Member of Financial Accounting Standards Foundation (FASF)

Consolidated Financial Results (Japanese Accounting Standards) for the First Three Months of the Fiscal Year Ending December 31, 2018

April 27, 2018

Company name: Okabe Co., Ltd. Stock exchange listing: First Section of the Tokyo Stock Exchange
Stock code: 5959 URL:http://www.okabe.co.jp/
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Scheduled date for filing of quarterly report: May 15, 2018
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, 2018 (January 1, 2018 – March 31, 2018)

(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	
Three months ended	Million yen	%	Million yen	%	Million yen	%	Million yen	%
March 31, 2018	14,474	7.8	864	(1.5)	936	9.7	713	46.6
March 31, 2017	13,424	(9.6)	877	5.2	853	1.5	486	2.9

(Note) Comprehensive income: 378 million yen (-81.2%) for the three months ended March 31, 2018
2,016 million yen (–%) for the three months ended March 31, 2017

	Profit per share (basic)	Profit per share (diluted)
Three months ended	Yen	Yen
March 31, 2018	14.33	–
March 31, 2017	9.77	–

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
Three months ended March 31, 2018	89,287	55,881	62.6
Year ended December 31, 2017	89,346	56,251	63.0

(Reference) Shareholders' equity: Three months ended March 31, 2018: 55,881 million yen
Year ended December 31, 2017: 56,251 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, 2017	–	15.00	–	15.00	30.00
Year ending December 31, 2018	–				
Year ending December 31, 2018 (forecasts)		13.00	–	13.00	26.00

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

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

3. Consolidated Forecasts for the Fiscal Year Ending December 31, 2018 (January 1, 2018 – December 31, 2018)

(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
First half	29,800	3.3	2,300	9.7	2,300	8.7	1,550	21.2	31.11
Full year	63,000	3.4	5,300	9.4	5,400	6.6	3,700	6.2	74.26

(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 March 31, 2018:	53,790,632 shares
As of December 31, 2017:	53,790,632 shares

(ii) Number of treasury shares at end of period

As of March 31, 2018:	3,962,722 shares
As of December 31, 2017:	3,963,010 shares

(iii) Average number of shares outstanding during the period

Three months ended March 31, 2018:	49,827,778 shares
Three months ended March 31, 2017:	49,827,550 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 (97,767 shares in the first quarter of the fiscal year ending December 31, 2018, and 98,128 shares in the fiscal year ended December 31, 2017). 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) (97,917 shares for the first quarter of the fiscal year ending December 31, 2018, and 24,550 shares in the fiscal year ended December 31, 2017).

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

* 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.

(Change of units for stating amounts of money)
The amounts of items and other matters stated in the Company's quarterly consolidated financial statements were previously stated in units of thousand yen; however, during and after the first quarter of the fiscal year under review, units of million yen are used in stating such amounts. For the previous consolidated fiscal year and the previous consolidated first quarter, units of million yen are used.

(Change of display of date)
From the consolidated first quarter under review, in displaying the date, the Christian Era is used instead of the Japanese imperial calendar.

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1. Qualitative Information Regarding Results of Operations for the First Three Months Ended March 31, 2018

(1) Explanation Regarding Results of Operations

In the first three months of the fiscal year under review (January 1, 2018 to March 31, 2018), the Japanese economy showed a gradual recovery trend against a backdrop of improving corporate earnings and employment. Nonetheless, concerns remained over the uncertainty of overseas economies and changes in the financial and capital markets, among other factors.

In the Japanese construction industry, which includes the core customers for the Okabe Group, although the construction works in the Tokyo metropolitan area progressed steadily, there were delays in the construction works in the Tohoku and Shinetsu regions due to the impact of snowfalls, which, together with other causes, resulted in a lack of growth in the volume of works nationwide under harsh circumstances.

In this business environment, under the medium-term three-year management plan “NEXT 100: Exciting Future,” the Okabe Group steadily carried out actions to build the foundations for its success in the next 100 years, specifically the establishment of a new center for comprehensive experiments and the expansion of bases for distribution in the U.S.

As a result of such business environments and actions, the consolidated net sales for the first three months of the fiscal year under review increased 7.8% year on year, to 14,474 million yen, operating profit decreased 1.5% year on year, to 864 million yen, ordinary profit increased 9.7% year on year, to 936 million yen, and profit attributable to owners of parent increased 46.6% year on year, to 713 million yen.

Results of operations by business segment are as follows:

(a) Construction-related products

In the domestic business, the focus was placed on increasing sales of high value-added products, especially earthquake resistant products, which, together with other efforts, led to strong sales of the Base Pack. In the U.S., a consolidated subsidiary OCM, Inc. increased its share in sales of building materials, which caused net sales to increase 4.9% year on year, to 11,834 million yen. As for profits, actions were taken to address the cost increase, including the rise in the price of steel materials, which caused operating profit to increase 2.6% year on year, to 775 million yen.

(b) Automotive products

Net sales increased 22.6% year on year, to 2,511 million yen, as a result of strong sales of battery terminal products in the U.S. and Europe and steady sales of bolts and nuts for trucks and trailers in the U.S. However, operating profit decreased 23.5% year on year, to 144 million yen, mainly due to the rise in the prices of raw materials of battery terminal products and an increase in the costs of obsolete machinery and equipment.

(c) Other businesses

Despite the sluggish delivery of fish reef products, strong sales of fishing sinkers in the U.S., among other factors, caused net sales to increase 46.4% year on year, to 128 million yen, with an operating loss of 56 million yen (operating loss for the same period of the previous year: 68 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, 2017 – Mar. 31, 2017)		Consolidated first three months under review (Jan. 1, 2018 – Mar. 31, 2018)		Change
		Amount	Proportion	Amount	Proportion	
			%		%	%
Construction-related products	Temporary building and formwork products	1,637	12.2	1,667	11.5	1.8
	Civil engineering products	1,433	10.7	1,387	9.6	(3.2)
	Building structural products	4,307	32.1	4,403	30.4	2.2
	Building materials (Japan)	2,889	21.5	3,119	21.6	8.0
	Subtotal – Japan	10,267	76.5	10,578	73.1	3.0
	Building materials (Overseas)	1,019	7.6	1,256	8.7	23.2
	Subtotal – overseas	1,019	7.6	1,256	8.7	23.2
	Subtotal – segment	11,287	84.1	11,834	81.8	4.9
Automotive products		2,049	15.3	2,511	17.3	22.6
Other businesses (Note)		87	0.6	128	0.9	46.4
Total		13,424	100.0	14,474	100.0	7.8

(Notes) 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, 2018

There are no changes to the consolidated results forecasts for the first half and the full year of the fiscal year ending December 31, 2018 that were announced on February 14, 2018.

2. Quarterly Consolidated Financial Statements and Key Notes

(1) Quarterly Consolidated Balance Sheet

(Million yen)

	Fiscal year ended December 31, 2017 (As of December 31, 2017)	First three months ended March 31, 2018 (As of March 31, 2018)
ASSETS		
Current assets		
Cash and deposits	22,311	22,002
Notes and accounts receivable - trade	21,799	20,334
Merchandise and finished goods	5,632	6,443
Work in process	945	1,201
Raw materials and supplies	1,519	1,892
Other	1,357	4,809
Allowance for doubtful accounts	(25)	(25)
Total current assets	53,539	56,659
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	9,613	9,617
Machinery, equipment and vehicles, net	4,193	4,381
Land	3,645	3,687
Other, net	2,714	3,028
Total property, plant and equipment	20,167	20,715
Intangible assets		
Goodwill	270	252
Other	303	281
Total intangible assets	573	533
Investments and other assets		
Investment securities	9,611	9,016
Other	5,540	2,449
Allowance for doubtful accounts	(103)	(103)
Total investments and other assets	15,048	11,361
Total non-current assets	35,788	32,610
Deferred assets		
Bond issuance cost	18	17
Total deferred assets	18	17
Total assets	89,346	89,287

(Million yen)

	Fiscal year ended December 31, 2017 (As of March 31, 2017)	First three months ended March 31, 2018 (As of March 31, 2018)
LIABILITIES		
Current liabilities		
Notes and accounts payable - trade	4,069	5,186
Electronically recorded obligations - operating	9,301	9,355
Short-term loans payable	1,528	2,921
Income taxes payable	209	235
Provision for bonuses	72	284
Other	4,165	3,027
Total current liabilities	19,348	21,011
Non-current liabilities		
Bonds payable	1,000	1,000
Long-term loans payable	8,278	7,220
Provision for stock-granting	22	28
Net defined benefit liability	1,684	1,666
Asset retirement obligations	40	40
Other	2,721	2,438
Total non-current liabilities	13,746	12,394
Total liabilities	33,094	33,405
NET ASSETS		
Shareholders' equity		
Capital stock	6,911	6,911
Capital surplus	6,062	6,062
Retained earnings	41,832	41,797
Treasury shares	(2,716)	(2,716)
Total shareholders' equity	52,090	52,055
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	3,352	2,939
Foreign currency translation adjustment	787	861
Remeasurements of defined benefit plans	21	25
Total accumulated other comprehensive income	4,161	3,825
Total net assets	56,251	55,881
Total liabilities and net assets	89,346	89,287

(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, 2017 (Jan. 1, 2017 – Mar. 31, 2017)	First three months ended March 31, 2018 (Jan. 1, 2018– Mar. 31, 2018)
Net sales	13,424	14,474
Cost of sales	9,661	10,599
Gross profit	3,762	3,874
Selling, general and administrative expenses	2,884	3,010
Operating profit	877	864
Non-operating income		
Interest income	5	7
Dividend income	21	17
Foreign exchange gains	–	24
Proceeds from sale of scrap	15	22
Other	21	33
Total non-operating income	64	105
Non-operating expenses		
Interest expenses	12	11
Commission for syndicate loan	8	8
Foreign exchange losses	64	–
Litigation expenses	–	7
Other	2	4
Total non-operating expenses	87	33
Ordinary profit	853	936
Extraordinary income		
Gain on sales of non-current assets	0	0
Total extraordinary income	0	0
Extraordinary losses		
Loss on disposal of non-current assets	8	1
Factory transfer expenses	22	–
Other	2	6
Total extraordinary losses	32	7
Profit before income taxes	820	929
Income taxes - current	340	312
Income taxes - deferred	(7)	(96)
Total income taxes	333	215
Profit	486	713
Profit attributable to owners of parent	486	713

(Quarterly Consolidated Statement of Comprehensive Income)

(First three-month period)

(Million yen)

	First three months ended March 31, 2017 (Jan. 1, 2017 – Mar. 31, 2017)	First three months ended March 31, 2018 (Jan. 1, 2018 – Mar. 31, 2018)
Profit	486	713
Other comprehensive income		
Valuation difference on available-for-sale securities	21	(413)
Foreign currency translation adjustment	1,501	73
Remeasurements of defined benefit plans, net of tax	5	4
Total other comprehensive income	1,529	(335)
Comprehensive income	2,016	378
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,016	378

(3) Quarterly Consolidated Statement of Cash Flows

(Million yen)

	First three months ended March 31, 2017 (Jan. 1, 2017 – Mar. 31, 2017)	First three months ended March 31, 2018 (Jan. 1, 2018 – Mar. 31, 2018)
Cash flows from operating activities		
Profit before income taxes	820	929
Depreciation	347	393
Increase (decrease) in provision for bonuses	213	212
Increase (decrease) in net defined benefit liability	(11)	(11)
Interest and dividend income	(27)	(24)
Interest expenses	12	11
Decrease (increase) in notes and accounts receivable - trade	1,998	1,514
Decrease (increase) in other current assets	55	370
Decrease (increase) in inventories	(926)	(1,422)
Increase (decrease) in notes and accounts payable - trade	(57)	263
Increase (decrease) in other current liabilities	(371)	(532)
Increase (decrease) in other non-current liabilities	(8)	4
Increase (decrease) in accrued consumption taxes	(196)	114
Other	114	15
Subtotal	1,963	1,838
Income taxes paid	(1,723)	(1,925)
Net cash provided by (used in) operating activities	240	(86)
Cash flows from investing activities		
Proceeds from redemption of securities	500	–
Purchase of property, plant and equipment	(302)	(407)
Purchase of investment securities	(200)	–
Proceeds from redemption of investment securities	200	–
Purchase of insurance funds	(26)	(24)
Interest and dividend income received	27	30
Other	(24)	(14)
Net cash provided by (used in) investing activities	173	(415)
Cash flows from financing activities		
Increase in short-term loans payable	2,382	1,379
Decrease in short-term loans payable	(2,043)	(1,029)
Proceeds from long-term loans payable	900	–
Repayments of long-term loans payable	(24)	(16)
Cash dividends paid	(65)	(78)
Interest expenses paid	(12)	(11)
Other	(67)	(41)
Net cash provided by (used in) financing activities	1,068	201
Effect of exchange rate change on cash and cash equivalents	318	(11)
Net increase (decrease) in cash and cash equivalents	1,801	(311)
Cash and cash equivalents at beginning of period	22,694	21,082
Cash and cash equivalents at end of period	24,495	20,770

(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)

(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 Shares Issuance Regulations established in advance.

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

(2) Treasury shares remaining in the trust

The Company's shares remaining in the trust are recorded at the book value (excluding all incidental expenses) in the section of net assets as treasury shares in the trust. The book value of the said treasury shares is 89 million yen for the previous consolidated fiscal year and 89 million yen for the first quarter of the fiscal year under review. The number of the said treasury shares at the end of the term is 98,128 shares for the previous consolidated fiscal year and 97,767 shares for the first quarter of the fiscal year under review.

(Segment information)

[Segment information]

I. First three months ended March 31, 2017 (January 1, 2017 – March 31, 2017)

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

(Million 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	11,287	2,049	87	13,424	–	13,424
Intersegment internal sales and transfers	–	–	–	–	–	–
Total	11,287	2,049	87	13,424	–	13,424
Segment income (loss)	756	189	(68)	877	–	877

(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 three months ended March 31, 2018 (January 1, 2018 – March 31, 2018)

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

(Million 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	11,834	2,511	128	14,474	–	14,474
Intersegment internal sales and transfers	–	–	–	–	–	–
Total	11,834	2,511	128	14,474	–	14,474
Segment income (loss)	775	144	(56)	864	–	864

(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