

## Summary of Consolidated Financial Results (Japanese Accounting Standards) for the Year Ended December 31, 2018

February 14, 2019

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 of Annual General Meeting of Shareholders: March 28, 2019  
 Scheduled date of commencement of dividend payment: March 29, 2019  
 Scheduled date of filing of Annual Securities Report: March 28, 2019  
 Supplementary materials for annual financial results: None  
 Information meeting for annual financial results: Yes (for institutional investors and analysts)

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

## 1. Consolidated Financial Results for the Current Fiscal Year Ended December 31, 2018 (January 1, 2018 – December 31, 2018)

(1) Consolidated Results of Operations (Percentages represent year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
Year ended	Million yen	%	Million yen	%	Million yen	%	Million yen	%
December 31, 2018	64,785	6.3	5,349	10.4	5,601	10.5	3,785	8.6
December 31, 2017	60,917	(3.6)	4,844	(12.3)	5,068	(12.3)	3,485	(55.7)

(Note) Comprehensive income: 2,153 million yen (negative 65.2%) for the year ended December 31, 2018

6,193 million yen (negative 14.2%) for the year ended December 31, 2017

	Profit per share (basic)	Profit per share (diluted)	Return on equity	Ordinary profit to total assets	Operating profit to net sales
Year ended	Yen	Yen	%	%	%
December 31, 2018	75.97	—	6.7	6.3	8.3
December 31, 2017	69.95	—	6.5	5.9	8.0

(Reference) Equity in earnings (losses) of affiliates: Year ended December 31, 2018: — million yen

Year ended December 31, 2017: — million yen

## (2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of December 31, 2018	87,832	57,009	64.9	1,144.09
As of December 31, 2017	89,346	56,251	63.0	1,128.93

(Reference) Shareholders' equity: As of December 31, 2018: 57,009 million yen

As of December 31, 2017: 56,251 million yen

## (3) Consolidated Cash Flows

	Net cash provided by (used in) operating activities	Net cash provided by (used in) investing activities	Net cash provided by (used in) financing activities	Cash and cash equivalents at end of period
Year ended	Million yen	Million yen	Million yen	Million yen
December 31, 2018	3,186	2,211	(2,678)	23,762
December 31, 2017	2,107	(3,213)	(705)	21,082

## 2. Dividends

	Dividend per share					Total amounts of dividends	Payout ratio (consolidated)	Dividends to net assets (consolidated)
	End of first quarter	End of second quarter	End of third quarter	Year-end	Annual			
Year ended	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
December 31, 2017	—	15.00	—	15.00	30.00	1,497	42.9	2.8
December 31, 2018	—	13.00	—	13.00	26.00	1,298	34.2	2.3
Year ending December 31, 2019 (forecasts)	—	14.00	—	14.00	28.00		32.4	

(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, 2019 (January 1, 2019 – December 31, 2019)

(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	32,150	4.4	2,570	7.5	2,610	0.4	1,760	(11.9)	35.32
Full year	68,500	5.7	6,100	14.0	6,200	10.7	4,300	13.6	86.29

\* Notes

(1) Changes in important subsidiaries during the period  
(changes of specific subsidiaries in accordance with changes in the scope of consolidation): None

(2) 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

(3) Number of shares outstanding (common shares):  
(i) Number of shares outstanding at end of period (including treasury shares)  
As of December 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 December 31, 2018: 3,961,539 shares  
As of December 31, 2017: 3,963,010 shares  
(iii) Average number of shares outstanding during the period  
Fiscal year ended December 31, 2018: 49,828,434 shares  
Fiscal year ended December 31, 2017: 49,827,576 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 (96,509 shares as of December 31, 2018, and 98,128 as of 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 (97,196 shares as of December 31, 2018, and 75,512 as of December 31, 2017).

(Reference) Summary of Non-Consolidated Financial Results

1. Non-Consolidated Financial Results for the Current Fiscal Year Ended December 31, 2018 (January 1, 2018 – December 31, 2018)

(1) Non-Consolidated Results of Operations (Percentages represent year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit	
Year ended	Million yen	%	Million yen	%	Million yen	%	Million yen	%
December 31, 2018	47,824	5.3	4,301	16.9	4,667	8.5	3,577	15.6
December 31, 2017	45,438	5.0	3,679	9.3	4,303	(48.3)	3,095	(69.8)

	Profit per share (basic)	Profit per share (diluted)
Year ended	Yen	Yen
December 31, 2018	71.80	—
December 31, 2017	62.12	—

(2) Non-Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of December 31, 2018	77,846	49,958	64.2	1,002.61
As of December 31, 2017	79,885	49,413	61.9	991.70

(Reference) Shareholders' equity: As of December 31, 2018: 49,958 million yen  
As of December 31, 2017: 49,413 million yen

\* Summaries of consolidated financial results are not subject to audit by certified public accountants or audit corporations.

\* 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 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, 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. Overview of Results of Operations, Etc.

### (1) Overview of Results of Operations for the Fiscal Year under Review (January 1, 2018 to December 31, 2018)

In the fiscal year under review, the Japanese economy showed a gradual recovery trend with improvements in corporate earnings and employment. However, it was necessary to pay attention to the development of trade issues, uncertainty over the overseas economies and the impact of fluctuations in the financial capital market.

In the Japanese construction industry, which includes the core customers for the Okabe Group, the floor area of construction that commenced during the fiscal year under review fell below the level of the previous fiscal year due to delays in the progress of construction works caused by shortages of construction materials and labor, despite favorable circumstances for demand, where construction investment by the government and in the private sector was firm.

In this business environment, the Okabe Group steadily carried out initiatives to build the foundation for its success in the next 100 years, specifically the construction of the center for general experiments and new warehouses for distribution in North America, under the medium-term management plan “NEXT 100: Exciting Future” covering the three years starting from the fiscal year 2017, which marked its centennial anniversary.

Results of operations by business segment are as follows:

#### [Construction-related products]

A breakdown of sales of construction-related products by product shows that sales of temporary building and formwork products rose 5.3% year on year as a result of strong sales of leases of formworks used in labor-saving construction methods, among other causes.

Sales of civil engineering products decreased 0.5% year on year, mainly reflecting weak sales of products purchased and sold, despite higher sales of lock bolts and other products of the Group's own than those of the previous fiscal year.

Sales of building structural products rose 4.7% year on year as a result of strong sales of Basepack column base method and reinforcing bar joints, mainly attributable to steady progress in construction works of steel-framed structures and increased needs for labor saving.

Sales of building materials in Japan climbed 3.3% year on year due to the purchase and sale of high value-added products.

Sales of building materials overseas rose 26.1% year on year as a result of growth in the share of building materials sales, mainly attributable to the utilization of new warehouses for distribution by OCM, Inc., a consolidated subsidiary in the U.S.

As a result, sales in the construction-related products segment increased 5.9% year on year, to 53,372 million yen, and operating profit rose 15.1% year on year, to 4,727 million yen.

#### [Automotive products]

While sales increased 7.5% year on year, to 10,075 million yen, as a result of strong sales of the mainstay automobile battery terminal products in the main markets of North America and Europe, operating profit declined 22.8% year on year, to 587 million yen, mainly due to a decrease in production efficiency and an increase in repair expenses associated with the aging of machinery and equipment.

#### [Other businesses]

Net sales increased 17.1% year on year, to 1,337 million yen, and operating profit of 34 million yen was posted (compared with an operating loss of 22 million yen in the previous fiscal year), mainly reflecting strong sales of floating fish reefs in the marine business.

As a result, consolidated net sales for the fiscal year under review increased 6.3% year on year, to 64,785 million yen, and consolidated operating profit increased 10.4% year on year, to 5,349 million yen. Consolidated ordinary profit rose 10.5% year on year, to 5,601 million yen, and profit attributable to owners of parent increased 8.6% year on year, to 3,785 million yen.

(For reference)

Net sales by business segments and product category (consolidated)

(Yen in millions, rounded down)

		Previous fiscal year (Jan. 1, 2017 – Dec. 31, 2017)		Fiscal Year under review (Jan. 1, 2018 – Dec. 31, 2018)		Change (%)
		Amount	Proportion (%)	Amount	Proportion (%)	
Construction-related products	Temporary building and formwork products	7,013	11.5	7,386	11.4	5.3
	Civil engineering products	6,073	10.0	6,043	9.3	(0.5)
	Building structural products	19,751	32.4	20,670	31.9	4.7
	Building materials (Japan)	12,651	20.8	13,072	20.2	3.3
	Subtotal – Japan	45,489	74.7	47,172	72.8	3.7
	Building materials (Overseas)	4,915	8.0	6,199	9.6	26.1
	Subtotal – overseas	4,915	8.0	6,199	9.6	26.1
	Subtotal – segment	50,404	82.7	53,372	82.4	5.9
Automotive products		9,370	15.4	10,075	15.5	7.5
Other businesses (Note 2)		1,142	1.9	1,337	2.1	17.1
Total		60,917	100.0	64,785	100.0	6.3

(Notes) 1. For information about the main operations of each business segment, please refer to “Segment information” on page 19.

2. 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) Overview of Financial Position for the Fiscal Year under Review

[Assets]

Current assets at the end of the fiscal year amounted to 57,846 million yen, an increase of 4,306 million yen from the previous fiscal year-end, due mainly to an increase in cash and deposits.

Non-current assets decreased 5,817 million yen from the previous fiscal year-end, to 29,971 million yen, primarily owing to a decrease in investment securities.

As a result, total assets decreased 1,514 million yen from the previous fiscal year-end, to 87,832 million yen.

[Liabilities]

Current liabilities at the end of the fiscal year amounted to 19,362 million yen, an increase of 14 million yen from the previous fiscal year-end, due mainly to income taxes payable.

Non-current liabilities decreased by 2,285 million yen from the previous fiscal year-end, to 11,460 million yen, largely due to a decrease in deferred tax liabilities.

As a result, total liabilities decreased 2,271 million yen from the previous fiscal year-end, to 30,823 million yen.

[Net assets]

Net assets increased 757 million yen from the previous fiscal year-end to 57,009 million yen. The shareholders’ equity ratio was 64.9%, up 1.9 percentage points from the end of the previous fiscal year.

(3) Overview of Cash Flows for the Fiscal Year under Review

Cash and cash equivalents at the end of the fiscal year totaled 23,762 million yen, an increase of 2,680 million yen from the end of the previous fiscal year.

The following is a summary of cash flows and major factors for the fiscal year under review.

(Cash flows from operating activities)

Net cash provided by operating activities during the fiscal year came to 3,186 million yen (compared with net cash provided by operating activities of 2,107 million yen in the previous fiscal year). The major factor was a decrease in income taxes paid.

(Cash flows from investing activities)

Net cash provided by investing activities during the fiscal year amounted to 2,211 million yen (compared with net cash used in investing activities of 3,213 million yen in the previous fiscal year). The major factor was an increase in the collection of long-term deposits.

(Cash flows from financing activities)

Net cash used in financing activities during the fiscal year was 2,678 million yen (compared with net cash used in financing activities of 705 million yen in the previous fiscal year). This was mainly due to a net decrease in loans payable.

(4) Future Outlook

While the Japanese economy is expected to recover moderately, chiefly reflecting the effects of various policies by the government and the Bank of Japan, the future outlook is expected to remain unclear, given concerns about uncertain overseas economies.

In the Japanese construction industry, the Okabe Group's core customer, investments in construction are likely to remain firm, given large redevelopment projects, particularly in the Tokyo metropolitan area, and construction works related to the Tokyo 2020 Olympic and Paralympic Games. However, in light of concerns about downward pressure on earnings due to rising logistics and other costs, a business environment that requires redoubled corporate efforts for increasing added value and productivity through proposal-type sales and product development is anticipated.

Recognizing this, the Company has made the following consolidated results forecasts for the fiscal year ending December 31, 2019.

(Yen in millions, rounded down)

	Net sales	Operating profit	Ordinary profit	Profit attributable to owners of parent
Fiscal year ended December 31, 2018 (Actual)	64,785	5,349	5,601	3,785
Fiscal year ending December 31, 2019 (Estimate)	68,500	6,100	6,200	4,300
Change (%)	5.7%	14.0%	10.7%	13.6%

(5) Basic Policy for Dividends and Dividends for the Fiscal Year under Review and the Next Fiscal Year

The Group's basic policy is to maintain stable dividends to enhance the return of profits to shareholders. The dividend is also linked to consolidated business results and comprehensively reflects the need to bolster internal reserves to strengthen the Group's financial position and fund future business operations, among other needs. The Company's basic policy for dividends of surplus is to pay both an interim dividend and a year-end dividend each year. The organs that determine the dividends are the Board of Directors for the interim dividend and the General Meeting of Shareholders for the year-end dividend.

In accordance with this basic policy, the Company plans to pay a year-end dividend for the fiscal year under review of 13 yen per share. With the interim dividend of 13 yen per share that has already been paid, this will result in an annual dividend for the fiscal year under review of 26 yen per share.

For the next fiscal year, the Company plans to pay a dividend of 28 yen per share, the sum of interim and year-end dividends of 14 yen each.

## 2. Corporate Group

The Okabe Group (Okabe Co., Ltd. and its associated companies) consists of Okabe Co., Ltd. (“the Company”), 12 subsidiaries (7 of which are consolidated) and 3 affiliated companies. These companies are engaged primarily in the manufacture and sale of construction materials and equipment. The Group is also focusing on expanding operations in other business fields.

The positioning of the Company and its key associated companies and their relationship with the business segments are as follows.

### [Construction-related products]

#### (Temporary building and formwork products)

The Company develops associated construction methods and develops, manufactures and sells products used with these methods. Subsidiary OMM Co., Ltd. manufactures temporary building and formwork products ordered by the Company. Fukuoka Form Tie Co., Ltd. purchases temporary building and formwork products mainly from the Company and sells them in Kyushu. In addition, the Company sells products in China by using its sales subsidiary Okabe China Co., Ltd.

Okabe Industry Co., Ltd. had been engaged in the development, manufacture and marketing of temporary building and formwork products, but the Company absorbed Okabe Industry Co., Ltd. in an absorption-type merger, with January 1, 2018 as the date of merger.

#### (Civil engineering products)

The Company develops associated construction methods and develops, manufactures and sells products used with these methods.

#### (Building structural products)

The Company develops associated construction methods and develops, manufactures and sells products used with these methods. FUJI BOLT Manufacturing Co., Ltd. is engaged in the development, manufacture and marketing of building structural products, and the Company sells products sourced from FUJI BOLT Manufacturing Co., Ltd. FUJI KIZAI Co., Ltd. executes seismic reinforcement work. PT Fujibolt Indonesia, which is a local subsidiary of FUJI BOLT Manufacturing Co., Ltd. in Indonesia, is engaged in the development, manufacture and marketing of building structural products, and FUJI BOLT Manufacturing Co., Ltd. purchases, processes and sells products from PT Fujibolt Indonesia.

#### (Building materials)

The Company uses its sales network to sell building materials that are purchased from other companies. In addition, U.S. subsidiary OCM, Inc. purchases products sold by the Company in Japan and products compatible with local construction methods in and outside the U.S. and sells them in the U.S.

### [Automotive products]

U.S. subsidiary Okabe Co., Inc. is engaged mainly in the design and sale of automotive bolts and screw nuts in the U.S. Another U.S. subsidiary, Water Gremlin Co., develops, manufactures, and sells automotive battery parts in the U.S. market. Italian subsidiary Water Gremlin Aquila Co. S.p.A. develops, manufactures, and sells automotive battery parts in Europe. Chinese local subsidiary Changxing Water Gremlin Non-Ferrous Co., which manufactured and sold automotive battery parts in China, is currently in liquidation under the resolution of dissolution and liquidation of the said subsidiary that was passed at the meeting of the Board of Directors held on July 26, 2018.

Okabe Holding USA, Inc. is a holding company that owns all the shares of Water Gremlin Co., Water Gremlin Aquila Co. S.p.A. and Changxing Water Gremlin Non-Ferrous Co.

### [Other businesses]

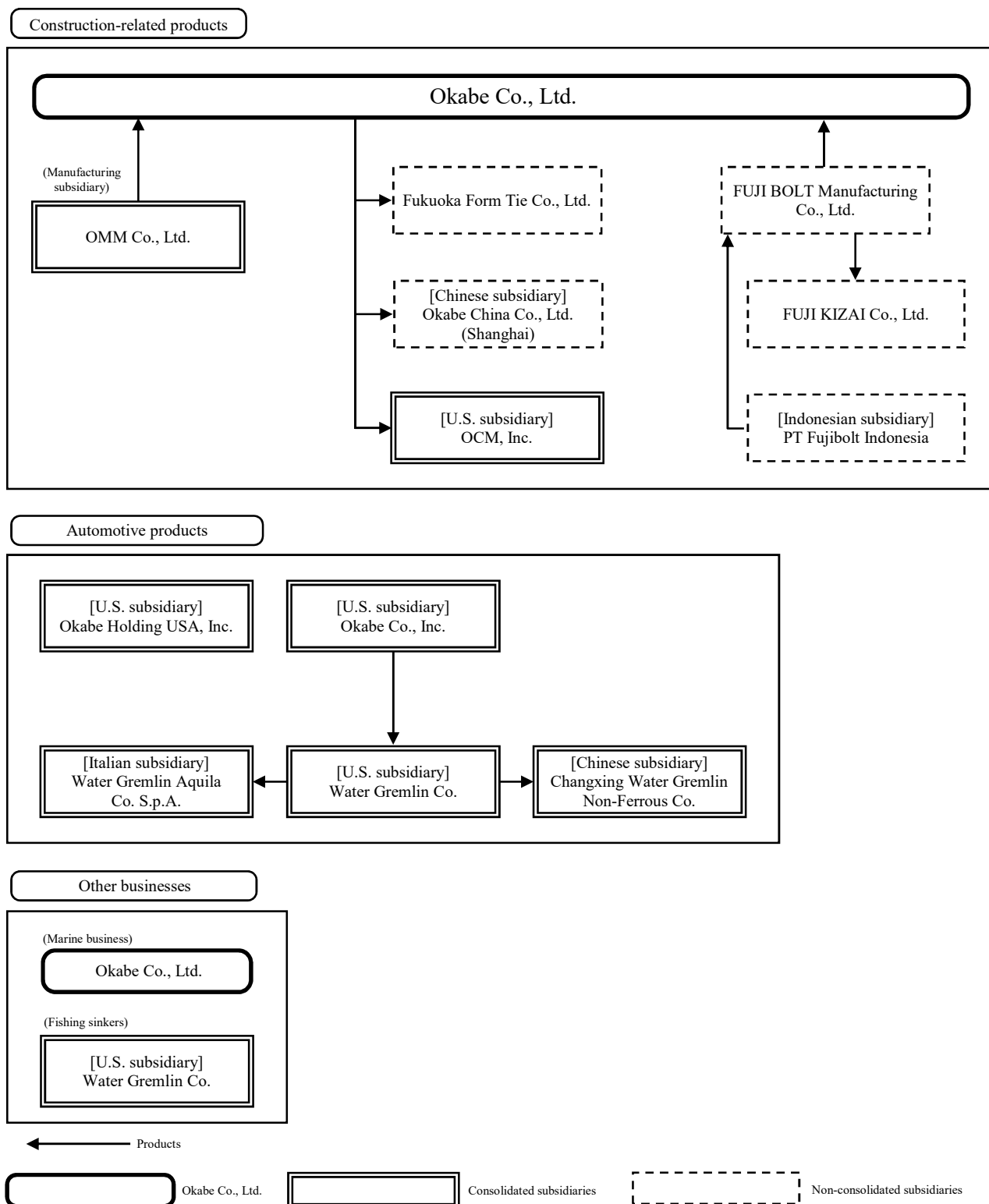
The Company’s marine business involves the development, manufacture and sale of marine materials.

Water Gremlin Co., which is engaged mainly in the manufacture and sale of automotive products, also manufactures and sells fishing sinkers, which are non-automotive products.

In addition, the Company bought back all the shares of Kawahara on January 31, 2019 and turned the said company into its subsidiary. Kawahara engages in the design, manufacture, sale and maintenance of industrial machinery products.

[Business Flow Diagram]

The following diagram summarizes the business operations listed above.



- (Notes) 1. The Company absorbed Okabe Industry Co., Ltd. in an absorption-type merger, with January 1, 2018 as the date of the merger.
2. The Company decided to dissolve and liquidate its consolidated subsidiary Changxing Water Gremlin Non-Ferrous Co. at the meeting of the Board of Directors held on July 26, 2018. The subsidiary is currently in liquidation.
3. The Company decided to buy back all the shares of Kawahara at the meeting of the Board of Directors held on December 28, 2018. It bought back the shares on January 31, 2019 and turned the company into its subsidiary.



### 3. Basic Approach to Selection of Accounting Standards

The Okabe Group's policy is to prepare its consolidated financial statements based on Japanese Accounting Standards for the present time by taking the comparability of the consolidated financial statements between terms and between companies into consideration.

The Group plans to examine application of the International Financial Reporting Standards (IFRS) in the future, based on consideration of a number of factors in Japan and overseas.

#### 4. Consolidated Financial Statements and Key Notes

##### (1) Consolidated Balance Sheets

(Million yen)

	Previous fiscal year (As of December 31, 2017)	Fiscal Year under review (As of December 31, 2018)
<b>ASSETS</b>		
Current assets		
Cash and deposits	22,311	23,762
Notes and accounts receivable - trade	21,799	22,633
Merchandise and finished goods	5,632	6,766
Work in process	945	1,103
Raw materials and supplies	1,519	1,761
Deferred tax assets	184	118
Other	1,173	1,724
Allowance for doubtful accounts	(25)	(24)
Total current assets	53,539	57,846
Non-current assets		
Property, plant and equipment		
Buildings and structures	14,395	16,245
Accumulated depreciation	(4,781)	(5,013)
Buildings and structures, net	9,613	11,231
Machinery, equipment and vehicles	13,368	13,775
Accumulated depreciation	(9,174)	(9,573)
Machinery, equipment and vehicles, net	4,193	4,201
Land	3,645	3,854
Leased assets	949	994
Accumulated depreciation	(361)	(390)
Leased assets, net	588	604
Construction in progress	1,828	980
Other	1,565	1,694
Accumulated depreciation	(1,268)	(1,298)
Other, net	296	395
Total property, plant and equipment	20,167	21,268
Intangible assets		
Goodwill	270	189
Leased assets	9	5
Other	293	225
Total intangible assets	573	420
Investments and other assets		
Investment securities	9,611	6,487
Long-term loans receivable	1,000	100
Deferred tax assets	5	229
Other	4,534	1,565
Allowance for doubtful accounts	(103)	(100)
Total investments and other assets	15,048	8,281
Total non-current assets	35,788	29,971
Deferred assets		
Bond issuance cost	18	15
Total deferred assets	18	15
Total assets	89,346	87,832

(Million yen)

	Previous fiscal year (As of December 31, 2017)	Fiscal year under review (As of December 31, 2018)
<b>LIABILITIES</b>		
Current liabilities		
Notes and accounts payable - trade	4,069	4,781
Electronically recorded obligations - operating	9,301	9,505
Short-term loans payable	1,528	1,683
Lease obligations	149	155
Income taxes payable	209	1,076
Provision for bonuses	72	–
Other	4,016	2,159
Total current liabilities	19,348	19,362
Non-current liabilities		
Bonds payable	1,000	1,000
Long-term loans payable	8,278	7,060
Lease obligations	443	466
Deferred tax liabilities	1,419	146
Provision for stock-granting	22	49
Net defined benefit liability	1,684	1,828
Asset retirement obligations	40	40
Other	859	869
Total non-current liabilities	13,746	11,460
Total liabilities	33,094	30,823
<b>NET ASSETS</b>		
Shareholders' equity		
Capital stock	6,911	6,911
Capital surplus	6,062	6,062
Retained earnings	41,832	44,220
Treasury shares	(2,716)	(2,715)
Total shareholders' equity	52,090	54,479
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	3,352	1,716
Foreign currency translation adjustment	787	835
Remeasurements of defined benefit plans	21	(22)
Total accumulated other comprehensive income	4,161	2,529
Total net assets	56,251	57,009
Total liabilities and net assets	89,346	87,832

(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income  
(Consolidated statements of income)

(Million yen)

	Previous fiscal year (Jan. 1, 2017 — Dec. 31, 2017)	Fiscal year under review (Jan. 1, 2018 — Dec. 31, 2018)
Net sales	60,917	64,785
Cost of sales	43,895	46,677
Gross profit	17,022	18,107
Selling, general and administrative expenses	12,177	12,758
Operating profit	4,844	5,349
Non-operating income		
Interest income	24	38
Dividend income	165	143
Proceeds from sale of scrap	76	94
Other	139	102
Total non-operating income	405	379
Non-operating expenses		
Interest expenses	53	43
Commission for syndicate loan	35	35
Litigation expenses	74	23
Other	18	24
Total non-operating expenses	182	127
Ordinary profit	5,068	5,601
Extraordinary income		
Gain on sales of non-current assets	35	101
Gain on sales of investment securities	17	614
State subsidy	411	—
Other	—	1
Total extraordinary income	464	717
Extraordinary losses		
Loss on disposal of non-current assets	140	144
Factory transfer expenses	31	—
Loss on factory closure	—	1,217
Other	21	106
Total extraordinary losses	193	1,467
Profit before income taxes	5,339	4,851
Income taxes - current	1,748	1,780
Income taxes - deferred	105	(714)
Total income taxes	1,853	1,065
Profit	3,485	3,785
Profit attributable to owners of parent	3,485	3,785

## (Consolidated statements of comprehensive income)

(Million yen)

	Previous fiscal year (Jan. 1, 2017 — Dec. 31, 2017)	Fiscal Year under review (Jan. 1, 2018 — Dec. 31, 2018)
Profit	3,485	3,785
Other comprehensive income		
Valuation difference on available-for-sale securities	1,360	(1,635)
Foreign currency translation adjustment	1,293	47
Remeasurements of defined benefit plans, net of tax	54	(43)
Total other comprehensive income	2,708	(1,631)
Comprehensive income	6,193	2,153
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	6,193	2,153

## (3) Consolidated Statements of Changes in Equity

Previous fiscal year (from January 1, 2017 to December 31, 2017)

(Million yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at the beginning of period	6,911	6,039	39,694	(2,693)	49,951
Changes of items during period					
Dividends of surplus			(1,346)		(1,346)
Profit attributable to owners of parent			3,485		3,485
Purchase of treasury shares				(89)	(89)
Disposal of treasury shares		23		66	90
Net changes of items other than shareholders' equity					—
Total changes of items during period	—	23	2,138	(23)	2,138
Balance at end of period	6,911	6,062	41,832	(2,716)	52,090

	Accumulated other comprehensive income				Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	
Balance at the beginning of period	1,992	(505)	(33)	1,452	51,404
Changes of items during period					
Dividends of surplus				—	(1,346)
Profit attributable to owners of parent				—	3,485
Purchase of treasury shares				—	(89)
Disposal of treasury shares				—	90
Net changes of items other than shareholders' equity	1,360	1,293	54	2,708	2,708
Total changes of items during period	1,360	1,293	54	2,708	4,847
Balance at end of period	3,352	787	21	4,161	56,251

Fiscal year under review (from January 1, 2018 to December 31, 2018)

(Million yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at the beginning of period	6,911	6,062	41,832	(2,716)	52,090
Changes of items during period					
Dividends of surplus			(1,397)		(1,397)
Profit attributable to owners of parent			3,785		3,785
Purchase of treasury shares				(0)	(0)
Disposal of treasury shares				1	1
Net changes of items other than shareholders' equity					—
Total changes of items during period	—	—	2,387	1	2,388
Balance at end of period	6,911	6,062	44,220	(2,715)	54,479

	Accumulated other comprehensive income				Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	
Balance at the beginning of period	3,352	787	21	4,161	56,251
Changes of items during period					
Dividends of surplus				—	(1,397)
Profit attributable to owners of parent				—	3,785
Purchase of treasury shares				—	(0)
Disposal of treasury shares				—	1
Net changes of items other than shareholders' equity	(1,635)	47	(43)	(1,631)	(1,631)
Total changes of items during period	(1,635)	47	(43)	(1,631)	757
Balance at end of period	1,716	835	(22)	2,529	57,009

## (4) Consolidated Statement of Cash Flows

(Million yen)

	Previous fiscal year (Jan. 1, 2017– Dec. 31, 2017)	Fiscal year under review (Jan. 1, 2018– Dec. 31, 2018)
<b>Cash flows from operating activities</b>		
Profit before income taxes	5,339	4,851
Depreciation	1,422	1,674
Increase (decrease) in allowance for doubtful accounts	(53)	(3)
Increase (decrease) in net defined benefit liability	86	85
Interest and dividend income	(189)	(182)
Interest expenses	53	43
Loss (gain) on sales of investment securities	(17)	(614)
Subsidy income	(411)	–
Loss on retirement of non-current assets	132	143
Loss (gain) on sales of non-current assets	(28)	(101)
Loss on factory closure	–	1,217
Decrease (increase) in notes and accounts receivable - trade	(1,495)	(798)
Decrease (increase) in other current assets	9	360
Decrease (increase) in inventories	(720)	(1,493)
Increase (decrease) in notes and accounts payable - trade	1,418	949
Increase (decrease) in other current liabilities	117	(222)
Increase (decrease) in other non-current liabilities	(14)	10
Increase (decrease) in accrued consumption taxes	(303)	107
Other	170	69
<b>Subtotal</b>	<b>5,515</b>	<b>6,098</b>
Income taxes paid	(3,407)	(1,808)
Loss on factory closure paid	–	(1,103)
<b>Net cash provided by (used in) operating activities</b>	<b>2,107</b>	<b>3,186</b>
<b>Cash flows from investing activities</b>		
Payments into time deposits	(1,229)	–
Proceeds from withdrawal of time deposits	–	1,211
Proceeds from redemption of securities	500	–
Purchase of property, plant and equipment	(2,859)	(5,547)
Proceeds from sales of property, plant and equipment	86	2,107
Purchase of intangible assets	(48)	(51)
Purchase of investment securities	(700)	(670)
Proceeds from sales of investment securities	1,520	2,085
Proceeds from redemption of investment securities	200	–
Purchase of insurance funds	(115)	(101)
Proceeds from maturity of insurance funds	168	–
Payments of loans receivable	(1,038)	(118)
Collection of loans receivable	38	76
Proceeds from collection of long-term deposits	–	3,110
Interest and dividend income received	196	189
Other	67	(78)
<b>Net cash provided by (used in) investing activities</b>	<b>(3,213)</b>	<b>2,211</b>



(Million yen)

	Previous fiscal year (Jan. 1, 2017– Dec. 31, 2017)	Fiscal year under review (Jan. 1, 2018– Dec. 31, 2018)
Cash flows from financing activities		
Increase in short-term loans payable	4,708	5,590
Decrease in short-term loans payable	(4,631)	(5,393)
Proceeds from long-term loans payable	1,000	100
Repayments of long-term loans payable	(92)	(1,368)
Purchase of treasury shares	(89)	(0)
Proceeds from sales of treasury shares	89	–
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(75)	–
Cash dividends paid	(1,346)	(1,398)
Interest expenses paid	(52)	(43)
Repayments of lease obligations	(215)	(164)
Net cash provided by (used in) financing activities	(705)	(2,678)
Effect of exchange rate change on cash and cash equivalents	198	(38)
Net increase (decrease) in cash and cash equivalents	(1,612)	2,680
Cash and cash equivalents at beginning of period	22,694	21,082
Cash and cash equivalents at end of period	21,082	23,762

(5) Notes to Consolidated Financial Statements

(Note to ongoing concern assumptions)

None

(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 such treasury shares outstanding was 89 million yen at the end of the previous consolidated fiscal year and 88 million yen at the end of the consolidated fiscal year under review. The number of such treasury shares outstanding was 98,128 shares at the end of the previous consolidated fiscal year and 96,509 shares at the end of the consolidated fiscal year under review.

(Information related to the consolidated balance sheets)

\*1 Assets provided as security (Million yen)

	Previous fiscal year (As of December 31, 2017)	Fiscal year under review (As of December 31, 2018)
Buildings and structures	996	1,653
Land	188	188
Total	1,185	1,842

Obligations corresponding to the properties described above (Million yen)

	Previous fiscal year (As of December 31, 2017)	Fiscal year under review (As of December 31, 2018)
Long-term loans payable (including the current portion of long-term loans payable)	3,050	1,750

\*2 Those related to non-consolidated subsidiaries and affiliated companies are as follows. (Million yen)

	Previous fiscal year (As of December 31, 2017)	Fiscal year under review (As of December 31, 2018)
Investment securities (shares)	355	355

\*3 Accounting of matured notes as of the last day of the consolidated fiscal year

In the accounting of matured notes as of the last day of the consolidated fiscal year, settlement is deemed to have been made on the date of maturity because the last day of the consolidated fiscal year under review fell on a bank holiday. Matured notes as of the last day of the consolidated fiscal year under review are as follows.

	Previous fiscal year (As of December 31, 2017)	Fiscal year under review (As of December 31, 2018)
Notes receivable - trade	337	395
Notes payable - trade	11	—

\*4 Overdraft agreement

The Company and its consolidated subsidiaries have executed overdraft agreements with six banks with which they have accounts for the efficient raising of operating funds. The amount of possible borrowings that may be provided under the credit line granted as of the end of the consolidated fiscal year under those agreements is as follows.

	Previous fiscal year (As of December 31, 2017)	Fiscal year under review (As of December 31, 2018)
Overdraft limit	6,845	6,858
Outstanding borrowings	468	662
Difference	6,376	6,195

(Information related to the consolidated statements of income)

\*1 The main items of selling, general and administrative expenses and the amounts thereof are as follows.

	(Million yen)	
	Previous fiscal year (Jan. 1, 2017 — Dec. 31, 2017)	Fiscal year under review (Jan. 1, 2018 — Dec. 31, 2018)
Depreciation	490	536
Employee salaries and allowances	3,384	3,461
Provision for bonuses	54	—
Retirement benefit expenses	229	233
Provision of the reserve for grant of shares	22	23
Freightage and packing expenses	2,220	2,315
Commission fee	1,156	1,338
Provision of allowance for doubtful accounts	2	0

\*2 The breakdown of the gain on sales of non-current assets is as follows.

	(Million yen)	
	Previous fiscal year (Jan. 1, 2017 — Dec. 31, 2017)	Fiscal year under review (Jan. 1, 2018 — Dec. 31, 2018)
Buildings and structures	0	—
Land	34	100
Machinery, equipment and vehicles	0	1
Other	0	—
Total	35	101

\*3 The breakdown of the loss on disposal of non-current assets is as follows.

	(Million yen)	
	Previous fiscal year (Jan. 1, 2017 — Dec. 31, 2017)	Fiscal year under review (Jan. 1, 2018 — Dec. 31, 2018)
Buildings and structures	126	118
Land	2	—
Machinery, equipment and vehicles	9	22
Property, plant and equipment “Other”	1	2
Intangible assets “Other”	—	1
Total	140	144

\*4 Total sum of research and development expenses included in general and administrative expenses and manufacturing costs for the fiscal year under review

	(Million yen)	
	Previous fiscal year (Jan. 1, 2017 — Dec. 31, 2017)	Fiscal year under review (Jan. 1, 2018 — Dec. 31, 2018)
	497 million yen	655 million yen

\*5 Loss on factory closure

Loss on factory closure consists of expenses incurred upon the closure of factories in China due to the liquidation of Changxing Water Gremlin Non-Ferrous Co., a consolidated subsidiary of the Company. The main items of loss on factory closure are impairment loss of 554 million yen, expenses for the transfer and removal of production facilities of 537 million yen and other expenses due to the closure of factories of 125 million yen. A breakdown of the impairment loss is as follows.

Location	Use	Type	Impairment loss (million yen)
Zhejiang, China	Factory (to be sold)	Buildings and structures	554

With respect to the assets above, loss on their sale is expected, and thus their book value is reduced to the recoverable amount and the reduction is posted as “loss on factory closure” under extraordinary losses. The said recoverable amount is measured at the net sales value and will be the sales price. In addition, the assets of the Okabe Group are grouped in the minimum unit, which generally generates independent cash flow based on the categories for the purpose of managerial accounting.

(Segment information)

[Segment information]

1. Description of reporting segments

Reporting segments of the Okabe Group are individual units for which separate financial information is available and that are subject to a periodic review by the Board of Directors for the purposes of evaluating performance and determining the allocation of resources.

The Group is engaged in the construction-related products business and business activities in several other industries. Comprehensive strategies are established and business activities conducted for products and services in Japan and other countries for each major business that is categorized based on the type of industry.

Consequently, there are three reporting segments for major business activities categorized by industry: construction-related products, automotive products and other businesses.

Construction-related products includes manufacture and sales of temporary building and formwork products, civil engineering products and building structural products and sale of building materials.

Automotive products includes manufacture and sales of automotive products.

Other businesses includes manufacture and sales of marine materials products, and manufacture and sales of fishing sinkers in the United States.

2. Methods for calculating sales, income (loss), assets, liabilities and other items by reportable segment

Accounting methods for the reported business segments are almost the same as those used for the preparation of consolidated financial statements.

Reportable segment income is presented based on operating profit (loss).

Intersegment sales or transfers of funds are presented based on actual market prices.

3 Information regarding sales, income (loss), assets, liabilities and other items for each reportable business segment

Previous fiscal year (from January 1, 2017 to December 31, 2017)

(Million yen)

	Reportable segments				Adjustment (Note 1)	Amounts in consolidated financial statements (Note 2)
	Construction- related products	Automotive products	Other businesses	Total		
Net sales						
Sales to external customers	50,404	9,370	1,142	60,917	—	60,917
Intersegment internal sales and transfers	—	—	—	—	—	—
Total	50,404	9,370	1,142	60,917	—	60,917
Segment income (loss)	4,105	761	(22)	4,844	—	4,844
Segment assets	57,716	13,199	877	71,793	17,553	89,346
Other items						
Depreciation	959	419	43	1,422	0	1,422
Amortization of goodwill	—	77	—	77	—	77
Increase in property, plant and equipment and intangible assets	2,786	1,392	1	4,180	—	4,180

(Notes)

1. The adjustment consists of the following items.

(a) The adjustment of 17,553 million yen for segment assets consists of a deduction of 502 million yen for intersegment transactions and an addition of 18,056 million yen for corporate assets that cannot be allocated to a particular segment.

The main components of corporate assets are investments of unused funds (deposits) and long-term investments (investment securities).

(b) The depreciation adjustment of negative 0 million yen is for the write-off of unrealized gains and losses associated with noncurrent assets.

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

Fiscal year under review (from January 1, 2018 to December 31, 2018)

(Million yen)

	Reportable segments				Adjustment (Note 1)	Amounts in consolidated financial statements (Note 2)
	Construction- related products	Automotive products	Other businesses	Total		
Net sales						
Sales to external customers	53,372	10,075	1,337	64,785	—	64,785
Intersegment internal sales and transfers	—	—	—	—	—	—
Total	53,372	10,075	1,337	64,785	—	64,785
Segment income	4,727	587	34	5,349	—	5,349
Segment assets	59,578	12,326	1,270	73,175	14,656	87,832
Other items						
Depreciation	1,153	479	41	1,674	0	1,674
Amortization of goodwill	—	78	—	78	—	78
Increase in property, plant and equipment and intangible assets	1,563	3,224	2	4,790	—	4,790

(Notes)

1. The adjustment consists of the following items.

(a) The adjustment of 14,656 million yen for segment assets consists of a deduction of 225 million yen for intersegment transactions and an addition of 14,881 million yen for corporate assets that cannot be allocated to a particular segment.

The main components of corporate assets are investments of unused funds (deposits) and long-term investments (investment securities).

(b) The depreciation adjustment of negative 0 million yen is for the write-off of unrealized gains and losses associated with noncurrent assets.

2. Segment income matches the operating profit in the consolidated statements of income.

[Related information]

Previous fiscal year (from January 1, 2017 to December 31, 2017)

1. Information by products and services

Omitted because similar information is presented in segment information

2. Information by geographical areas

(1) Net sales

(Million yen)

Japan	North America	Others	Total
45,910	10,852	4,154	60,917

(Note) Net sales are based on the locations of customers and categorized in accordance with countries or regions.

(2) Property, plant and equipment

(Million yen)

Japan	North America	Others	Total
14,195	3,764	2,206	20,167

3. Information by a major customer

(Million yen)

Name of customer	Net sales	Name of relevant segment
MM & KENZAI Corporation	6,894	Construction-related products

Fiscal year under review (from January 1, 2018 to December 31, 2018)

1. Information by products and services

Omitted because similar information is presented in segment information

2. Information by geographical areas

(1) Net sales

(Million yen)

Japan	North America	Others	Total
47,807	12,701	4,276	64,785

(Note) Net sales are based on the locations of customers and categorized in accordance with countries or regions.

(2) Property, plant and equipment

(Million yen)

Japan	North America	Others	Total
14,590	5,686	992	21,268

3. Information by a major customer

(Million yen)

Name of customer	Net sales	Name of relevant segment
MM & KENZAI Corporation	7,330	Construction-related products

[Segment information for impairment of non-current assets]

Previous fiscal year (from January 1, 2017 to December 31, 2017)

None

Fiscal year under review (from January 1, 2018 to December 31, 2018)

(Million yen)

	Reportable segments				Adjustment	Total
	Construction-related products	Automotive products	Other businesses	Total		
Impairment loss	—	554	—	554	—	554

## (Per-share information)

	Previous fiscal year (Jan. 1, 2017 — Dec. 31, 2017)	Fiscal year under review (Jan. 1, 2018 — Dec. 31, 2018)
Net assets per share	1,128.93	1,144.09
Profit per share	69.95	75.97

- (Notes)
1. Diluted profit per share is not stated because there is no dilutive share.
  2. The Company's own shares that remain in the stock-granting ESOP trust and recorded as treasury shares in shareholders' equity are included in treasury shares that will be deducted in the calculation of the number of shares outstanding at the end of period to calculate net assets per share. (98,128 shares for the previous consolidated fiscal year; 96,509 shares for the consolidated fiscal year under review)
  3. The Company's own shares that remain in the stock-granting ESOP trust and recorded as treasury shares in shareholders' equity are included in treasury shares that will be deducted in the calculation of the average number of shares outstanding during the period to calculate profit per share. (75,512 shares for the previous consolidated fiscal year; 97,196 shares for the consolidated fiscal year under review)
  4. Basis of calculation

## (1) Net assets per share

Item	Previous fiscal year (As of December 31, 2017)	Fiscal year under review (As of December 31, 2018)
Total amount in NET ASSETS (million yen)	56,251	57,009
Net assets pertaining to common stock (million yen)	56,251	57,009
Amount that will be deducted from the total amount in NET ASSETS (million yen)	—	—
Number of shares of common stock issued (shares)	53,790,632	53,790,632
Number of treasury shares of common stock (shares)	3,963,010	3,961,539
Number of shares of common stock used for the calculation of net asset per share (shares)	49,827,622	49,829,093

## (2) Profit per share

Item	Previous fiscal year (Jan. 1, 2017 — Dec. 31, 2017)	Fiscal year under review (Jan. 1, 2018 — Dec. 31, 2018)
Amount of profit per share		
Profit attributable to owners of parent (million yen)	3,485	3,785
Amount not attributable to common shareholders (million yen)	—	—
Profit attributable to owners of parent pertaining to common stock (million yen)	3,485	3,785
Average number of shares of common stock outstanding during the period (shares)	49,827,576	49,828,434



(Significant events after the reporting period)

(Business combination by buyback)

The Company decided to buy back all the shares of Kawahara at the meeting of the Board of Directors held on December 28, 2018. It bought back the shares on January 31, 2019 and turned the company into its subsidiary.

(1) Purpose of buyback of shares

Kawahara has a high market share and technical strength in the lift table market and sales channels for a range of markets, including the construction market, in which the Company has advantages. The Company and Kawahara will cooperate to create synergies. In addition, lift tables are used in a range of situations around the world, so we will develop sales channels for overseas by using the Company's overseas bases.

For the reasons described above, the Company decided to buy back the shares of Kawahara and turn it into its subsidiary.

(2) Name of the entities from which the shares will be bought back

Shareholders of the company to be bought back

(3) Name of the company to be acquired, business description and scale

(i) Name of the company to be bought back: Kawahara

(ii) Business description: design, manufacturing, sale and maintenance of industrial machinery products

(iii) Amount of capital stock: 490 million yen

(4) Date for buyback of shares

January 31, 2019

(5) Number of shares to be bought back and shareholding ratio after buyback

(i) Number of shares to be bought back: 2,099,552 shares

(ii) Shareholding ratio after buyback: 100%

(6) Method of raising funds for payment and method of payment

Appropriation from funds on hand