

Consolidated Financial Results (Japanese Accounting Standards) for the First Three Months of the Fiscal Year Ending December 31, 2020

May 20, 2020

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

Scheduled date for filing of quarterly report: To be determined
 Scheduled date of commencement of dividend payment: –
 Supplementary documents for quarterly results: None
 Quarterly results briefing: None

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

1. Consolidated Financial Results for the First Three Months Ended March 31, 2020 (January 1, 2020 – March 31, 2020)

(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	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Three months ended March 31, 2020	15,285	(1.0)	813	(28.7)	886	(24.7)	280	(61.2)
March 31, 2019	15,439	6.7	1,141	32.1	1,176	25.6	723	1.4

(Note) Comprehensive income: -420 million yen (–%) for the three months ended March 31, 2020
 661 million yen (74.9%) for the three months ended March 31, 2019

	Profit per share (basic)	Profit per share (diluted)
	Yen	Yen
Three months ended March 31, 2020	5.66	–
March 31, 2019	14.52	–

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of March 31, 2020	87,470	56,331	64.4
December 31, 2019	88,652	57,869	65.3

(Reference) Shareholders' equity: As of March 31, 2020: 56,331 million yen
 As of December 31, 2019: 57,869 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, 2019	–	14.00	–	14.00	28.00
Year ending December 31, 2020	–				
Year ending December 31, 2020 (forecasts)		–	–	–	–

(Note) Revisions to dividend forecasts published most recently: Yes

(Note) The annual dividend per share (forecast) for the fiscal year ending December 31, 2020 has yet to be determined.

3. Consolidated Forecasts for the Fiscal Year Ending December 31, 2020 (January 1, 2020 – December 31, 2020)

(Percentages represent year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Profit per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
First half	–	–	–	–	–	–	–	–	–
Full year	–	–	–	–	–	–	–	–	–

(Note) Revisions to financial forecasts published most recently: Yes

* Due to the spread of the COVID-19 coronavirus, there are many uncertainties that may affect the results of the Company, and it is difficult to reasonably calculate results forecasts and dividend forecasts. The Company has thus withdrawn the results and dividend forecasts announced on February 14, 2020 and they are withheld. The Company will announce the results and dividend forecasts when it is able to reasonably forecast them.

* Notes

(1) Changes in important subsidiaries during the period

(changes of specific subsidiaries in accordance with changes in the scope of consolidation): None

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

(Note) Please refer to "Application of particular accounts procedures to the preparation of quarterly consolidated financial statements" on page 8 for details.

(3) Changes in Accounting Policies, Accounting Estimates and Restatement

(i) Changes in accounting policies caused by revision of accounting standards: None

(ii) Changes in accounting policies other than (i): None

(iii) Changes in accounting estimates: None

(iv) Restatement: None

(4) Number of shares outstanding (common shares):

(i) Number of shares outstanding at end of period (including treasury shares)

As of March 31, 2020: 53,790,632 shares

As of December 31, 2019: 53,790,632 shares

(ii) Number of treasury shares at end of period

As of March 31, 2020: 4,676,715 shares

As of December 31, 2019: 3,958,938 shares

(iii) Average number of shares outstanding during the period

Three months ended March 31, 2020: 49,619,383 shares

Three months ended March 31, 2019: 49,829,352 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 (198,985 shares as of March 31, 2020, and 93,908 shares as of December 31, 2019). The shares of the Company held by the stock-granting ESOP trust are included in the treasury shares deducted in the calculation of the average number of shares outstanding during each period (three months) (119,919 shares for the three months ended March 31, 2020, and 96,250 shares for the three months ended March 31, 2019).

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

This financial summary is not subject to the statutory quarterly review by a certified public accountant or an audit corporation, and the review of the quarterly consolidated financial statements under the Financial Instruments and Exchange Act has not been completed at the time of the disclosure of this financial summary. Therefore, the figures of the financial statements may change.

* Explanations and other special notes concerning the appropriate use of business performance forecasts

Due to the spread of COVID-19, there are many uncertainties that may affect the results of the Company, and it is difficult to reasonably calculate results forecasts and dividend forecasts. Therefore, the Company has withdrawn the results and dividend forecasts announced on February 14, 2020 and they are withheld. The Company will announce the results and dividend forecasts when it is able to reasonably forecast them. For more information on the results and dividend forecasts, refer to 1. Qualitative Information Regarding Results of Operations for the First Three Months Ended March 31, 2020, (2) Explanation Regarding Forecast for Fiscal Year Ending December 31, 2020 on page 3 of the supplementary information.

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1. Qualitative Information Regarding Results of Operations for the First Three Months Ended March 31, 2020

(1) Explanation Regarding Results of Operations

In the first three months of the fiscal year under review (January 1, 2020 to March 31, 2020), the Japanese economy was pushed down significantly by the spread of COVID-19, which was a challenging situation.

In the Japanese construction industry, which includes the core customers of the Okabe Group, the progress of some construction work was affected by COVID-19, but most made good progress. The business environment did not deteriorate significantly, partly due to firm demand supported by public investment.

In this business environment, the Okabe Group prioritizes ensuring the health and safety of its customers, employees and their families, considering that minimizing the risk caused by COVID-19 is an urgent issue, and took steps to prevent the spread, including the promotion of teleworking. The Group strove to maintain its supply chain and continued to supply products to fulfill its responsibility to customers.

Results of operations by business segment are as follows:

(a) Construction-related products

In the domestic business, sales of building structural products such as one-side rings and reinforcing bar joints that contribute to labor savings and civil engineering products such as lock bolts used for post-disaster reconstruction work remained strong. Sales at OCM, Inc., a consolidated subsidiary in the U.S., were weak chiefly due to a surge in purchase prices of goods from China caused by the U.S.-China trade friction. As a result, sales in the construction-related products segment fell 0.4% year on year, to 12,783 million yen, and operating profit decreased 6.9% year on year, to 1,015 million yen.

(b) Automotive products

Sales of battery terminal products remained weak chiefly due to a fall in utilization rates associated with countermeasures against environmental issues at a plant in the U.S. As a result, net sales decreased 24.0% year on year, to 1,795 million yen, and the operating loss was 162 million yen (the operating profit in the same period of the previous year was 51 million yen). For more details about the environmental issues at a plant in the U.S., refer to the timely disclosure material “Impact of Environmental Issues (Emission of Air Pollutants Exceeding Prescribed Standards and Inappropriate Handling of Lead) at Subsidiary on Consolidated Financial Results and Okabe’s Responses (Follow-Up of Past Announcement)” on February 14, 2020.

(c) Other businesses

As a result of posting financial results of KAWAHARA MFG. CO., LTD., which became the Company’s subsidiary after its acquisition of all shares of KAWAHARA on January 31, 2019, from April 1, 2019, net sales increased 193.8% year on year, to 706 million yen. The operating loss was 39 million yen (the operating loss in the same period of the previous year was 0 million yen). Floating fish reefs will be delivered from the second quarter.

Consequently, consolidated net sales for the first three months of the fiscal year under review fell 1.0% year on year, to 15,285 million yen, and consolidated operating profit declined 28.7% year on year, to 813 million yen. Consolidated ordinary profit decreased 24.7% year on year, to 886 million yen, and profit attributable to owners of parent dropped 61.2% year on year, to 280 million yen.

The end of the fiscal year of the overseas subsidiaries is September 30, and their results from October 1 to December 31, 2019 are consolidated into the consolidated results for the first three months. The results of OCM, Inc., a U.S.-based subsidiary in the construction-related products business, Water Gremlin Company, a U.S.-based subsidiary, and Water Gremlin Aquila Company S.p.A., a subsidiary in Italy, in the automotive products business, among other overseas subsidiaries, were the results before the effects of COVID-19.

(For reference)

Net sales by business segments and product category (consolidated)

(Yen in millions, rounded down)

		Previous consolidated first three months (Jan. 1, 2019 – Mar. 31, 2019)		Consolidated first three months under review (Jan. 1, 2020 – Mar. 31, 2020)		Change
		Amount	Proportion	Amount	Proportion	
Construction- related products	Temporary building and formwork products	1,748	11.3	1,607	10.5	(8.1)
	Civil engineering products	1,580	10.2	1,754	11.5	11.0
	Building structural products	4,700	30.5	4,875	31.9	3.7
	Building materials (Japan)	3,291	21.3	3,125	20.4	(5.1)
	Subtotal – Japan	11,321	73.3	11,362	74.3	0.4
	Building materials (Overseas)	1,515	9.8	1,420	9.3	(6.3)
	Subtotal – overseas	1,515	9.8	1,420	9.3	(6.3)
	Subtotal – segment	12,837	83.1	12,783	83.6	(0.4)
Automotive products		2,362	15.3	1,795	11.8	(24.0)
Other businesses (Note2)		240	1.6	706	4.6	193.8
Total		15,439	100.0	15,285	100.0	(1.0)

(Notes) 1. For information about the main operations of each business segment, please refer to “Segment information” on page 9.
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.
In addition, the results of KAWAHARA MFG. CO., LTD., which manufactures and sells industrial machine products, have been posted since April 1, 2019.

(2) Explanation Regarding Forecast for Fiscal Year Ending December 31, 2020

In the construction industry, which includes the core customers of Okabe Co., Ltd., construction work at certain construction sites was suspended due to the spread of COVID-19, which is expected to effect the results of the Company, including the demand for construction material. In addition, due to the uncertainty regarding the end of COVID-19, it is difficult to reasonably calculate results and dividend forecasts.

The Company has thus withdrawn the consolidated results and dividend forecasts for the fiscal year ending December 31, 2020 that were announced on February 14, 2020 and they are withheld. The Company will announce the results and dividend forecasts when it is able to reasonably forecast them.

2. Quarterly Consolidated Financial Statements and Key Notes

(1) Quarterly Consolidated Balance Sheet

(Million yen)

	Fiscal year ended December 31, 2019 (As of December 31, 2019)	First three months ended March 31, 2020 (As of March 31, 2020)
ASSETS		
Current assets		
Cash and deposits	20,664	21,223
Notes and accounts receivable - trade	21,686	20,143
Merchandise and finished goods	7,427	7,560
Work in process	1,500	1,546
Raw materials and supplies	1,697	2,153
Other	452	1,037
Allowance for doubtful accounts	(23)	(24)
Total current assets	53,406	53,640
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	10,711	10,636
Machinery, equipment and vehicles, net	3,940	4,020
Land	4,239	4,294
Other, net	2,876	2,982
Total property, plant and equipment	21,768	21,934
Intangible assets		
Goodwill	2,560	2,724
Other	259	247
Total intangible assets	2,820	2,971
Investments and other assets		
Investment securities	7,262	6,389
Other	3,482	2,629
Allowance for doubtful accounts	(98)	(106)
Total investments and other assets	10,645	8,912
Total non-current assets	35,234	33,819
Deferred assets		
Bond issuance cost	11	11
Total deferred assets	11	11
Total assets	88,652	87,470

(Million yen)

	Fiscal year ended December 31, 2019 (As of December 31, 2019)	First three months ended March 31, 2020 (As of March 31, 2020)
LIABILITIES		
Current liabilities		
Notes and accounts payable - trade	4,691	4,798
Electronically recorded obligations - operating	8,591	8,833
Short-term borrowings	7,419	2,012
Income taxes payable	651	426
Provision for bonuses	—	258
Other	2,364	2,675
Total current liabilities	23,718	19,004
Non-current liabilities		
Bonds payable	1,000	1,000
Long-term borrowings	2,400	7,602
Provision for share-based remuneration	77	84
Retirement benefit liability	1,874	1,915
Asset retirement obligations	41	41
Other	1,670	1,491
Total non-current liabilities	7,063	12,134
Total liabilities	30,782	31,139
NET ASSETS		
Shareholders' equity		
Share capital	6,911	6,911
Capital surplus	6,062	6,083
Retained earnings	45,502	45,179
Treasury shares	(2,712)	(3,248)
Total shareholders' equity	55,763	54,926
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,024	1,076
Foreign currency translation adjustment	97	342
Remeasurements of defined benefit plans	(15)	(13)
Total accumulated other comprehensive income	2,106	1,405
Total net assets	57,869	56,331
Total liabilities and net assets	88,652	87,470

(2) Quarterly Consolidated Statement of Income and Quarterly Consolidated Statement of Comprehensive Income
(Quarterly Consolidated Statement of Income)
(First three-month period)

(Million yen)

	First three months ended March 31, 2019 (Jan. 1, 2019 – Mar. 31, 2019)	First three months ended March 31, 2020 (Jan. 1, 2019– Mar. 31, 2020)
Net sales	15,439	15,285
Cost of sales	11,217	11,137
Gross profit	4,222	4,147
Selling, general and administrative expenses	3,080	3,333
Operating profit	1,141	813
Non-operating income		
Interest income	6	4
Dividend income	19	28
Surrender value of insurance policies	–	61
Other	39	25
Total non-operating income	65	120
Non-operating expenses		
Interest expenses	11	27
Loss on investments in investment partnerships	5	10
Other	13	9
Total non-operating expenses	30	48
Ordinary profit	1,176	886
Extraordinary income		
Gain on sales of non-current assets	0	0
Total extraordinary income	0	0
Extraordinary losses		
Loss on disposal of non-current assets	1	6
Loss on factory closure	32	–
Environmental expenses	25	231
Other	8	66
Total extraordinary losses	68	305
Profit before income taxes	1,108	581
Income taxes - current	384	381
Income taxes - deferred	0	(80)
Total income taxes	385	300
Profit	723	280
Profit attributable to owners of parent	723	280

(Quarterly Consolidated Statement of Comprehensive Income)
(First three-month period)

(Million yen)

	First three months ended March 31, 2019 (Jan. 1, 2019 – Mar. 31, 2019)	First three months ended March 31, 2020 (Jan. 1, 2020 – Mar. 31, 2020)
Profit	723	280
Other comprehensive income		
Valuation difference on available-for-sale securities	276	(947)
Foreign currency translation adjustment	(338)	245
Remeasurements of defined benefit plans, net of tax	(0)	1
Total other comprehensive income	(62)	(700)
Comprehensive income	661	(420)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	661	(420)

(3) Notes to Quarterly Consolidated Financial Statements

(Note to ongoing concern assumptions)

None

(Note to significant changes in shareholders' equity)

None

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

(Calculation of Tax Expenses)

Taxes are calculated by multiplying profit before income taxes by a reasonable estimate of the effective tax rate after adjustments for tax-effect accounting for profit before income taxes in the current fiscal year.

(Additional information)

(Transactions of Delivering the Company's Own Stock to Employees, etc. through Trusts)

The Company has introduced the stock-granting ESOP trust system, a trust-type employee incentive plan under which the Company's own shares are issued to its employees for the purpose of encouraging the motivation of the employees of the Company and the Okabe Group and enhancing the welfare program.

(1) Transaction overview

This program adopts the system called the stock-granting employee stock ownership plan ("ESOP Trust"). The ESOP Trust is an employee incentive plan inspired by the U.S. ESOP system, under which shares bought back by the ESOP Trust are issued to employees who have met the requirements prescribed in the Shares Issuance Regulations established in advance.

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

(2) Treasury shares remaining in the trust

The Company's shares remaining in the trust are recorded at the book value (excluding all incidental expenses) in the section of net assets as treasury shares in the trust. The book value of the treasury shares is 86 million yen for the previous consolidated fiscal year and 178 million yen for the first three months of the fiscal year under review. The number of treasury shares at the end of the term is 93,908 shares for the previous consolidated fiscal year and 198,985 shares for the first three months of the fiscal year under review.

(Segment information)

[Segment information]

I. First three months ended March 31, 2019 (January 1, 2019 – March 31, 2019)

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

(Million yen)

	Reportable segments				Adjustment	Amounts in quarterly consolidated statements of income (Note)
	Construction-related products	Automotive products	Other businesses	Total		
Net sales						
Sales to external customers	12,837	2,362	240	15,439	—	15,439
Intersegment internal sales and transfers	—	—	—	—	—	—
Total	12,837	2,362	240	15,439	—	15,439
Segment profit (loss)	1,091	51	(0)	1,141	—	1,141

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

2. Non-current assets impairment losses, goodwill and other information for each reportable segment

(Significant changes in the amount of goodwill)

Due to the buyback of all the shares of KAWAHARA MFG. CO., LTD. and the consequent inclusion thereof in the scope of consolidation, goodwill of 2,590 million yen was added to the “other businesses” segment in the three months of the consolidated fiscal year under review.

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

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

(Million yen)

	Reportable segments				Adjustment	Amounts in quarterly consolidated statements of income (Note)
	Construction-related products	Automotive products	Other businesses	Total		
Net sales						
Sales to external customers	12,783	1,795	706	15,285	—	15,285
Intersegment internal sales and transfers	—	—	—	—	—	—
Total	12,783	1,795	706	15,285	—	15,285
Segment profit (loss)	1,015	(162)	(39)	813	—	813

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

2. Non-current assets impairment losses, goodwill and other information for each reportable segment

None