Member of Financial Accounting Standards Foundation (FASF)

Consolidated Financial Results (Japanese Accounting Standards) for the First Nine Months of the Fiscal Year Ending December 31, 2017

October 31, 2017

Company name: Okabe Co., Ltd. Stock exchange listing: First Section of the Tokyo Stock Exchange
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Scheduled date for filing of quarterly report: November 14, 2017
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, 2017 (January 1, 2017 – September 30, 2017)

(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	
Nine months ended	Million yen	%	Million yen	%	Million yen	%	Million yen	%
September 30, 2017	44,795	(7.3)	3,477	(14.8)	3,636	(13.4)	2,284	(65.4)
September 30, 2016	48,328	(5.0)	4,080	(4.2)	4,200	(4.6)	6,596	129.3

(Note) Comprehensive income: 4,382 million yen (-22.4%) for the nine months ended September 30, 2017
5,647 million yen (42.9%) for the nine months ended September 30, 2016

	Profit per share (basic)	Profit per share (diluted)
Nine months ended	Yen	Yen
September 30, 2017	45.85	–
September 30, 2016	129.60	–

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of September 30, 2017	87,432	54,440	62.3
As of December 31, 2016	81,919	51,404	62.8

(Reference) Shareholders' equity: As of September 30, 2017: 54,440 million yen
As of December 31, 2016: 51,404 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, 2016	–	12.00	–	12.00	24.00
Year ending December 31, 2017	–	15.00	–		
Year ending December 31, 2017 (forecasts)				15.00	30.00

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

(Note) Breakdown of dividends at the end of the second quarter of the fiscal year ending December 31, 2017: Ordinary dividend 12.00 yen and commemorative dividend 3.00 yen
Breakdown of dividends at the end of the fiscal year ending December 31, 2017 (forecast): Ordinary dividend 12.00 yen and commemorative dividend 3.00 yen

3. Consolidated Forecasts for the Fiscal Year Ending December 31, 2017 (January 1, 2017 – December 31, 2017)

(Percentage figures for the fiscal year represent the changes from the previous year.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Profit per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	62,000	(1.9)	5,700	3.1	5,800	0.3	3,640	(53.7)	71.81

(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 9 for details.

(3) Changes in Accounting Policies, Accounting Estimates and Restatement

(i) Changes in accounting policies caused by revision of accounting standards:	None
(ii) Changes in accounting policies other than (i):	None
(iii) Changes in accounting estimates:	None
(iv) Restatement:	None

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

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

As of September 30, 2017:	53,790,632 shares
As of December 31, 2016:	53,790,632 shares

(ii) Number of treasury shares at end of period

As of September 30, 2017:	3,963,016 shares
As of December 31, 2016:	3,963,082 shares

(iii) Average number of shares outstanding during the period

Nine months ended September 30, 2017:	49,827,563 shares
Nine months ended September 30, 2016:	50,898,254 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 (98,134 shares as of September 30, 30, 2017, and 0 as of December 31, 2016). 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) (68,726 shares for the nine months ended September 30, 2017, and 0 for the nine months ended September 30, 2016).

* This financial summary is not subject to the statutory quarterly review.

* Explanations and other special notes concerning the appropriate use of business performance forecasts
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. Qualitative Information Regarding Results of Operations for the First Nine Months Ended September 30, 2017

(1) Explanation Regarding Results of Operations

In the consolidated first nine months under review (January 1, 2017 to September 30, 2017), the Japanese economy remained on a modest recovery path, with a continued improvement in employment and income. There was, however, concern over rising geopolitical risk overseas.

In the Japanese construction industry, the Okabe Group's core customer, the floor area of construction that commenced during the first nine months under review increased year on year as construction, including large redevelopment projects, etc. particularly in the Tokyo metropolitan area, gradually got underway.

In this business environment, the Okabe Group established the medium-term management plan "NEXT 100: Exciting Future" covering the three years starting from the fiscal year under review, which marks its centennial anniversary, and worked to build the foundation for its success in the next 100 years.

While the construction-related products business performed well thanks to the factorable business environment and these activities, no net sales and operating profit in the hotel business, which was sold in the previous fiscal year, and no extraordinary income associated with the selling of the hotel business were posted in the fiscal year under review. These, among other factors, caused the consolidated net sales for the first nine months of the fiscal year under review to decrease 7.3% year on year, to 44,795 million yen, operating profit to decline 14.8% year on year, to 3,477 million, ordinary profit to fall 13.4%, to 3,636 million yen, and profit attributable to owners of parent to drop 65.4%, to 2,284 million yen.

Results of operations by business segment are as follows:

(a) Construction-related products

Segment sales rose 5.5% year on year, to 37,180 million yen, and operating profit increased 5.9% year on year, to 2,956 million yen, mainly due to strong sales of building structural products and civil engineering products in Japan as a result of an increase in customers using a cloud service that started as a tool for promoting sales of the One Side Ring, a building structural product, as well as demand for earthquake retrofitting in urban civil engineering. An additional factor was strong sales of construction materials in North America.

(b) Automotive products

Sales decreased 1.3% year on year, to 6,876 million yen mainly due to the impact of exchange rates associated with a stronger yen, which offset strong sales of battery terminals, our mainstay products, in Europe. Operating profit fell 24.2% year on year, to 613 million yen, reflecting an increase in expenditure on repairs of production lines.

(c) Other businesses

Net sales declined 20.2% year on year, to 738 million yen and an operating loss of 92 million yen was posted (compared with an operating loss of 22 million yen in the same period a year ago), mainly reflecting the postponement of the delivery of floating fish reefs in the marine business until the fourth quarter of the fiscal year or later.

(For reference 1)

Consolidated financial results of the hotel business segment in the first nine months of the previous fiscal year (January 1, 2016, to September 30, 2016)

Net sales: 5,204 million yen

Operating profit: 501 million yen

(For reference 2)

Extraordinary income from the selling of the hotel business in the first nine months of the previous fiscal year (January 1, 2016, to September 30, 2016)

Extraordinary income: 6,150 million yen

(For reference)

Net sales by business segments and product category (consolidated)

(Yen in millions, rounded down)

		Previous consolidated first nine months (Jan. 1, 2016 – Sep. 30, 2016)		Consolidated first nine months under review (Jan. 1, 2017 – Sep. 30, 2017)		Change (%)
		Amount	Proportion (%)	Amount	Proportion (%)	
Construction-related products	Temporary building and formwork products	5,323	11.0	5,227	11.7	(1.8)
	Civil engineering products	3,988	8.3	4,461	10.0	11.9
	Building structural products	13,409	27.7	14,712	32.8	9.7
	Building materials (Japan) (Note 1)	9,145	18.9	9,128	20.4	(0.2)
	Subtotal – Japan	31,866	65.9	33,528	74.8	5.2
	Building materials (Overseas) (Note 1)	3,368	7.0	3,651	8.2	8.4
	Subtotal – overseas	3,368	7.0	3,651	8.2	8.4
	Subtotal – segment	35,235	72.9	37,180	83.0	5.5
Automotive products		6,963	14.4	6,876	15.4	(1.3)
Hotel business (Note 2)		5,204	10.8	–	–	(100.0)
Other businesses (Note 3)		925	1.9	738	1.6	(20.2)
Total		48,328	100.0	44,795	100.0	(7.3)

(Notes) 1. Beginning the fiscal year under review, building materials in the construction-related product business is divided into Japan and overseas segments in the report.
2. The hotel business was sold and the process was completed in the previous fiscal year.
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 others, the manufacture and sale of marine materials and the manufacture and sale of fishing sinkers in the U.S.

(2) Explanation Regarding Forecast for Fiscal Year Ending December 31, 2017

There are no changes to the consolidated results forecasts for the full year of the fiscal year ending December 31, 2017 that were announced on February 14, 2017.

2. Quarterly Consolidated Financial Statements and Key Notes

(1) Quarterly Consolidated Balance Sheet

(Thousand yen)

	Fiscal year ended December 31, 2016 (As of December 31, 2016)	Third quarter ended September 30, 2017 (As of September 30, 2017)
ASSETS		
Current assets		
Cash and deposits	22,694,593	23,592,693
Notes and accounts receivable - trade	20,048,397	21,238,706
Securities	500,000	–
Merchandise and finished goods	4,724,418	5,486,888
Work in process	874,016	1,067,289
Raw materials and supplies	1,411,755	1,720,092
Other	1,017,724	1,176,553
Allowance for doubtful accounts	(25,767)	(30,825)
Total current assets	51,245,139	54,251,398
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	8,744,807	8,906,287
Machinery, equipment and vehicles, net	3,369,792	3,710,140
Land	3,529,121	3,762,482
Other, net	1,307,706	2,721,374
Total property, plant and equipment	16,951,428	19,100,285
Intangible assets		
Goodwill	305,971	283,337
Other	375,876	324,663
Total intangible assets	681,847	608,001
Investments and other assets		
Investment securities	8,581,193	9,020,593
Other	4,592,267	4,536,784
Allowance for doubtful accounts	(154,042)	(103,850)
Total investments and other assets	13,019,419	13,453,528
Total non-current assets	30,652,695	33,161,815
Deferred assets		
Bond issuance cost	21,504	19,085
Total deferred assets	21,504	19,085
Total assets	81,919,339	87,432,299

(Thousand yen)

	Fiscal year ended December 31, 2016 (As of December 31, 2016)	Third quarter ended September 30, 2017 (As of September 30, 2017)
LIABILITIES		
Current liabilities		
Notes and accounts payable - trade	3,387,368	4,989,423
Electronically recorded obligations - operating	8,217,219	8,199,522
Short-term loans payable	453,078	1,849,737
Income taxes payable	1,742,437	6,039
Provision for bonuses	72,422	397,305
Other	3,700,897	3,931,415
Total current liabilities	17,573,424	19,373,442
Non-current liabilities		
Bonds payable	1,000,000	1,000,000
Long-term loans payable	8,338,000	8,286,000
Provision for stock-granting	–	14,765
Net defined benefit liability	1,675,377	1,698,051
Asset retirement obligations	40,167	40,426
Other	1,887,595	2,579,515
Total non-current liabilities	12,941,140	13,618,760
Total liabilities	30,514,565	32,992,203
NET ASSETS		
Shareholders' equity		
Capital stock	6,911,700	6,911,700
Capital surplus	6,039,545	6,062,754
Retained earnings	39,694,256	40,632,115
Treasury shares	(2,693,524)	(2,716,673)
Total shareholders' equity	49,951,977	50,889,896
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,992,179	2,939,720
Foreign currency translation adjustment	(505,554)	626,317
Remeasurements of defined benefit plans	(33,827)	(15,838)
Total accumulated other comprehensive income	1,452,797	3,550,199
Total net assets	51,404,774	54,440,096
Total liabilities and net assets	81,919,339	87,432,299

(2) Quarterly Consolidated Statement of Income and Quarterly Consolidated Statement of Comprehensive Income

(Quarterly Consolidated Statement of Income)

(First nine-month period)

(Thousand yen)

	First nine months ended September 30, 2016 (Jan. 1, 2016 – Sep. 30, 2016)	First nine months ended September 30, 2017 (Jan. 1, 2017 – Sep. 30, 2017)
Net sales	48,328,490	44,795,118
Cost of sales	35,098,909	32,234,135
Gross profit	13,229,581	12,560,982
Selling, general and administrative expenses	9,149,168	9,083,302
Operating profit	4,080,412	3,477,679
Non-operating income		
Interest income	27,656	16,888
Dividend income	102,155	137,548
Other	154,059	170,928
Total non-operating income	283,871	325,364
Non-operating expenses		
Interest expenses	67,221	40,215
Litigation expenses	–	60,942
Other	96,373	65,453
Total non-operating expenses	163,595	166,612
Ordinary profit	4,200,689	3,636,431
Extraordinary income		
Gain on sales of non-current assets	478	647
Gain on sales of investment securities	–	17,390
Gain on sales of shares of subsidiaries and associates	6,150,918	–
Total extraordinary income	6,151,396	18,037
Extraordinary losses		
Loss on disposal of non-current assets	5,583	11,330
Special retirement expense	17,254	–
Factory transfer expenses	–	31,309
Other	10,670	8,560
Total extraordinary losses	33,508	51,200
Profit before income taxes	10,318,577	3,603,268
Income taxes - current	3,732,576	1,335,545
Income taxes - deferred	(10,158)	(16,952)
Total income taxes	3,722,417	1,318,592
Profit	6,596,160	2,284,676
Profit attributable to owners of parent	6,596,160	2,284,676

(Quarterly Consolidated Statements of Comprehensive Income)

(First nine-month period)

(Thousand yen)

	First nine months ended September 30, 2016 (Jan. 1, 2016 – Sep. 30, 2016)	First nine months ended September 30, 2017 (Jan. 1, 2017 – Sep. 30, 2017)
Profit	6,596,160	2,284,676
Other comprehensive income		
Valuation difference on available-for-sale securities	(176,120)	947,540
Deferred gains or losses on hedges	(21,012)	–
Foreign currency translation adjustment	(771,802)	1,131,871
Remeasurements of defined benefit plans, net of tax	19,889	17,989
Total other comprehensive income	(949,045)	2,097,401
Comprehensive income	5,647,114	4,382,077
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	5,647,114	4,382,077

(3) Quarterly Consolidated Statements of Cash Flows

(Thousand yen)

	First nine months ended September 30, 2016 (Jan. 1, 2016 – Sep. 30, 2016)	First nine months ended September 30, 2017 (Jan. 1, 2017 – Sep. 30, 2017)
Cash flows from operating activities		
Profit before income taxes	10,318,577	3,603,268
Depreciation	1,385,732	1,071,314
Increase (decrease) in provision for bonuses	322,962	324,883
Increase (decrease) in allowance for doubtful accounts	(36,314)	(47,943)
Increase (decrease) in net defined benefit liability	60,184	47,703
Interest and dividend income	(129,811)	(154,436)
Interest expenses	67,221	40,215
Loss (gain) on sales of shares of subsidiaries and associates	(6,150,918)	–
Loss (gain) on sales of non-current assets	1,326	6,359
Decrease (increase) in notes and accounts receivable - trade	1,928,128	(1,007,950)
Decrease (increase) in inventories	(626,597)	(921,353)
Decrease (increase) in other current assets	87,233	(21,262)
Increase (decrease) in notes and accounts payable - trade	(679,097)	1,404,175
Increase (decrease) in other current liabilities	(238,990)	(101,565)
Increase (decrease) in accrued consumption taxes	431,035	(219,772)
Other, net	192,233	116,471
Subtotal	6,932,904	4,140,107
Income taxes paid	(2,061,728)	(3,244,338)
Net cash provided by (used in) operating activities	4,871,175	895,769
Cash flows from investing activities		
Proceeds from withdrawal of time deposits	206,385	–
Proceeds from redemption of securities	–	500,000
Purchase of property, plant and equipment	(2,415,878)	(2,366,617)
Purchase of intangible assets	(54,512)	(35,768)
Purchase of investment securities	–	(700,000)
Proceeds from redemption of investment securities	–	200,000
Proceeds from sales of investment securities	4,849	1,516,706
Purchase of shares of subsidiaries	(30,000)	–
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	10,856,294	–
Purchase of insurance funds	(99,276)	(103,895)
Proceeds from maturity of insurance funds	125,514	168,801
Payments into long-term deposits	(3,110,472)	–
Interest and dividend income received	127,440	163,368
Other, net	17,447	89,092
Net cash provided by (used in) investing activities	5,627,791	(568,312)
Cash flows from financing activities		
Increase in short-term loans payable	4,525,060	4,615,851
Decrease in short-term loans payable	(5,188,489)	(4,222,645)
Proceeds from long-term loans payable	5,831,353	1,000,000
Repayments of long-term loans payable	(2,326,000)	(76,000)
Purchase of treasury shares	(998,932)	(89,951)
Proceeds from issuance of bonds	977,420	–
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	–	(75,700)
Cash dividends paid	(681,769)	(678,317)
Interest expenses paid	(73,762)	(40,973)
Other, net	(111,136)	(51,483)
Net cash provided by (used in) financing activities	1,953,743	380,780
Effect of exchange rate change on cash and cash equivalents	(570,938)	189,862
Net increase (decrease) in cash and cash equivalents	11,881,772	898,099
Cash and cash equivalents at beginning of period	14,445,204	22,694,593
Cash and cash equivalents at end of period	26,326,976	23,592,693

(4) Notes to Quarterly Consolidated Financial Statements

(Note to ongoing concern assumptions)

None

(Note to significant changes in shareholders' equity)

None

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

(Calculation of Tax Expenses)

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

(Additional information)

(Application of the Implementation Guidance on Recoverability of Deferred Tax Assets)

The Implementation Guidance on Recoverability of Deferred Tax Assets (ASBJ Guidance No. 26, March 28, 2016) has been applied to the consolidated results since the first quarter of the fiscal year under review.

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

At the meeting held on February 14, 2017, the Board of Directors of the Company passed a resolution to introduce the stock-granting ESOP trust system, a trust-type employee incentive plan under which the Company's own shares are issued to its employees for the purpose of encouraging the motivation of the employees of the Company and the Okabe Group and enhancing the welfare program.

(1) Transaction overview

This program adopts the system called the stock-granting employee stock ownership plan ("ESOP Trust"). The ESOP Trust is an employee incentive plan inspired by the U.S. ESOP system, under which shares bought back by the ESOP Trust are issued to employees who have met the requirements prescribed in the stock granting rules established in advance.

The "Practical Solution on Transactions of Delivering the Company's Own Stock to Employees etc. through Trusts (ASBJ Practical Issue Task Force (PITF) No. 30, March 26, 2015)" applies to the accounting treatment of this program.

(2) Treasury shares remaining in the trust

The Company's shares remaining in the trust are recorded at the book value (excluding all incidental expenses) in the section of net assets as treasury shares in the trust. The book value and the number of such treasury shares outstanding are 89,890 thousand yen and 98,134 shares, respectively, in the third quarter of the fiscal year under review.

(Segment information)

[Segment information]

I. First nine months ended September 30, 2016 (January 1, 2016 – September 30, 2016)

1. Net sales and income (loss) for each reportable business segment

(Thousand yen)

	Reportable segments					Adjustment	Amounts in quarterly consolidated statements of income (Note)
	Construction-related products	Automotive products	Hotel business	Other businesses	Total		
Net sales							
Sales to external customers	35,235,279	6,963,996	5,204,026	925,188	48,328,490	–	48,328,490
Intersegment internal sales and transfers	–	–	1,705	–	1,705	(1,705)	–
Total	35,235,279	6,963,996	5,205,732	925,188	48,330,196	(1,705)	48,328,490
Segment income (loss)	2,792,681	808,549	501,863	(22,681)	4,080,412	–	4,080,412

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

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

None

II. First nine months ended September 30, 2017 (January 1, 2017 – September 30, 2017)

1. Net sales and income (loss) for each reportable business segment

(Thousand yen)

	Reportable segments				Adjustment	Amounts in quarterly consolidated statements of income (Note)
	Construction-related products	Automotive products	Other businesses	Total		
Net sales						
Sales to external customers	37,180,143	6,876,709	738,265	44,795,118	–	44,795,118
Intersegment internal sales and transfers	–	–	–	–	–	–
Total	37,180,143	6,876,709	738,265	44,795,118	–	44,795,118
Segment income (loss)	2,956,822	613,105	(92,248)	3,477,679	–	3,477,679

(Note) Segment income (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

3. Matters related to changes in the reportable business segment

The hotel business has been excluded from the reported segments due to the sale of the segment during the previous fiscal year.