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, 2021

April 28, 2021

Company name: Okabe Co., Ltd. Stock exchange listing: First Section of the Tokyo Stock Exchange
Stock code: 5959 URL:http://www.okabe.co.jp/
Representative: Hirohide Kawase, Representative Director, President and Chief Executive Officer
Contact: Yasushi Hosomichi, Director and Managing Executive Officer in charge of Administrative Division
Tel. +81-3-3624-5119

Scheduled date for filing of quarterly report: May 14, 2021
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, 2021 (January 1, 2021 – March 31, 2021)

(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, 2021	14,935	(2.3)	855	5.2	891	0.6	291	3.8
March 31, 2020	15,285	(1.0)	813	(28.7)	886	(24.7)	280	(61.2)

(Note) Comprehensive income: 258 million yen (–%) for the three months ended March 31, 2021
-420 million yen (–%) for the three months ended March 31, 2020

	Profit per share (basic)	Profit per share (diluted)
Three months ended	Yen	Yen
March 31, 2021	6.00	–
March 31, 2020	5.66	–

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
As of	Million yen	Million yen	%
March 31, 2021	88,514	58,092	65.6
December 31, 2020	89,650	58,363	65.1

(Reference) Shareholders' equity: As of March 31, 2021: 58,078 million yen
As of December 31, 2020: 58,363 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, 2020	–	7.00	–	10.00	17.00
Year ending December 31, 2021	–				
Year ending December 31, 2021 (forecasts)		10.00	–	10.00	20.00

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

3. Consolidated Forecasts for the Fiscal Year Ending December 31, 2021 (January 1, 2021 – December 31, 2021)

(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	31,100	(0.1)	2,000	3.3	2,050	0.6	1,010	7.9	20.81
Full year	65,000	3.0	4,900	9.0	5,000	6.3	3,050	13.6	62.84

(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:	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, 2021:	53,790,632 shares
As of December 31, 2020:	53,790,632 shares

(ii) Number of treasury shares at end of period

As of March 31, 2021:	5,254,548 shares
As of December 31, 2020:	5,255,622 shares

(iii) Average number of shares outstanding during the period

Three months ended March 31, 2021:	48,535,704 shares
Three months ended March 31, 2020:	49,619,383 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 (195,218 shares as of March 31, 2021, and 196,292 shares as of December 31, 2020). 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) (195,598 shares for the three months ended March 31, 2021, and 119,919 shares for the three months ended March 31, 2020).

* 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 Three Months Ended March 31, 2021

(1) Explanation Regarding Results of Operations

During the first three months of the fiscal year under review (January 1, 2021 to March 31, 2021), the Japanese economy continued to face a challenging situation, despite signs of a recovery from the impact of COVID-19.

In the Japanese construction industry, which includes the core customers of the Okabe Group, construction work already underway made good progress, and the business environment did not deteriorate significantly, partly due to firm demand supported by public investment. However, given the impact of COVID-19 on progress in newly started construction work, the floor area of construction that commenced during the first three months under review fell below the level of a year earlier.

In this business environment, based on its management policy of ensuring the health and safety of its employees and their families, the Okabe Group has established a "new normal business operation system" that is capable of flexibly responding to infections or emergency situations after a disaster. Initiatives which the Group promoted as part of the system, such as the introduction of telework and the use of online meetings, helped to reduce the ratio of selling, general and administrative expenses to net sales and improve the operating profit margin.

The Group strove to maintain its supply chain and continued to supply products to fulfill its responsibility to customers.

Results of operations by business segment are as follows:

(a) Construction-related products

In civil engineering products, sales of products used to prevent landslides, mainly in large urban areas, remained firm, primarily because of the promotion of national resilience policies.

In building structural products, sales of the Base Pack, etc. remained low, partly due to a fall in the number of new steel-framed building starts affected by COVID-19.

In building products and materials, sales of construction materials remained firm in the United States on the back of a reaction to falling demand caused by COVID-19 and the strong housing market, among other factors.

As a result, net sales in the construction-related products segment fell 5.1% year on year, to 12,130 million yen, and operating profit decreased 25.6% year on year, to 755 million yen.

(b) Automotive products

In the United States, sales of automotive battery terminal products remained higher than the year-ago level, following the recovery in new car sales from falling demand due to COVID-19. As a result, net sales increased 15.6% year on year, to 2,075 million yen, and operating profit was 31 million yen (compared with an operating loss of 162 million yen for the same period of the previous year).

(c) Other businesses

Mainly because of the delivery of large projects using floating reef products in the marine business, net sales rose 3.2% year on year, to 728 million yen, and operating profit came to 68 million yen (compared with an operating loss of 39 million yen for the same period of the previous year).

Consequently, consolidated net sales for the first three months of the fiscal year under review fell 2.3% year on year, to 14,935 million yen, and consolidated operating profit increased 5.2% year on year, to 855 million yen. Consolidated ordinary profit increased 0.6% year on year, to 891 million yen, and profit attributable to owners of parent increased 3.8% year on year, to 291 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, 2020 – Mar. 31, 2020)		Consolidated first three months under review (Jan. 1, 2021 – Mar. 31, 2021)		Change
		Amount	Proportion	Amount	Proportion	
			%		%	%
Construction-related products	Temporary building and formwork products	1,607	10.5	1,579	10.6	(1.7)
	Civil engineering products	1,754	11.5	1,921	12.8	9.5
	Building structural products	4,875	31.9	4,135	27.7	(15.2)
	Building materials	3,125	20.4	2,899	19.4	(7.2)
	Subtotal – Japan	11,362	74.3	10,535	70.5	(7.3)
	Building products and materials (Note 2)	1,420	9.3	1,595	10.7	12.3
	Subtotal – overseas	1,420	9.3	1,595	10.7	12.3
	Subtotal – segment	12,783	83.6	12,130	81.2	(5.1)
Automotive products		1,795	11.8	2,075	13.9	15.6
Other businesses (Note3)		706	4.6	728	4.9	3.2
Total		15,285	100.0	14,935	100.0	(2.3)

(Notes) 1. For information about the main operations of each business segment, please refer to “Segment information” on page 9.

2. Because PT. FUJIBOLT INDONESIA, which manufactures and sells building products and materials in Indonesia, has become subject to consolidation in the fiscal year under review, the name “Building materials (Overseas)” has been changed to “Building products and materials.”

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) Explanation Regarding Forecast for Fiscal Year Ending December 31, 2021

There are no changes to the consolidated results forecasts for the first half and the full year of the fiscal year ending December 31, 2021 that were announced on February 12, 2021.

2. Quarterly Consolidated Financial Statements and Key Notes

(1) Quarterly Consolidated Balance Sheet

(Million yen)

	Fiscal year ended December 31, 2020 (As of December 31, 2020)	First three months ended March 31, 2021 (As of March 31, 2021)
ASSETS		
Current assets		
Cash and deposits	21,982	15,899
Notes and accounts receivable - trade	20,868	19,053
Securities	–	5,000
Merchandise and finished goods	7,492	7,326
Work in process	1,318	1,413
Raw materials and supplies	1,877	2,039
Other	2,211	4,064
Allowance for doubtful accounts	(23)	(22)
Total current assets	55,728	54,772
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	11,167	11,020
Machinery, equipment and vehicles, net	4,378	4,608
Land	4,270	4,279
Other, net	1,771	1,545
Total property, plant and equipment	21,588	21,454
Intangible assets		
Goodwill	2,549	2,496
Other	374	360
Total intangible assets	2,924	2,857
Investments and other assets		
Investment securities	7,508	7,612
Other	1,986	1,903
Allowance for doubtful accounts	(94)	(94)
Total investments and other assets	9,400	9,421
Total non-current assets	33,913	33,734
Deferred assets		
Bond issuance costs	8	7
Total deferred assets	8	7
Total assets	89,650	88,514

(Million yen)

	Fiscal year ended December 31, 2020 (As of December 31, 2020)	First three months ended March 31, 2021 (As of March 31, 2021)
LIABILITIES		
Current liabilities		
Notes and accounts payable - trade	4,341	4,809
Electronically recorded obligations - operating	8,280	7,760
Short-term borrowings	3,126	4,170
Income taxes payable	931	396
Provision for bonuses	–	248
Other	2,410	2,646
Total current liabilities	19,090	20,031
Non-current liabilities		
Bonds payable	1,000	1,000
Long-term borrowings	7,193	5,330
Provision for share awards	102	108
Retirement benefit liability	2,012	1,987
Asset retirement obligations	41	41
Other	1,847	1,923
Total non-current liabilities	12,196	10,391
Total liabilities	31,287	30,422
NET ASSETS		
Shareholders' equity		
Share capital	6,911	6,911
Capital surplus	6,083	6,027
Retained earnings	47,175	46,980
Treasury shares	(3,697)	(3,696)
Total shareholders' equity	56,473	56,223
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,941	2,104
Foreign currency translation adjustment	(20)	(220)
Remeasurements of defined benefit plans	(31)	(28)
Total accumulated other comprehensive income	1,889	1,855
Non-controlling interests	–	13
Total net assets	58,363	58,092
Total liabilities and net assets	89,650	88,514

(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, 2020 (Jan. 1, 2020 – Mar. 31, 2020)	First three months ended March 31, 2021 (Jan. 1, 2021 – Mar. 31, 2021)
Net sales	15,285	14,935
Cost of sales	11,137	10,885
Gross profit	4,147	4,049
Selling, general and administrative expenses	3,333	3,193
Operating profit	813	855
Non-operating income		
Interest income	4	3
Dividend income	28	29
Gain on sale of scraps	10	18
Other	77	29
Total non-operating income	120	80
Non-operating expenses		
Interest expenses	27	26
Loss on investments in investment partnerships	10	11
Other	9	7
Total non-operating expenses	48	45
Ordinary profit	886	891
Extraordinary income		
Gain on sales of non-current assets	0	–
Total extraordinary income	0	–
Extraordinary losses		
Environmental expenses	231	89
Loss on money transfer fraud at overseas subsidiaries	–	154
Other	73	25
Total extraordinary losses	305	269
Profit before income taxes	581	621
Income taxes - current	381	330
Income taxes - deferred	(80)	(1)
Total income taxes	300	329
Profit	280	292
Profit attributable to non-controlling interests	–	0
Profit attributable to owners of parent	280	291

(Quarterly Consolidated Statement of Comprehensive Income)

(First three-month period)

(Million yen)

	First three months ended March 31, 2020 (Jan. 1, 2020 – Mar. 31, 2020)	First three months ended March 31, 2021 (Jan. 1, 2021 – Mar. 31, 2021)
Profit	280	292
Other comprehensive income		
Valuation difference on available-for-sale securities	(947)	162
Foreign currency translation adjustment	245	(199)
Remeasurements of defined benefit plans, net of tax	1	2
Total other comprehensive income	(700)	(34)
Comprehensive income	(420)	258
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(420)	256
Comprehensive income attributable to non-controlling interests	–	1

(3) 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)

(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.

(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 treasury shares is 176 million yen for the previous consolidated fiscal year and 175 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 196,292 shares for the previous consolidated fiscal year and 195,218 shares for the first three months of the fiscal year under review.

(Segment information)

[Segment information]

I. First three months ended March 31, 2020 (January 1, 2020 – March 31, 2020)

1. Net sales and profit (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	12,783	1,795	706	15,285	–	15,285
Intersegment internal sales and transfers	–	–	–	–	–	–
Total	12,783	1,795	706	15,285	–	15,285
Segment profit (loss)	1,015	(162)	(39)	813	–	813

(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

II. First three months ended March 31, 2021 (January 1, 2021 – March 31, 2021)

1. Net sales and profit (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	12,130	2,075	728	14,935	–	14,935
Intersegment internal sales and transfers	–	–	–	–	–	–
Total	12,130	2,075	728	14,935	–	14,935
Segment profit (loss)	755	31	68	855	–	855

(Note) Segment profit 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