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

November 12, 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/
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Scheduled date of commencement of dividend payment: –
Supplementary documents for financial results: None
Financial 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, 2024 (January 1, 2024 – September 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	
Nine months ended	Million yen	%	Million yen	%	Million yen	%	Million yen	%
September 30, 2024	49,623	(14.7)	3,158	(7.6)	3,364	(5.3)	2,332	213.0
September 30, 2023	58,162	3.0	3,419	(12.8)	3,553	(12.9)	745	(76.6)

(Note) Comprehensive income: 3,999 million yen (73.0%) for the nine months ended September 30, 2024
2,311 million yen (-66.8%) for the nine months ended September 30, 2023

	Profit per share (basic)	Profit per share(diluted)
Nine months ended	Yen	Yen
September 30, 2024	50.48	–
September 30, 2023	16.08	–

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
As of	Million yen	Million yen	%
September 30, 2024	90,048	64,847	72.0
December 31, 2023	89,885	62,060	69.0

(Reference) Shareholders' equity: As of September 30, 2024: 64,827 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 period: None

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

(Note) Please refer to "Notes to 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, 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 September 30, 2024:	3,044,423 shares
As of December 31, 2023:	3,127,693 shares

(iii) Average number of shares outstanding during the period

Nine months ended September 30, 2024:	46,212,696 shares
Nine months ended September 30, 2023:	46,328,785 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 (273,803 shares as of September 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 (nine months) (277,512 shares for the nine months ended September 30, 2024, and 177,156 shares for the nine months ended September 30, 2023).

* Review conducted by a certified public accountant or an audit corporation for attached quarterly consolidated financial statements: None

* 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.

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1. Overview of Results of Operations, Etc.

(1) Overview of Results of Operations for the First Nine Months Ended September 30, 2024

During the first nine months of the fiscal year under review (January 1, 2024 to September 30, 2024), the Japanese economy gradually recovered, despite a lingering sense of sluggishness in some areas. Meanwhile, there were concerns over risk factors that put downward pressure on the economy, such as the occurrence of the Noto Peninsula Earthquake, the ongoing price increases, global credit crunch, and unstable international situation.

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 an ongoing increase in construction-related costs, including soaring labor costs and transportation costs caused by the impact of the revision of relevant laws, 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.

Operating results by business category of the Group are as follows.

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

Sales of building structural products were affected by a decrease in small- and medium sized construction projects and 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 operating performance was about the same level as the year-ago period.

Sales of temporary building and formwork products and building materials decreased year on year, chiefly reflecting a decrease in reinforced concrete building starts (floor area), despite efforts to capture demand mainly by bringing new labor-saving products to market.

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.

Sales of building products and materials (overseas) 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 4.3% year on year, to 45,613 million yen, and operating profit decreased 14.9% year on year, to 2,822 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.

Sales of the marine business decreased, mainly due to the impact of delays in large-scale projects.

Starting in the first three 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 61.8% year on year, to 4,010 million yen, and operating profit increased 221.7% year on year, to 335 million yen.

Consequently, consolidated net sales for the first nine months of the fiscal year under review fell 14.7% year on year, to 49,623 million yen, and consolidated operating profit declined 7.6% year on year, to 3,158 million yen. Consolidated ordinary profit decreased 5.3% year on year, to 3,364 million yen, and profit attributable to owners of parent increased 213.0% year on year, to 2,332 million yen.

(2) Overview of Financial Position for the First Nine Months Ended September 30, 2024

(i) Assets

Current assets at the end of the third quarter of the fiscal year under review amounted to 50,561 million yen, a decrease of 675 million yen from the previous fiscal year-end, due mainly to a decrease in cash and deposits.
Mainly owing to an increase in other property, plant and equipment (construction in progress), non-current assets increased by 842 million yen from the previous fiscal year-end, to 39,465 million yen.
As a result, total assets increased 163 million yen from the previous fiscal year-end, to 92,048 million yen.

(ii) Liabilities

Current liabilities decreased by 2,235 million yen from the previous fiscal year-end, to 15,941 million yen due to a decrease in electronically recorded obligations - operating.
Non-current liabilities decreased by 387 million yen from the previous fiscal year-end, to 9,260 million yen, largely due to a decrease in long-term borrowings.
As a result, total liabilities decreased 2,622 million yen from the previous fiscal year-end, to 25,201 million yen.

(iii) Net assets

Net assets increased 2,786 million yen from the previous fiscal year-end, to 64,847 million yen. The shareholders' equity ratio was 72.0%, up 3.0 percentage points from the end of the previous fiscal year.

(For reference)
Net sales by business segments and product category (consolidated)

(Yen in millions, rounded down)

		Previous consolidated first nine months (Jan. 1, 2023 – Sep. 30, 2023)		Consolidated first nine months under review (Jan. 1, 2024 – Sep. 30, 2024)		Change (%)
		Amount	Proportion (%)	Amount	Proportion (%)	
Construction-related products business	Temporary building and formwork products	5,410	9.3	5,235	10.5	(3.2)
	Civil engineering products	5,458	9.4	4,968	10.0	(9.0)
	Building structural products	15,447	26.6	15,266	30.8	(1.2)
	Building materials	8,752	15.0	8,126	16.4	(7.1)
	Subtotal – Japan	35,069	60.3	33,597	67.7	(4.2)
	Building products and materials	12,602	21.7	12,016	24.2	(4.7)
	Subtotal – overseas	12,602	21.7	12,016	24.2	(4.7)
Subtotal – segment		47,671	82.0	45,613	91.9	(4.3)
Other businesses (Note)		10,491	18.0	4,010	8.1	(61.8)
Total		58,162	100.0	49,623	100.0	(14.7)

(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 three 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 nine months of the previous fiscal year has been restated based on the reportable segments for the first nine months of the fiscal year under review.

(3) 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. Quarterly Consolidated Financial Statements and Key Notes

(1) Quarterly Consolidated Balance Sheet

(Million yen)

	Fiscal year ended December 31, 2023 (As of December 31, 2023)	First nine months ended September 30, 2024 (As of September 30, 2024)
ASSETS		
Current assets		
Cash and deposits	12,683	11,646
Notes and accounts receivable - trade, and contract assets	14,824	14,541
Electronically recorded monetary claims - operating	6,766	6,035
Merchandise and finished goods	10,747	11,630
Work in process	1,512	2,034
Raw materials and supplies	3,521	3,090
Other	1,204	1,607
Allowance for doubtful accounts	(24)	(25)
Total current assets	51,236	50,561
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	12,191	12,041
Machinery, equipment and vehicles, net	2,551	2,106
Land	5,535	5,541
Other, net	1,658	2,906
Total property, plant and equipment	21,937	22,596
Intangible assets		
Goodwill	1,721	1,593
Other	308	284
Total intangible assets	2,029	1,877
Investments and other assets		
Investment securities	11,218	11,521
Other	3,480	3,514
Allowance for doubtful accounts	(43)	(43)
Total investments and other assets	14,655	14,992
Total non-current assets	38,622	39,465
Deferred assets		
Bond issuance cost	25	21
Total deferred assets	25	21
Total assets	89,885	90,048

(Million yen)

	Fiscal year ended December 31, 2023 (As of December 31, 2023)	First nine months ended September 30, 2024 (As of September 30, 2024)
LIABILITIES		
Current liabilities		
Notes and accounts payable - trade	4,169	4,945
Electronically recorded obligations - operating	9,448	6,383
Short-term borrowings	1,035	548
Income taxes payable	519	271
Provision for bonuses	–	382
Other	3,003	3,410
Total current liabilities	18,177	15,941
Non-current liabilities		
Bonds payable	1,750	1,750
Long-term borrowings	4,133	3,800
Provision for share awards	163	180
Retirement benefit liability	2,058	2,042
Asset retirement obligations	55	55
Other	1,487	1,431
Total non-current liabilities	9,647	9,260
Total liabilities	27,824	25,201
Net assets		
Shareholders' equity		
Share capital	6,911	6,911
Capital surplus	5,990	5,994
Retained earnings	44,571	45,626
Treasury shares	(2,289)	(2,228)
Total shareholders' equity	55,184	56,303
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,652	2,935
Foreign currency translation adjustment	4,288	5,664
Remeasurements of defined benefit plans	(82)	(75)
Total accumulated other comprehensive income	6,857	8,523
Non-controlling interests	18	19
Total net assets	62,060	64,847
Total liabilities and net assets	89,885	90,048

(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, 2023 (Jan. 1, 2023 – Sep. 30, 2023)	First nine months ended September 30, 2024 (Jan. 1, 2024 – Sep. 30, 2024)
Net sales	58,162	49,623
Cost of sales	42,166	33,976
Gross profit	15,996	15,646
Selling, general and administrative expenses	12,577	12,488
Operating profit	3,419	3,158
Non-operating income		
Interest income	37	36
Dividend income	183	131
Proceeds from sale of scrap	98	91
Other	84	66
Total non-operating income	404	325
Non-operating expenses		
Interest expenses	232	42
Loss on investments in investment partnerships	11	43
Other	26	33
Total non-operating expenses	270	119
Ordinary profit	3,553	3,364
Extraordinary income		
Gain on sale of non-current assets	3	37
Reversal of provision for loss on liquidation of subsidiaries and associates	8	–
Refund of tariffs for past fiscal years	–	160
Other	–	30
Total extraordinary income	12	227
Extraordinary losses		
Impairment losses	1,807	–
Loss on money transfer fraud at overseas subsidiaries	–	77
Litigation expenses	–	156
Other	377	24
Total extraordinary losses	2,185	259
Profit before income taxes	1,380	3,333
Income taxes - current	1,221	1,036
Income taxes - deferred	(586)	(36)
Total income taxes	635	1,000
Profit	744	2,333
Profit (loss) attributable to non-controlling interests	(0)	0
Profit attributable to owners of parent	745	2,332

(Quarterly Consolidated Statement of Comprehensive Income)

(First nine-month period)

(Million yen)

	First nine months ended September 30, 2023 (Jan. 1, 2023 – Sep. 30, 2023)	First nine months ended September 30, 2024 (Jan. 1, 2024 – Sep. 30, 2024)
Profit	744	2,333
Other comprehensive income		
Valuation difference on available-for-sale securities	1,241	282
Foreign currency translation adjustment	324	1,376
Remeasurements of defined benefit plans, net of tax	0	6
Total other comprehensive income	1,566	1,666
Comprehensive income	2,311	3,999
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,311	3,998
Comprehensive income attributable to non-controlling interests	0	0

(3) Notes to Quarterly 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 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)

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 230 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 282,563 shares for the previous consolidated fiscal year and 273,803 shares for the first nine months of the fiscal year under review.

(Notes to quarterly consolidated statement of cash flows)

The quarterly consolidated statement of cash flows for the first nine months of the fiscal year under review has not been prepared. Depreciation (including amortization related to intangible assets excluding goodwill) and amortization of goodwill for the first nine months ended September 30, 2024 are as follows.

	First nine months ended September 30, 2023 (Jan. 1, 2023 – Sep. 30, 2023)	First nine months ended September 30, 2024 (Jan. 1, 2024 – Sep. 30, 2024)
Depreciation	1,872 million yen	1,464 million yen
Amortization of goodwill	279 million yen	128 million yen

(Note to segment information)

[Segment information]

I. First nine months ended September 30, 2023 (January 1, 2023 – September 30, 2023)

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

II. First nine months ended September 30, 2024 (January 1, 2024 – September 30, 2024)

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

(Changes in reportable segments)

In the first three 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 nine months of the previous fiscal year and those for the first nine months of the fiscal year under review.

(Note to significant events after the reporting period)

None