

Summary of Consolidated Financial Results (Japanese Accounting Standards) for the Year Ended December 31, 2019

February 14, 2020

Company name: Okabe Co., Ltd. Stock exchange listing: First Section of the Tokyo Stock Exchange
 Stock code: 5959 URL: <https://www.okabe.co.jp/>
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 Scheduled date of Annual General Meeting of Shareholders: March 27, 2020
 Scheduled date of commencement of dividend payment: March 30, 2020
 Scheduled date of filing of Annual Securities Report: March 27, 2020
 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 Fiscal Year Ended December 31, 2019 (January 1, 2019 – December 31, 2019)

(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, 2019	65,409	1.0	5,294	(1.0)	5,619	0.3	3,342	6.8
December 31, 2018	64,785	6.3	5,349	10.4	5,601	10.5	3,128	(10.2)

(Note) Comprehensive income: 2,937 million yen (98.7%) for the year ended December 31, 2019
 1,478 million yen (negative 76.1%) for the year ended December 31, 2018

	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, 2019	67.07	–	5.9	6.4	8.1
December 31, 2018	62.79	–	5.6	6.3	8.3

(Reference) Equity in earnings (losses) of affiliates: Year ended December 31, 2019: – million yen
 Year ended December 31, 2018: – 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, 2019	88,652	57,869	65.3	1,161.31
As of December 31, 2018	87,701	56,333	64.2	1,130.54

(Reference) Shareholders' equity: As of December 31, 2019: 57,869 million yen
 As of December 31, 2018: 56,333 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, 2019	3,963	(5,093)	(1,924)	20,604
December 31, 2018	3,186	2,211	(2,678)	23,762

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, 2018	–	13.00	–	13.00	26.00	1,298	41.4	2.3
December 31, 2019	–	14.00	–	14.00	28.00	1,397	41.7	2.4
Year ending December 31, 2020 (forecasts)	–	14.00	–	14.00	28.00		39.9	

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

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	31,174	(2.0)	2,143	(14.5)	2,205	(19.3)	1,055	21.17
Full year	66,000	0.9	5,600	5.8	5,700	1.4	3,500	70.24

* 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, 2019: 53,790,632 shares
As of December 31, 2018: 53,790,632 shares
(ii) Number of treasury shares at end of period
As of December 31, 2019: 3,958,938 shares
As of December 31, 2018: 3,961,539 shares
(iii) Average number of shares outstanding during the period
Fiscal year ended December 31, 2019: 49,830,597 shares
Fiscal year ended December 31, 2018: 49,828,434 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 (93,908 shares as of December 31, 2019, and 96,509 shares as of December 31, 2018). 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 (95,005 shares for the year ended December 31, 2019, and 97,196 shares for the year ended December 31, 2018).

(Reference) Summary of Non-Consolidated Financial Results

1. Non-Consolidated Financial Results for the Fiscal Year Ended December 31, 2019 (January 1, 2019 – December 31, 2019)

(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, 2019	47,709	(0.2)	4,388	2.0	4,836	3.6	3,196	(10.6)
December 31, 2018	47,824	5.3	4,301	16.9	4,667	8.5	3,577	15.6

	Profit per share (basic)	Profit per share (diluted)
Year ended	Yen	Yen
December 31, 2019	64.15	–
December 31, 2018	71.80	–

(2) Non-Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of December 31, 2019	78,835	52,122	66.1	1,045.98
As of December 31, 2018	77,715	49,958	64.3	1,002.61

(Reference) Shareholders' equity:
As of December 31, 2019: 52,122 million yen
As of December 31, 2018: 49,958 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.

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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, 2019 to December 31, 2019)

In the fiscal year under review, the Japanese economy maintained a gradual recovery trend, despite some weakness that continued to grow particularly in the manufacturing industry amid weakening export.

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 partly due to delays in the progress of construction work caused by shortages of construction materials and labor, despite an adequate amount of orders received thanks to stable construction investment made largely in the private sector.

In this business environment, the Okabe Group made efforts to increase its market share by developing new products and enhancing existing product lines using the new center for comprehensive experiments it had established as well as the distribution warehouses in the U.S. through the key measures in the medium-term three year management plan “NEXT 100: Exciting Future.”

Results of operations by business segment are as follows:

[Construction-related products]

A breakdown of sales for construction-related products shows that sales of temporary building and formwork products decreased 4.2% year on year as a reactionary fall from large orders for projects, such as the extensive redevelopment in the Tokyo metropolitan area in the previous fiscal year.

Sales of civil engineering products increased 7.8% year on year, as a result of steady sales of products, such as lock bolts used for disaster recovery construction.

Sales of building structural products rose 1.8% year on year, partly as a result of raising the prices of core products and strong sales of products such as one-side rings, and reinforcing bar joints, which contribute to labor saving.

Sales of building materials in Japan fell 5.0% year on year primarily due to the impact of a decrease in the floor area of construction that commenced during the fiscal year under review.

Sales of building materials overseas rose 6.9% year on year as a result of growth in the market share of OCM, Inc., a consolidated subsidiary in the U.S., chiefly by improving its product supply capabilities through the utilization of distribution warehouses.

As a result, sales in the construction-related products segment increased 0.6% year on year, to 53,678 million yen, and operating profit rose 5.9% year on year, to 5,005 million yen.

[Automotive products]

Sales of battery terminal products remained weak following a fall in utilization rates associated with countermeasures against environmental problems at a plant in the U.S. (for more details, please see the timely disclosure material “Resumption of Operations of Production Facilities at an Overseas Subsidiary (Disclosure of Progress)” on March 4, 2019). As a result, net sales decreased 12.6% year on year, to 8,809 million yen, and operating profit decreased 77.2% year on year, to 133 million yen.

[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 118.5% year on year, to 2,922 million yen, and operating profit grew 351.8% year on year, to 155 million yen.

Consequently, consolidated net sales for the fiscal year under review increased 1.0% year on year, to 65,409 million yen, and consolidated operating profit dropped 1.0% year on year, to 5,294 million yen. Consolidated ordinary profit rose 0.3% year on year, to 5,619 million yen, and profit attributable to owners of parent grew 6.8% year on year, to 3,342 million yen.

(For reference)

Net sales by business segments and product category (consolidated)

(Yen in millions, rounded down)

		Previous fiscal year (Jan. 1, 2018 – Dec. 31, 2018)		Fiscal year under review (Jan. 1, 2019 – Dec. 31, 2019)		Change (%)
		Amount	Proportion (%)	Amount	Proportion (%)	
Construction-related products	Temporary building and formwork products	7,386	11.4	7,072	10.8	(4.2)
	Civil engineering products	6,043	9.3	6,517	9.9	7.8
	Building structural products	20,670	31.9	21,046	32.2	1.8
	Building materials (Japan)	13,072	20.2	12,412	19.0	(5.0)
	Subtotal – Japan	47,172	72.8	47,049	71.9	(0.3)
	Building materials (Overseas)	6,199	9.6	6,628	10.1	6.9
	Subtotal – overseas	6,199	9.6	6,628	10.1	6.9
	Subtotal – segment	53,372	82.4	53,678	82.0	0.6
Automotive products		10,075	15.5	8,809	13.5	(12.6)
Other businesses (Note 2)		1,337	2.1	2,922	4.5	118.5
Total		64,785	100.0	65,409	100.0	1.0

(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.

In addition, the results of KAWAHARA MFG. CO., LTD., which manufactures and sells industrial machine products, have been posted since April 1, 2019.

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

[Assets]

Current assets at the end of the fiscal year amounted to 53,406 million yen, a decrease of 4,321 million yen from the previous fiscal year-end, due mainly to a decrease in cash and deposits.

Non-current assets increased 5,275 million yen from the previous fiscal year-end to 35,234 million yen, primarily owing to an increase in goodwill.

As a result, total assets increased 950 million yen from the previous fiscal year-end to 88,652 million yen.

[Liabilities]

Current liabilities at the end of the fiscal year amounted to 23,718 million yen, an increase of 3,680 million yen from the previous fiscal year-end, mainly due to an increase in short-term borrowings.

Non-current liabilities decreased by 4,266 million yen from the previous fiscal year-end, to 7,063 million yen, largely due to a decrease in long-term borrowings.

As a result, total liabilities decreased 585 million yen from the previous fiscal year-end to 30,782 million yen.

[Net assets]

Net assets increased 1,536 million yen from the previous fiscal year-end to 57,869 million yen. The shareholders’ equity ratio was 65.3%, up 1.1 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 20,604 million yen, a decrease of 3,158 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 3,963 million yen (compared with net cash provided by operating activities of 3,186 million yen in the previous fiscal year). The major factor was an increase in the amount of decrease in trade receivables.

(Cash flows from investing activities)

Net cash used in investing activities during the fiscal year amounted to 5,093 million yen (compared with net cash provided by investing activities of 2,211 million yen in the previous fiscal year). The major factor was a decrease in the collection of long-term deposits.

(Cash flows from financing activities)

Net cash used in financing activities during the fiscal year was 1,924 million yen (compared with net cash used in financing activities of 2,678 million yen in the previous fiscal year). This was mainly due to a net increase in loans payable.

(4) Future Outlook

The Japanese economy is expected to recover moderately in the coming years based on continuous improvements in employment and income conditions and the effects of government measures, despite attention that must be paid to trends in consumer confidence after the consumption tax hike, in addition to trends in overseas economies, such as the development of trade issues and the outlook for the Chinese economy.

Orders from the Japanese construction industry, the Okabe Group's core customer, are likely to be received steadily thanks to the expected launch of projects that have been postponed due to a delay in the progress of construction work in recent years. Rising steel prices, distribution expenses, and other costs, however, may put pressure on profit, and the Okabe Group expects its future business environment to require further corporate efforts to increase added value and productivity through proposal-type sales and product development.

In the automotive product segment, the consolidated results for the first half of the next fiscal year are expected to fall below the results for the same period of the current fiscal year due to a decline in the capacity utilization of the U.S. factory, because of environmental protection measures. However, the Group expects the business to recover from the third quarter of the next fiscal year upon the completion of the environmental protection measures.

Recognizing this, the Company has made the following consolidated results forecasts for the fiscal year ending December 31, 2020.

(Yen in millions, rounded down)

	Net sales	Operating profit	Ordinary profit	Profit attributable to owners of parent
Fiscal year ended December 31, 2019 (Actual)	65,409	5,294	5,619	3,342
Fiscal year ending December 31, 2020 (Estimate)	66,000	5,600	5,700	3,500
Change (%)	0.9%	5.8%	1.4%	4.7%

(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 14 yen per share. With the interim dividend of 14 yen per share that has already been paid, this will result in an annual dividend for the fiscal year under review of 28 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.

(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. Changxing Water Gremlin Non-Ferrous Co., Ltd., the Company’s Chinese local subsidiary, manufactured and sold battery components for automobiles in China, which completed the liquidation on April 11, 2019.

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

[Other businesses]

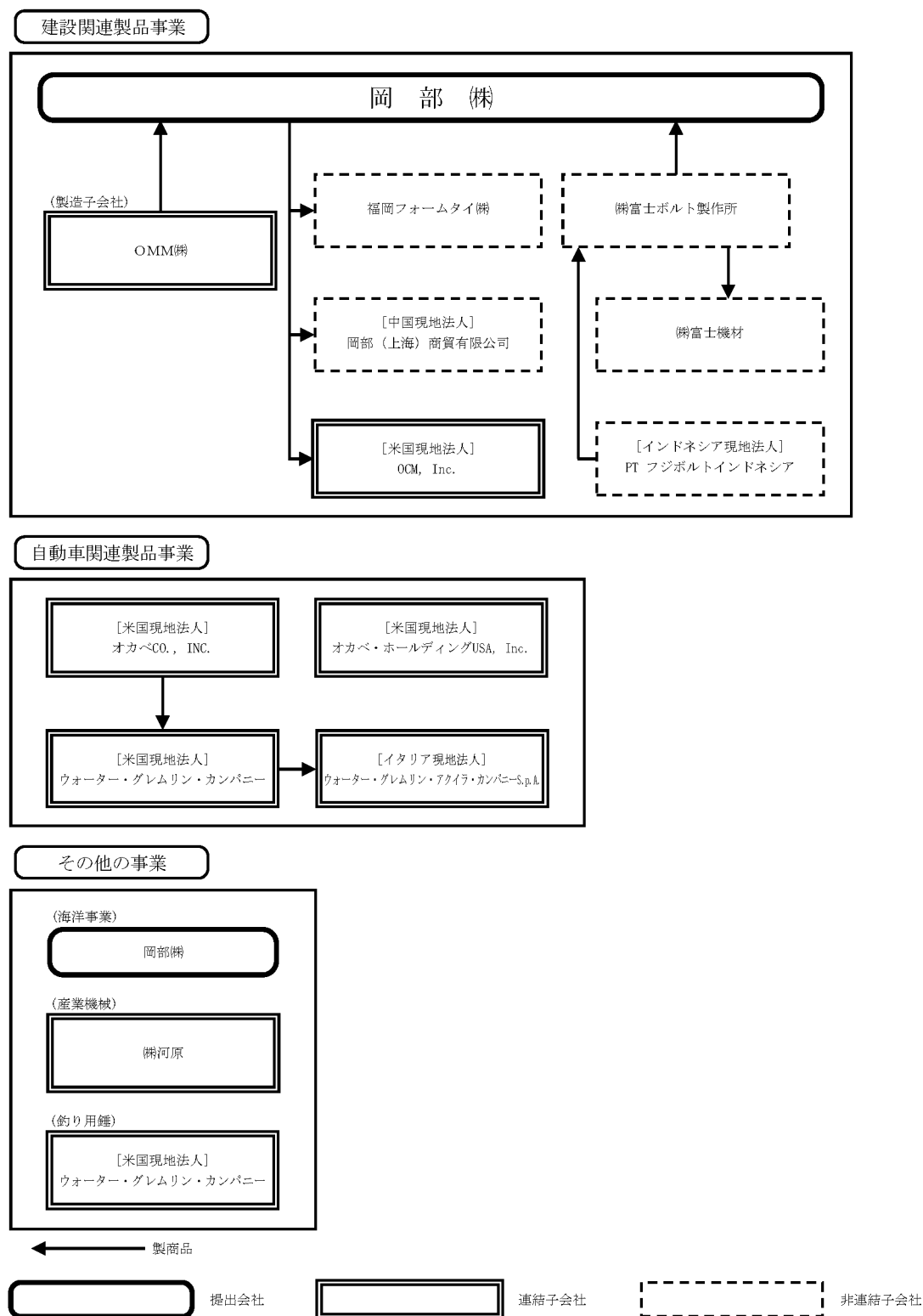
KAWAHARA MFG. CO., LTD. manufactures and sells industrial machinery products.

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.

[Business Flow Diagram]

The following diagram summarizes the business operations listed above.



(Notes) 1. The Company acquired all the shares of KAWAHARA MFG. CO., LTD. on January 31, 2019 and turned the said company into its subsidiary.

2. Changxing Water Gremlin Non-Ferrous Co. Ltd. completed the liquidation on April 11, 2019.

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, 2018)	Fiscal year under review (As of December 31, 2019)
ASSETS		
Current assets		
Cash and deposits	23,762	20,664
Notes and accounts receivable - trade	22,633	21,686
Merchandise and finished goods	6,766	7,427
Work in process	1,103	1,500
Raw materials and supplies	1,761	1,697
Other	1,724	452
Allowance for doubtful accounts	(24)	(23)
Total current assets	57,727	53,406
Non-current assets		
Property, plant and equipment		
Buildings and structures	16,245	16,885
Accumulated depreciation	(5,013)	(6,173)
Buildings and structures, net	11,231	10,711
Machinery, equipment and vehicles	13,775	14,518
Accumulated depreciation	(9,573)	(10,578)
Machinery, equipment and vehicles, net	4,201	3,940
Land	3,854	4,239
Leased assets	994	1,127
Accumulated depreciation	(390)	(425)
Leased assets, net	604	702
Construction in progress	980	1,837
Other	1,694	1,732
Accumulated depreciation	(1,298)	(1,395)
Other, net	395	337
Total property, plant and equipment	21,268	21,768
Intangible assets		
Goodwill	189	2,560
Leased assets	5	0
Other	225	259
Total intangible assets	420	2,820
Investments and other assets		
Investment securities	6,487	7,262
Long-term loans receivable	100	1,198
Deferred tax assets	217	386
Other	1,565	1,896
Allowance for doubtful accounts	(100)	(98)
Total investments and other assets	8,269	10,645
Total non-current assets	29,958	35,234
Deferred assets		
Bond issuance cost	15	11
Total deferred assets	15	11
Total assets	87,701	88,652

(Million yen)

	Previous fiscal year (As of December 31, 2018)	Fiscal year under review (As of December 31, 2019)
LIABILITIES		
Current liabilities		
Notes and accounts payable - trade	4,781	4,691
Electronically recorded obligations - operating	9,505	8,591
Short-term borrowings	1,683	7,419
Lease obligations	155	185
Income taxes payable	1,076	651
Other	2,835	2,178
Total current liabilities	20,038	23,718
Non-current liabilities		
Bonds payable	1,000	1,000
Long-term borrowings	7,060	2,400
Lease obligations	466	530
Deferred tax liabilities	15	276
Provision for share-based remuneration	49	77
Retirement benefit liability	1,828	1,874
Asset retirement obligations	40	41
Other	869	862
Total non-current liabilities	11,329	7,063
Total liabilities	31,367	30,782
NET ASSETS		
Shareholders' equity		
Share capital	6,911	6,911
Capital surplus	6,062	6,062
Retained earnings	43,563	45,502
Treasury shares	(2,715)	(2,712)
Total shareholders' equity	53,822	55,763
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,716	2,024
Foreign currency translation adjustment	816	97
Remeasurements of defined benefit plans	(22)	(15)
Total accumulated other comprehensive income	2,510	2,106
Total net assets	56,333	57,869
Total liabilities and net assets	87,701	88,652

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

(Million yen)

	Previous fiscal year (Jan. 1, 2018 – Dec. 31, 2018)	Fiscal year under review (Jan. 1, 2019 – Dec. 31, 2019)
Net sales	64,785	65,409
Cost of sales	46,677	46,912
Gross profit	18,107	18,496
Selling, general and administrative expenses	12,758	13,202
Operating profit	5,349	5,294
Non-operating income		
Interest income	38	31
Dividend income	143	163
Proceeds from sale of scrap	94	63
Reversal of provision for loss on litigation	–	135
Other	102	82
Total non-operating income	379	476
Non-operating expenses		
Interest expenses	43	65
Commission for syndicated loans	35	35
Foreign exchange losses	–	20
Other	47	29
Total non-operating expenses	127	151
Ordinary profit	5,601	5,619
Extraordinary income		
Gain on sales of non-current assets	101	0
Gain on sales of investment securities	614	132
Other	1	–
Total extraordinary income	717	132
Extraordinary losses		
Loss on disposal of non-current assets	144	67
Loss on sales of investment securities	–	65
Loss on factory closure	1,217	60
Environmental expenses	656	351
Other	106	60
Total extraordinary losses	2,124	605
Profit before income taxes	4,194	5,147
Income taxes - current	1,780	1,839
Income taxes - deferred	(714)	(34)
Total income taxes	1,065	1,805
Profit	3,128	3,342
Profit attributable to owners of parent	3,128	3,342

(Consolidated statements of comprehensive income)

(Million yen)

	Previous fiscal year (Jan. 1, 2018 – Dec. 31, 2018)	Fiscal year under review (Jan. 1, 2019 – Dec. 31, 2019)
Profit	3,128	3,342
Other comprehensive income		
Valuation difference on available-for-sale securities	(1,635)	307
Foreign currency translation adjustment	29	(719)
Remeasurements of defined benefit plans, net of tax	(43)	7
Total other comprehensive income	(1,650)	(404)
Comprehensive income	1,478	2,937
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,478	2,937

(3) Consolidated Statements of Changes in Equity

Previous fiscal year (from January 1, 2018 to December 31, 2018)

(Million yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	6,911	6,062	41,832	(2,716)	52,090
Changes in items during period					
Dividends of surplus			(1,397)		(1,397)
Profit attributable to owners of parent			3,128		3,128
Purchase of treasury shares				(0)	(0)
Disposal of treasury shares				1	1
Change in scope of consolidation					—
Change in scope of consolidation - foreign currency translation adjustment					—
Net changes in items other than shareholders' equity					—
Total changes in items during period	—	—	1,730	1	1,732
Balance at end of period	6,911	6,062	43,563	(2,715)	53,822

	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 beginning of period	3,352	787	21	4,161	56,251
Changes in items during period					
Dividends of surplus				—	(1,397)
Profit attributable to owners of parent				—	3,128
Purchase of treasury shares				—	(0)
Disposal of treasury shares				—	1
Change in scope of consolidation				—	—
Change in scope of consolidation - foreign currency translation adjustment				—	—
Net changes in items other than shareholders' equity	(1,635)	29	(43)	(1,650)	(1,650)
Total changes in items during period	(1,635)	29	(43)	(1,650)	81
Balance at end of period	1,716	816	(22)	2,510	56,333

Fiscal year under review (from January 1, 2019 to December 31, 2019)

(Million yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	6,911	6,062	43,563	(2,715)	53,822
Changes in items during period					
Dividends of surplus			(1,347)		(1,347)
Profit attributable to owners of parent			3,342		3,342
Purchase of treasury shares					—
Disposal of treasury shares				2	2
Change in scope of consolidation			(55)		(55)
Change in scope of consolidation - foreign currency translation adjustment					—
Net changes in items other than shareholders' equity					—
Total changes in items during period	—	—	1,938	2	1,940
Balance at end of period	6,911	6,062	45,502	(2,712)	55,763

	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 beginning of period	1,716	816	(22)	2,510	56,333
Changes in items during period					
Dividends of surplus				—	(1,347)
Profit attributable to owners of parent				—	3,342
Purchase of treasury shares				—	—
Disposal of treasury shares				—	2
Change in scope of consolidation				—	(55)
Change in scope of consolidation - foreign currency translation adjustment		55		55	55
Net changes in items other than shareholders' equity	307	(775)	7	(460)	(460)
Total changes in items during period	307	(719)	7	(404)	1,536
Balance at end of period	2,024	97	(15)	2,106	57,869

(4) Consolidated Statement of Cash Flows

(Million yen)

	Previous fiscal year (Jan. 1, 2018 – Dec. 31, 2018)	Fiscal year under review (Jan. 1, 2019 – Dec. 31, 2019)
Cash flows from operating activities		
Profit before income taxes	4,194	5,147
Depreciation	1,674	1,693
Amortization of goodwill	78	206
Increase (decrease) in allowance for doubtful accounts	(3)	(2)
Increase (decrease) in retirement benefit liability	85	61
Interest and dividend income	(182)	(194)
Interest expenses	43	65
Loss (gain) on sales of investment securities	(614)	(67)
Loss on retirement of non-current assets	143	67
Loss on factory closure	1,217	60
Decrease (increase) in trade receivables	(798)	1,448
Decrease (increase) in other current assets	360	218
Decrease (increase) in inventories	(1,493)	(895)
Increase (decrease) in trade payables	949	(856)
Increase (decrease) in other current liabilities	434	(972)
Increase (decrease) in other non-current liabilities	10	(7)
Increase (decrease) in accrued consumption taxes	107	152
Other	(109)	74
Subtotal	6,098	6,200
Income taxes paid	(1,808)	(2,175)
Loss on factory closure paid	(1,103)	(60)
Net cash provided by (used in) operating activities	3,186	3,963
Cash flows from investing activities		
Proceeds from withdrawal of time deposits	1,211	–
Purchase of property, plant and equipment	(5,547)	(1,787)
Proceeds from sales of property, plant and equipment	2,107	210
Purchase of intangible assets	(51)	(143)
Purchase of investment securities	(670)	(690)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	–	(2,821)
Proceeds from sales of investment securities	2,085	527
Purchase of insurance funds	(101)	(157)
Loan advances	(118)	(1,259)
Collection of loans receivable	76	986
Proceeds from collection of long-term deposits	3,110	–
Interest and dividends received	189	192
Other	(78)	(150)
Net cash provided by (used in) investing activities	2,211	(5,093)

(Million yen)

	Previous fiscal year (Jan. 1, 2018 – Dec. 31, 2018)	Fiscal year under review (Jan. 1, 2019 – Dec. 31, 2019)
Cash flows from financing activities		
Proceeds from short-term borrowings	5,590	5,342
Repayments of short-term borrowings	(5,393)	(4,710)
Proceeds from long-term borrowings	100	850
Repayments of long-term borrowings	(1,368)	(1,785)
Dividends paid	(1,398)	(1,347)
Interest paid	(43)	(65)
Repayments of lease obligations	(164)	(208)
Other	(0)	(0)
Net cash provided by (used in) financing activities	(2,678)	(1,924)
Effect of exchange rate change on cash and cash equivalents	(38)	(104)
Net increase (decrease) in cash and cash equivalents	2,680	(3,158)
Cash and cash equivalents at beginning of period	21,082	23,762
Cash and cash equivalents at end of period	23,762	20,604

(5) Notes to Consolidated Financial Statements

(Note to going concern assumptions)

None

(Changes in presentation method)

(Changes made due to the application of the “Partial Amendments to Accounting Standard for Tax Effect Accounting”)

The Company has applied the Partial Amendments to Accounting Standard for Tax Effect Accounting (ASBJ Statement No. 28, revised on February 16, 2018), since the beginning of the fiscal year under review, under which deferred tax assets are presented in the category of “investments and other assets” and deferred tax liabilities are included in “non-current liabilities.”

(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 outstanding was 88 million yen at the end of the previous consolidated fiscal year and 86 million yen at the end of the consolidated fiscal year under review. The number of treasury shares outstanding was 96,509 shares at the end of the previous consolidated fiscal year and 93,908 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, 2018)	Fiscal year under review (As of December 31, 2019)
Buildings and structures	1,653	1,636
Land	188	188
Total	1,842	1,825

Obligations corresponding to the properties described above (Million yen)

	Previous fiscal year (As of December 31, 2018)	Fiscal year under review (As of December 31, 2019)
Long-term borrowings (including the current portion of long-term borrowings)	1,750	1,750

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

	Previous fiscal year (As of December 31, 2018)	Fiscal year under review (As of December 31, 2019)
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, 2018)	Fiscal year under review (As of December 31, 2019)
Notes receivable - trade	395	422

*4 Overdraft agreement

The Company and its consolidated subsidiaries have executed overdraft agreements with seven 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, 2018)	Fiscal year under review (As of December 31, 2019)
Overdraft limit	6,858	7,000
Outstanding borrowings	662	1,223
Difference	6,195	5,777

(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, 2018 – Dec. 31, 2018)	Fiscal year under review (Jan. 1, 2019 – Dec. 31, 2019)
Depreciation	536	552
Employee salaries and allowances	3,461	3,700
Retirement benefit expenses	233	215
Provision for share-based remuneration	23	24
Freightage and packing expenses	2,315	2,342
Commission expenses	1,338	1,307
Provision of allowance for doubtful accounts	0	–

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

	(Million yen)	
	Previous fiscal year (Jan. 1, 2018 – Dec. 31, 2018)	Fiscal year under review (Jan. 1, 2019 – Dec. 31, 2019)
Land	100	–
Machinery, equipment and vehicles	1	0
Property, plant and equipment “Other”	–	0
Total	101	0

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

	(Million yen)	
	Previous fiscal year (Jan. 1, 2018 – Dec. 31, 2018)	Fiscal year under review (Jan. 1, 2019 – Dec. 31, 2019)
Buildings and structures	118	46
Machinery, equipment and vehicles	22	19
Property, plant and equipment “Other”	2	1
Intangible assets “Other”	1	0
Total	144	67

*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, 2018 – Dec. 31, 2018)	Fiscal year under review (Jan. 1, 2019 – Dec. 31, 2019)
	655	655

*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.

*6 Environmental expenses

The Company’s consolidated subsidiary, Water Gremlin Co., was found to have emitted hazardous air pollutants in an amount exceeding the limit specified by the environmental authorities of Minnesota, U.S.A., and the Company posted expenses incurred from taking measures in response to this issue.

(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. The Chinese local subsidiary, Changxing Water Gremlin Non-Ferrous Co., manufactured and sold automotive battery parts in China. The Board of Directors of the Company passed the resolution at the meeting held on July 26, 2018, to dissolve and liquidate this subsidiary and the liquidation procedure has been completed as of April 11, 2019.

Other businesses includes manufacture and sales of marine materials products, and manufacture and sales of fishing sinkers in the United States. In addition, the Company bought back all shares of KAWAHARA MFG. CO., LTD. on January 31, 2019, and made it a consolidated subsidiary of the Company. KAWAHARA MFG. CO., LTD. manufactures and sells industrial machinery products. Its income statement was consolidated in the second quarter of the fiscal year under review because the date of acquisition was deemed to be March 31, 2019.

2. Methods for calculating sales, profit (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 profit is presented based on operating profit (loss).

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

3 Information regarding sales, profit (loss), assets, liabilities and other items for each reportable business segment
Previous fiscal year (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 profit	4,727	587	34	5,349	—	5,349
Segment assets	59,447	12,326	1,270	73,044	14,656	87,701
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.

(1) 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).

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

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

Fiscal year under review (from January 1, 2019 to December 31, 2019)

(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	53,678	8,809	2,922	65,409	—	65,409
Intersegment internal sales and transfers	—	—	—	—	—	—
Total	53,678	8,809	2,922	65,409	—	65,409
Segment profit	5,005	133	155	5,294	—	5,294
Segment assets	56,847	11,693	5,957	74,498	14,153	88,652
Other items						
Depreciation	1,154	468	69	1,693	—	1,693
Amortization of goodwill	—	76	129	206	—	206
Increase in property, plant and equipment and intangible assets	1,259	911	30	2,201	—	2,201

(Notes)

1. The adjustment consists of the following items.

The adjustment of 14,153 million yen for segment assets consists of a deduction of 257 million yen for intersegment transactions and an addition of 14,411 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).

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

[Related information]

Previous fiscal year (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

Fiscal year under review (from January 1, 2019 to December 31, 2019)

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
49,268	12,708	3,432	65,409

(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
15,359	5,733	675	21,768

3. Information by a major customer

(Million yen)

Name of customer	Net sales	Name of relevant segment
MM & KENZAI Corporation	7,246	Construction-related products

(Per-share information)

(Yen)

	Previous fiscal year (Jan. 1, 2018 – Dec. 31, 2018)	Fiscal year under review (Jan. 1, 2019 – Dec. 31, 2019)
Net assets per share	1,130.54	1,161.31
Profit per share	62.79	67.07

- (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 (96,509 shares for the previous consolidated fiscal year; 93,908 shares for the consolidated fiscal year under review).
 3. The Company's own shares that remain in the stock-granting ESOP trust and are 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 (97,196 shares for the previous consolidated fiscal year; 95,005 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, 2018)	Fiscal year under review (As of December 31, 2019)
Total amount in NET ASSETS (million yen)	56,333	57,869
Net assets pertaining to common stock (million yen)	56,333	57,869
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)	3,961,539	3,958,938
Number of shares of common stock used for the calculation of net asset per share (shares)	49,829,093	49,831,694

(2) Profit per share

Item	Previous fiscal year (Jan. 1, 2018 – Dec. 31, 2018)	Fiscal year under review (Jan. 1, 2019 – Dec. 31, 2019)
Profit per share		
Profit attributable to owners of parent (million yen)	3,128	3,342
Amount not attributable to common shareholders (million yen)	—	—
Profit attributable to owners of parent pertaining to common stock (million yen)	3,128	3,342
Average number of shares of common stock outstanding during the period (shares)	49,828,434	49,830,597

(Significant events after the reporting period)

None