruptcy on October 27, 2023, to address a sharp decline in profitability in the U.S. battery terminal business, which the Company identified as an issue during the first six months of the fiscal year. For more information, please refer to the Notice of Filing for Chapter 11 by our US Subsidiaries on October 27, 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)	Third quarter ended September 30, 2023 (As of September 30, 2023)
<b>ASSETS</b>		
Current assets		
Cash and deposits	18,156	15,499
Notes and accounts receivable - trade, and contract assets	17,538	17,343
Electronically recorded monetary claims - operating	5,864	6,234
Merchandise and finished goods	13,799	12,188
Work in process	1,992	2,255
Raw materials and supplies	4,795	4,435
Other	1,395	1,292
Allowance for doubtful accounts	(28)	(25)
<b>Total current assets</b>	<b>63,515</b>	<b>59,224</b>
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	15,013	14,283
Machinery, equipment and vehicles, net	5,365	4,016
Land	6,185	6,121
Other, net	1,403	1,512
<b>Total property, plant and equipment</b>	<b>27,968</b>	<b>25,933</b>
Intangible assets		
Goodwill	3,811	3,525
Other	357	363
<b>Total intangible assets</b>	<b>4,168</b>	<b>3,888</b>
Investments and other assets		
Investment securities	6,094	7,969
Other	2,158	2,709
Allowance for doubtful accounts	(43)	(43)
<b>Total investments and other assets</b>	<b>8,209</b>	<b>10,635</b>
<b>Total non-current assets</b>	<b>40,347</b>	<b>40,458</b>
Deferred assets		
Bond issuance cost	32	26
<b>Total deferred assets</b>	<b>32</b>	<b>26</b>
<b>Total assets</b>	<b>103,894</b>	<b>99,709</b>

(Million yen)

	Fiscal year ended December 31, 2022 (As of December 31, 2022)	Third quarter ended September 30, 2023 (As of September 30, 2023)
<b>LIABILITIES</b>		
Current liabilities		
Notes and accounts payable - trade	5,085	5,539
Electronically recorded obligations - operating	9,782	8,706
Short-term borrowings	5,865	3,762
Income taxes payable	1,245	299
Provision for bonuses	-	410
Provision for loss on liquidation of subsidiaries and associates	21	-
Other	4,402	2,709
<b>Total current liabilities</b>	<b>26,402</b>	<b>21,428</b>
Non-current liabilities		
Bonds payable	1,750	1,750
Long-term borrowings	4,605	4,246
Provision for share awards	149	170
Retirement benefit liability	2,141	2,184
Asset retirement obligations	54	55
Other	1,680	2,106
<b>Total non-current liabilities</b>	<b>10,381</b>	<b>10,512</b>
<b>Total liabilities</b>	<b>36,783</b>	<b>31,941</b>
<b>NET ASSETS</b>		
Shareholders' equity		
Share capital	6,911	6,911
Capital surplus	5,983	5,987
Retained earnings	48,536	48,138
Treasury shares	(1,774)	(2,289)
<b>Total shareholders' equity</b>	<b>59,656</b>	<b>58,747</b>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,443	2,684
Foreign currency translation adjustment	6,095	6,419
Remeasurements of defined benefit plans	(102)	(101)
<b>Total accumulated other comprehensive income</b>	<b>7,436</b>	<b>9,002</b>
Non-controlling interests	18	18
<b>Total net assets</b>	<b>67,111</b>	<b>67,768</b>
<b>Total liabilities and net assets</b>	<b>103,894</b>	<b>99,709</b>

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

(Million yen)

	First nine months ended September 30, 2022 (Jan. 1, 2022 – Sep. 30, 2022)	First nine months ended September 30, 2023 (Jan. 1, 2023 – Sep. 30, 2023)
Net sales	56,444	58,162
Cost of sales	41,253	42,166
Gross profit	15,190	15,996
Selling, general and administrative expenses	11,270	12,577
Operating profit	3,920	3,419
Non-operating income		
Interest income	6	37
Dividend income	148	183
Proceeds from sale of scrap	89	98
Other	56	84
Total non-operating income	301	404
Non-operating expenses		
Interest expenses	87	232
Other	53	37
Total non-operating expenses	141	270
Ordinary profit	4,080	3,553
Extraordinary income		
Gain on sale of non-current assets	75	3
Gain on sale of investment securities	709	–
Reversal of provision for loss on liquidation of subsidiaries and associates	–	8
Total extraordinary income	784	12
Extraordinary losses		
Impairment losses	204	1,807
Other	66	377
Total extraordinary losses	270	2,185
Profit before income taxes	4,594	1,380
Income taxes - current	1,491	1,221
Income taxes - deferred	(83)	(586)
Total income taxes	1,408	635
Profit	3,186	744
Loss attributable to non-controlling interests	(0)	(0)
Profit attributable to owners of parent	3,187	745



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

(Million yen)

	First nine months ended September 30, 2022 (Jan. 1, 2022 – Sep. 30, 2022)	First nine months ended September 30, 2023 (Jan. 1, 2023 – Sep. 30, 2023)
Profit	3,186	744
Other comprehensive income		
Valuation difference on available-for-sale securities	(407)	1,241
Foreign currency translation adjustment	4,181	324
Remeasurements of defined benefit plans, net of tax	(2)	0
Total other comprehensive income	3,771	1,566
Comprehensive income	6,957	2,311
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	6,955	2,311
Comprehensive income attributable to non-controlling interests	2	0

(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 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 197 million yen, "Other" in "Current liabilities" increased 64 million yen, and "Other" in "Non-current liabilities" increased 137 million yen in the quarterly consolidated balance sheet as of the end of the first nine months of the fiscal year under review. The effect of this change on the quarterly consolidated statement of income for the first nine months of the fiscal year under review is minor.

(Application of Implementation Guidance on Accounting Standard for Fair Value Measurement)

The Company adopted the Implementation Guidance on Accounting Standard for Fair Value Measurement (ASBJ Statement No. 31, June 17, 2021; "Guidance") at the beginning of the first three months of the fiscal year under review, and decided to apply the new accounting policies described in the Guidance in future periods in accordance with the transitional procedures set out in Paragraph 27-2 of the Guidance. There is no effect of the application of this accounting standard on the quarterly consolidated financial statements.

(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 157 million yen for the first nine months of the fiscal year under review. The number of treasury shares at the end of the term is 179,594 shares for the previous consolidated fiscal year and 175,586 shares for the first nine months of the fiscal year under review.

(Segment information)

[Segment information]

I. First nine months ended September 30, 2022 (January 1, 2022 – September 30, 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	5,135	–	–	5,135	–	5,135
Civil engineering products	5,356	–	–	5,356	–	5,356
Building structural products	14,485	–	–	14,485	–	14,485
Building products and materials	21,147	–	–	21,147	–	21,147
Battery parts, etc.	–	5,786	–	5,786	–	5,786
Bolts and nuts, etc.	–	1,710	–	1,710	–	1,710
Other	–	–	2,823	2,823	–	2,823
Revenue from contracts with customers	46,123	7,497	2,823	56,444	–	56,444
Other revenue	–	–	–	–	–	–
Sales to external customers	46,123	7,497	2,823	56,444	–	56,444
Intersegment internal sales and transfers	–	–	–	–	–	–
Total	46,123	7,497	2,823	56,444	–	56,444
Segment profit (loss)	3,888	(178)	210	3,920	–	3,920

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

II. First nine months ended September 30, 2023 (January 1, 2023 – September 30, 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	5,410	–	–	5,410	–	5,410
Civil engineering products	5,458	–	–	5,458	–	5,458
Building structural products	15,447	–	–	15,447	–	15,447
Building products and materials	21,354	–	–	21,354	–	21,354
Battery parts, etc.	–	5,788	–	5,788	–	5,788
Bolts and nuts, etc.	–	1,833	–	1,833	–	1,833
Other	–	–	2,869	2,869	–	2,869
Revenue from contracts with customers	47,671	7,621	2,869	58,162	–	58,162
Other revenue	–	–	–	–	–	–
Sales to external customers	47,671	7,621	2,869	58,162	–	58,162
Intersegment internal sales and transfers	–	–	–	–	–	–
Total	47,671	7,621	2,869	58,162	–	58,162
Segment profit (loss)	3,315	(61)	165	3,419	–	3,419

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