Member of Financial Accounting Standards Foundation (FASF)

Consolidated Financial Results (Japanese Accounting Standards) for the First Six Months of the Fiscal Year Ending December 31, 2024

July 26, 2024

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
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Scheduled date for filing of semi-annual report: August 9, 2024
Scheduled date of commencement of dividend payment: September 3, 2024
Supplementary documents for financial results: None
Financial results briefing Yes

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

1. Consolidated Financial Results for the First Six Months Ended June 30, 2024 (January 1, 2024 – June 30, 2024)

(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	
Six months ended	Million yen	%	Million yen	%	Million yen	%	Million yen	%
June 30, 2024	31,813	(16.3)	1,770	(13.3)	1,934	(6.8)	1,339	–
June 30, 2023	38,021	4.8	2,042	(16.5)	2,074	(18.8)	(116)	–

(Note) Comprehensive income: 2,388 million yen (–%) for the six months ended June 30, 2024
-1,132 million yen (–%) for the six months ended June 30, 2023

	Profit per share (basic)	Profit per share(diluted)
Six months ended	Yen	Yen
June 30, 2024	28.99	–
June 30, 2023	(2.50)	–

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
As of	Million yen	Million yen	%
June 30, 2024	88,658	63,932	72.1
December 31, 2023	89,885	62,060	69.0

(Reference) Shareholders' equity: As of June 30, 2024: 63,913 million yen
As of December 31, 2023: 62,042 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, 2023	–	12.50	–	12.50	25.00
Year ending December 31, 2024	–	15.00			
Year ending December 31, 2024 (Forecasts)			–	15.00	30.00

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

3. Consolidated Forecasts for the Fiscal Year Ending December 31, 2024 (January 1, 2024 – December 31, 2024)

(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
Full year	70,000	(10.4)	4,100	0.4	4,400	2.2	2,800	–	60.65

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

* Notes

(1) Important changes in the scope of consolidation during the first half: None

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

(Note) Please refer to "Notes to particular accounts procedures to the preparation of semi-annual 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 June 30, 2024:	49,290,632 shares
As of December 31, 2023:	49,290,632 shares

(ii) Number of treasury shares at end of period

As of June 30, 2024:	3,045,832 shares
As of December 31, 2023:	3,127,693 shares

(iii) Average number of shares outstanding during the period

Six months ended June 30, 2024:	46,198,654 shares
Six months ended June 30, 2023:	46,401,540 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 (275,212 shares as of June 30, 2024, and 282,563 shares as of December 31, 2023). 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 (six months) (278,781 shares for the six months ended June 30, 2024, and 177,747 shares for the six months ended June 30, 2024).

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

This financial summary is not subject to the statutory review by a certified public accountant or an audit corporation, and the review of the semi-annual 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. Overview of Results of Operations, Etc.

(1) Overview of Results of Operations for the First Six Months Ended June 30, 2024

During the first six months of the fiscal year under review (January 1, 2024 to June 30, 2024), the Japanese economy recovered modestly, reflecting progress in the normalization of social and economic activities following the COVID-19 pandemic. Meanwhile, there were risk factors that put downward pressure on the economy, such as the ongoing price increases, global credit crunch, and unstable international situation. In addition, there were concerns over the impact of the Noto Peninsula Earthquake.

In the Japanese construction industry, where the Okabe Group's core customers operate, public investment was firm, and private investment showed signs of recovery. However, the industry saw ongoing increase in construction-related costs, including soaring labor costs caused by a chronic shortage of construction workers and continued high steel material prices.

In this business environment, the Okabe Group formulated OX-2026 (Okabe Transformation 2026), the medium-term management plan for fiscal year ending December 31, 2024 through fiscal year ending December 31, 2026. As the main points of business strategies in the plan, the Group set customer-centric initiatives (prioritizing the development of a system to solve customers' problems and the implementation of initiatives to solve them), implementing human capital management and strengthening the foundation of management, and promoting digital transformation.

Based on this plan, the Group views the changes in the business environment and risks as opportunities. The Group has been providing solutions to address material issues (issues faced by society and customers) in Japan and overseas and focusing management resources, such as reviewing its business portfolio, for achieving sustainable growth, thus promoting sustainability management practices.

The following is results of the Group's business activities.

The results of the Group's business activities are presented by business category, because this financial summary does not include any segment information.

(a) Construction-related products

Building structural product sales were affected by delays in large-scale construction projects. However, the Group focused on increasing sales of labor-saving products and passing on rising steel prices to customers. As a result, the results were about the same level as the year-ago period.

Sales of temporary building and formwork products and building products and materials decreased year on year, chiefly reflecting a decrease in reinforced concrete building starts (floor area).

In civil engineering products, sales of products including those used for prevention of landslide disasters were sluggish, mainly because public investments showed signs of waning compared to the same period of the previous fiscal year.

Among building products and materials (overseas), sales of construction materials declined year on year because sales prices were pressed down in the U.S. reflecting a decrease in steel material prices.

As a result, sales in the construction-related products segment fell 5.9% year on year, to 29,137 million yen, and operating profit decreased 21.7% year on year, to 1,552 million yen.

(b) Other businesses

Sales of industrial machinery products were weak compared to the same period of the previous fiscal year, when an order was received for a large-scale project. However, high-value-added special orders accounted for a large percentage of the sales, and profitability rose from the same period of the previous fiscal year.

Starting in the first six months of the consolidated fiscal year under review, automotive products are included in other businesses. Further, in these businesses, there was a change from the previous consolidated fiscal year in the scope of consolidation. (See the (Note) to "(For reference) Net sales by business segments and product category (consolidated)" below.) Automotive products contributed to net sales in the same period of the previous fiscal year, and an operating loss was recorded for these products. The change in the scope of consolidation has thus reduced net sales and increased operating profit.

As a result, sales in the other businesses segment decreased 62.0% year on year, to 2,675 million yen, and operating profit increased 268.4% year on year, to 218 million yen.

Consequently, consolidated net sales for the first six months of the fiscal year under review decreased 16.3% year on year, to 31,813 million yen, consolidated operating profit declined 13.3% year on year, to 1,770 million

yen, and consolidated ordinary profit decreased 6.8% year on year, to 1,934 million yen. Profit attributable to owners of parent was 1,339 million yen (a loss attributable to owners of parent of 116 million yen for the same period in the previous fiscal year).

(For reference)

Net sales by business segments and product category (consolidated)

(Yen in millions, rounded down)

		Previous consolidated first six months (Jan. 1, 2023 – Jun. 30, 2023)		Consolidated first six months under review (Jan. 1, 2024 – Jun. 30, 2024)		Change (%)
		Amount	Proportion (%)	Amount	Proportion (%)	
Construction-related products business	Temporary building and formwork products	3,551	9.3	3,376	10.6	(4.9)
	Civil engineering products	3,525	9.3	3,076	9.7	(12.7)
	Building structural products	10,002	26.3	9,928	31.2	(0.7)
	Building materials	5,957	15.7	5,310	16.7	(10.9)
	Subtotal – Japan	23,037	60.6	21,690	68.2	(5.8)
	Building products and materials	7,941	20.9	7,446	23.4	(6.2)
	Subtotal – overseas	7,941	20.9	7,446	23.4	(6.2)
	Subtotal – segment	30,979	81.5	29,137	91.6	(5.9)
Other businesses (Note)		7,042	18.5	2,675	8.4	(62.0)
Total		38,021	100.0	31,813	100.0	(16.3)

(Note) Other businesses do not form part of the Company's core business, i.e. construction-related products. This segment includes, among others, the manufacture and sale of marine materials, sale of bolts and screw nuts for trucks and trailers in the U.S., the manufacture and sale of industrial machinery products, and the tenant leasing business.
During the previous fiscal year, Water Gremlin Holdings, Inc., Water Gremlin Company, and Water Gremlin Aquila Company S.p.A., which were operating core businesses in automotive products, were excluded from the scope of consolidation. (The three companies' statements of income for the period before their exclusion are consolidated.)
This means that the segment of automotive products has been downsized, now only including the sale of bolts and screw nuts for trucks and trailers. As a result, starting in the first six months of the fiscal year under review, automotive products are included in other businesses instead of being presented as a single segment. In addition, the segment information for the first six months of the previous fiscal year has been restated based on the reportable segments for the first six months of the fiscal year under review.

(2) Explanation Regarding Forecast for Fiscal Year Ending December 31, 2024

No changes have been made to the full-year forecasts of consolidated financial results for the fiscal year ending December 31, 2024 that were announced on February 19, 2024.

2. Semi-annual Consolidated Financial Statements and Key Notes

(1) Semi-annual Consolidated Balance Sheet

(Million yen)

	Fiscal year ended December 31, 2023 (As of December 31, 2023)	First six months ended June 30, 2024 (As of June 30, 2024)
ASSETS		
Current assets		
Cash and deposits	12,683	12,384
Notes and accounts receivable - trade, and contract assets	14,824	13,801
Electronically recorded monetary claims - operating	6,766	5,553
Merchandise and finished goods	10,747	11,140
Work in process	1,512	1,791
Raw materials and supplies	3,521	3,320
Other	1,204	1,522
Allowance for doubtful accounts	(24)	(24)
Total current assets	51,236	49,490
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	12,191	11,928
Machinery, equipment and vehicles, net	2,551	2,188
Land	5,535	5,540
Other, net	1,658	2,132
Total property, plant and equipment	21,937	21,789
Intangible assets		
Goodwill	1,721	1,635
Other	308	274
Total intangible assets	2,029	1,910
Investments and other assets		
Investment securities	11,218	12,350
Other	3,480	3,138
Allowance for doubtful accounts	(43)	(43)
Total investments and other assets	14,655	15,445
Total non-current assets	38,622	39,145
Deferred assets		
Bond issuance cost	25	22
Total deferred assets	25	22
Total assets	89,885	88,658

(Million yen)

	Fiscal year ended December 31, 2023 (As of December 31, 2023)	First six months ended June 30, 2024 (As of June 30, 2024)
LIABILITIES		
Current liabilities		
Notes and accounts payable - trade	4,169	4,255
Electronically recorded obligations - operating	9,448	6,604
Short-term borrowings	1,035	552
Income taxes payable	519	635
Other	3,003	3,282
Total current liabilities	18,177	15,331
Non-current liabilities		
Bonds payable	1,750	1,750
Long-term borrowings	4,133	3,912
Provision for share awards	163	171
Retirement benefit liability	2,058	2,054
Asset retirement obligations	55	55
Other	1,487	1,451
Total non-current liabilities	9,647	9,394
Total liabilities	27,824	24,726
Net assets		
Shareholders' equity		
Share capital	6,911	6,911
Capital surplus	5,990	5,994
Retained earnings	44,571	45,330
Treasury shares	(2,289)	(2,229)
Total shareholders' equity	55,184	56,007
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,652	3,494
Foreign currency translation adjustment	4,288	4,490
Remeasurements of defined benefit plans	(82)	(78)
Total accumulated other comprehensive income	6,857	7,906
Non-controlling interests	18	18
Total net assets	62,060	63,932
Total liabilities and net assets	89,885	88,658

(2) Semi-annual Consolidated Statement of Income and Semi-annual Consolidated Statement of Comprehensive Income

(Semi-annual Consolidated Statement of Income)

(First six-month period)

(Million yen)

	First six months ended June 30, 2023 (Jan. 1, 2023 – Jun. 30, 2023)	First six months ended June 30, 2024 (Jan. 1, 2024 – Jun. 30, 2024)
Net sales	38,021	31,813
Cost of sales	27,718	21,764
Gross profit	10,302	10,048
Selling, general and administrative expenses	8,260	8,278
Operating profit	2,042	1,770
Non-operating income		
Interest income	22	25
Dividend income	98	107
Proceeds from sale of scrap	63	65
Other	37	41
Total non-operating income	222	239
Non-operating expenses		
Interest expenses	159	29
Loss on investments in investment partnerships	11	19
Other	19	26
Total non-operating expenses	190	75
Ordinary profit	2,074	1,934
Extraordinary income		
Gain on sale of non-current assets	2	16
Reversal of provision for loss on liquidation of subsidiaries and associates	8	–
Refund of tariffs for past fiscal years	–	133
Other	–	30
Total extraordinary income	11	180
Extraordinary losses		
Impairment losses	1,805	–
Loss on money transfer fraud at overseas subsidiaries	–	76
Loss on litigation	129	57
Other	13	4
Total extraordinary losses	1,949	138
Profit before income taxes	136	1,976
Income taxes - current	710	670
Income taxes - deferred	(457)	(33)
Total income taxes	252	636
Profit (loss)	(116)	1,339
Profit (loss) attributable to non-controlling interests	(0)	0
Profit (loss) attributable to owners of parent	(116)	1,339

(Semi-annual Consolidated Statement of Comprehensive Income)

(First six-month period)

(Million yen)

	First six months ended June 30, 2023 (Jan. 1, 2023 – Jun. 30, 2023)	First six months ended June 30, 2024 (Jan. 1, 2024 – Jun. 30, 2024)
Profit (loss)	(116)	1,339
Other comprehensive income		
Valuation difference on available-for-sale securities	907	842
Foreign currency translation adjustment	(1,924)	201
Remeasurements of defined benefit plans, net of tax	0	4
Total other comprehensive income	(1,016)	1,048
Comprehensive income	(1,132)	2,388
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(1,131)	2,387
Comprehensive income attributable to non-controlling interests	(1)	0

(3) Notes to Semi-annual Consolidated Financial Statements

(Note to going concern assumptions)

None

(Note to significant changes in shareholders' equity)

None

(Notes to particular accounts procedures to the preparation of semi-annual 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)

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 237 million yen for the previous consolidated fiscal year and 231 million yen for the first six months of the fiscal year under review. The number of treasury shares at the end of the term is 282,563 shares for the previous consolidated fiscal year and 275,212 shares for the first six months of the fiscal year under review.

(Note to segment information)

[Segment information]

I. First six months ended June 30, 2023 (January 1, 2023 – June 30, 2023)

As indicated in "II. First six months ended June 30, 2024 (Changes in reportable segments)"

II. First six months ended June 30, 2024 (January 1, 2024 – June 30, 2024)

Segment information is omitted because the Group has only one segment, construction-related products.

(Changes in reportable segments)

In the first six months of the fiscal year under review, the reportable segment structure was changed from the previous structure consisting of three segments, namely construction-related products, automotive products, and other businesses, to a structure with a single segment, construction-related products.

This change was made for the following reason. During the previous fiscal year, Water Gremlin Holdings, Inc., Water Gremlin Company, and Water Gremlin Aquila Company S.p.A. were excluded from the scope of consolidation. This has diminished the quantitative importance of automotive products and other businesses, so the Group judged that the disclosure of information about the single reportable segment better reflects facts about its business and its decision-making process.

As a consequence of this change, the Group has only one segment, construction-related products, so segment information is omitted in conjunction with the results for the first six months of the previous fiscal year and those for the first six months of the fiscal year under review.

(Note to significant events after the reporting period)

None