

OKADA AIYON (6294)

Consolidated Fiscal Year (Million Yen)		Sales	Operating Profit	Recurring Profit	Profit Attributable to Owners of Parent	EPS (Yen)	DPS (Yen)	BPS (Yen)
FY03/2017		13,113	1,106	1,092	696	100.9	23.0	1,073.0
FY03/2018		15,399	1,195	1,270	666	94.9	24.0	1,161.8
FY03/2019CoE		17,500	1,500	1,500	930	114.7	25.0	-
FY03/2018	YoY	17.4%	8.0%	16.4%	(4.3%)	-	-	-
FY03/2019CoE	YoY	13.6%	25.5%	18.0%	39.6%	-	-	-
Consolidated Half Year (Million Yen)		Sales	Operating Profit	Recurring Profit	Profit Attributable to Owners of Parent	EPS (Yen)	DPS (Yen)	BPS (Yen)
Q1 to Q2 FY03/2018		6,742	705	710	410	-	-	-
Q3 to Q4 FY03/2018		8,657	489	560	255	-	-	-
Q1 to Q2 FY03/2019CoE		8,500	800	800	500	-	-	-
Q3 to Q4 FY03/2019CoE		9,000	700	700	430	-	-	-
Q1 to Q2 FY03/2019CoE	YoY	26.1%	13.4%	12.6%	21.7%	-	-	-
Q3 to Q4 FY03/2019CoE	YoY	4.0%	42.9%	24.8%	68.2%	-	-	-

Source: Company Data, WRJ Calculation

1.0 Executive Summary (4 July 2018)

Beefing up Sales Overseas

OKADA AIYON, being involved with sales and maintenance services for demolition attachments as the expertise operations, is seeing strengths with own earnings. The mainstay demolition attachments, comprising crushers and hydraulic breakers, are used as tips of hydraulic shovels adopted in demolishing structures like buildings, etc. and the Company holds one of the largest market shares in Japan, likely to benefit from increasing needs to demolish structures in Tokyo area, etc. in a long-term view. At the same time, the Company is keen on beefing up sales overseas in North America, Asia and Europe, given great room to develop own operations in all those regions. On top of this, the Company is supposed to benefit from synergy to be created by recent merger & acquisition, eventually implying strengths of earnings to persist over the long term.


In the results meeting held on 16 May 2018, the Company came up with its midterm management plan “Arch 2020”, calling for prospective sales of ¥20,000m, operating profit of ¥2,000m and operating profit margin of 10.0% in FY03/2021. Over the past three years, the Company saw CAGR of 8.8% for sales and 10.2% in earnings, while calling for 9.1% and 18.7%, respectively, over the next three years through FY03/2019 to FY03/2021. In regards to sales overseas, where the Company is to be keen on sales promotions in particular, the plan is calling for CAGR of 13.3% for sales, resulting in overseas sales ratio of 20.0% in FY03/2021 (versus 17.9% in FY03/2018).

[OKADA AIYON FY03/2018 Results Meeting \(16 May 2018\)](#) [FY03/2018 Financial Results \(11 May 2018\)](#)

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2.0 Company Profile

Sales and Maintenance Services for Demolition Attachments

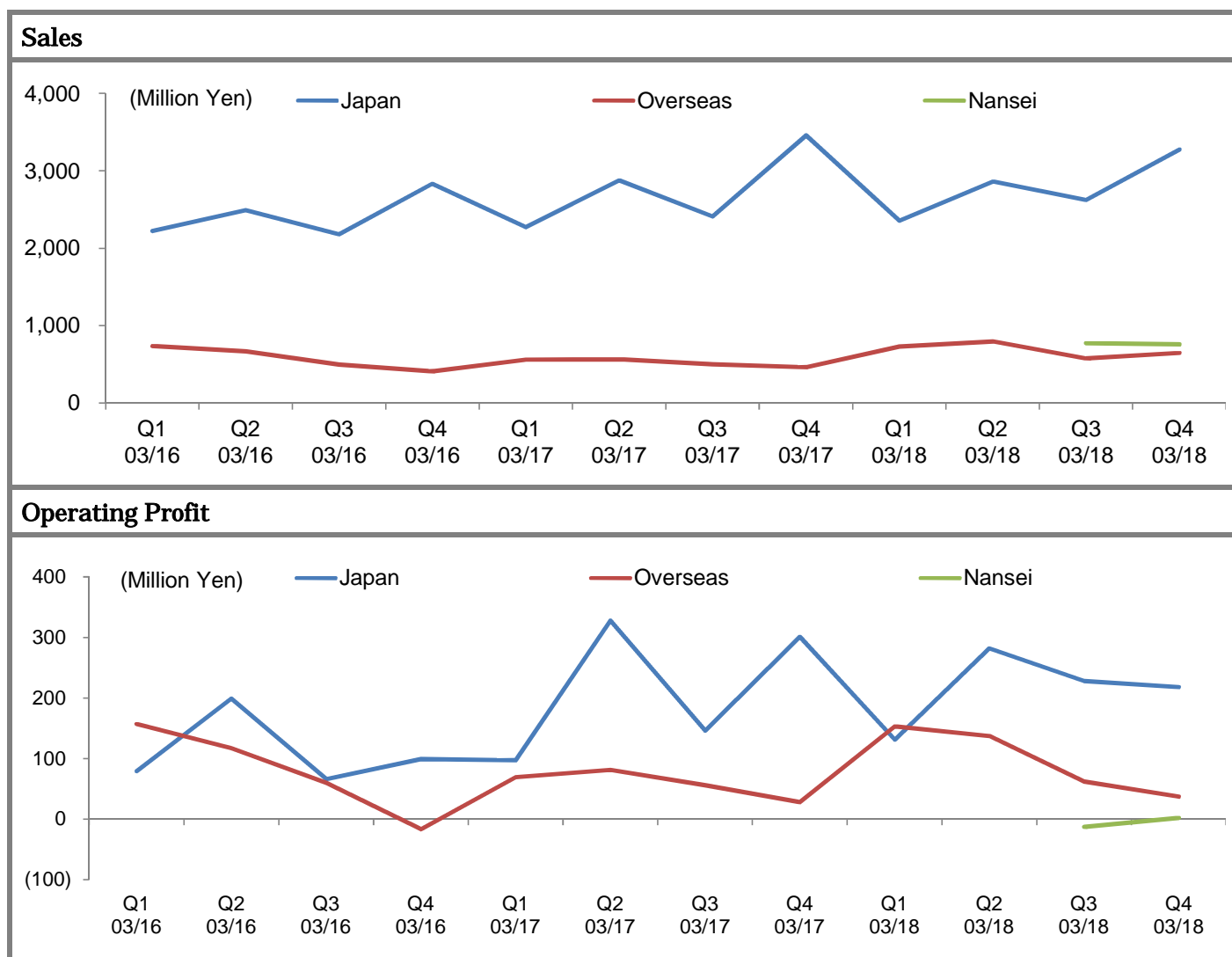
Company Name	OKADA AIYON CORPORATION Company Website IR Information Share Price (Japanese)	 OKADA AIYON CORPORATION
Established	1 September 1960	
Listing	18 March 2016: Tokyo Stock Exchange 1st Section (ticker: 6294) 16 July 2013: Tokyo Stock Exchange 2nd Section 11 August 1992: Osaka Stock Exchange 2nd Section	
Capital	¥2,221m (as of the end of March 2018)	
No. of Shares	8,378,700 shares, including 269,471 treasury shares (as of the end of March 2018)	
Main Features	<ul style="list-style-type: none"> ● Heavily involved with demolition attachments, requiring consistent maintenance services ● Strengths on sales and maintenance services, while the manufacture mainly represented by assembly of procured components ● Enhancing the manufacture with expertise of the Nansei group to have acquired 	
Business Segments	<ul style="list-style-type: none"> . Japan (manufacture & sales of attachments for construction-related equipment and of environmental-related equipment) . Overseas (procurement & sales of attachments for construction-related equipment and of environmental-related equipment) . Nansei (manufacture & sales of forestry grapples, industrial machinery, cable cranes, etc. in Japan) 	
Top Management	President: Toshiyuki Kanda	
Shareholders	Katsuhiko Okada 4.4%, Japan Master (trust account) 4.3% (as of the end of March 2018)	
Headquarters	Minato-ku, Osaka, JAPAN	
No. of Employees	Consolidated: 402, Parent: 184 (as of the end of March 2018)	

Source: Company Data

3.0 Recent Trading and Prospects

FY03/2018 Results

In FY03/2018, sales came in at ¥15,399m (up 17.4% YoY), operating profit ¥1,195m (up 8.0%), recurring profit ¥1,270m (up 16.4%) and profit attributable to owners of parent ¥666m (down 4.3%), while operating profit margin 7.8% (down 0.7% points). Profit attributable to owners of parent adjusted due to extraordinary loss of ¥197m, while this is not to reappear in FY03/2019.



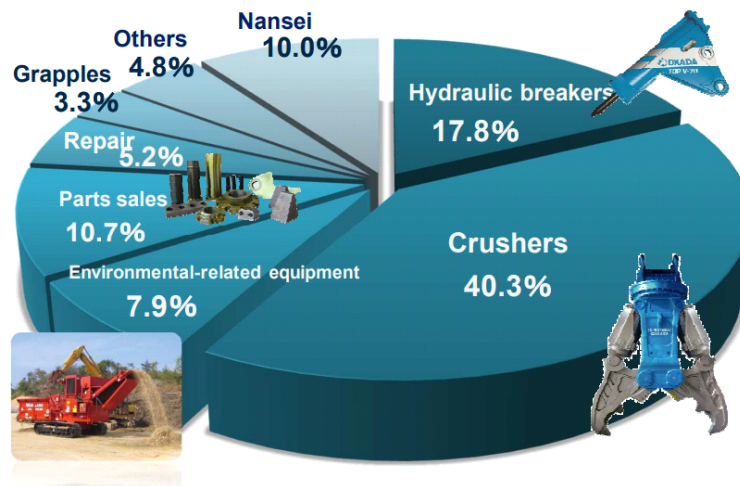
Source: Company Data, WRJ Calculation

In FY03/2018, crushers accounted for 40.3% of sales as a whole for the Company, hydraulic breakers 17.8% and thus 58.1% as demolition attachments comprising both. On top of this, the Company sees sales of parts and maintenance services associated with this, presumably carrying gross profit margin relatively high. At the end of the day, it should be the case that the bulk of gross profit with the Company is accounted for by that of demolition attachments. With respect to primary crushers, i.e., one of the key products of crushers, the Company holds domestic market share of 44% in Japan and no less than 56% as far as in Tokyo area, comprising Tokyo, Saitama, Chiba and Kanagawa, is concerned, well benefiting from firm demand for demolishing structures like buildings in there. At the same time, the Company is one of the largest out of the market for crushers as a whole in Japan.

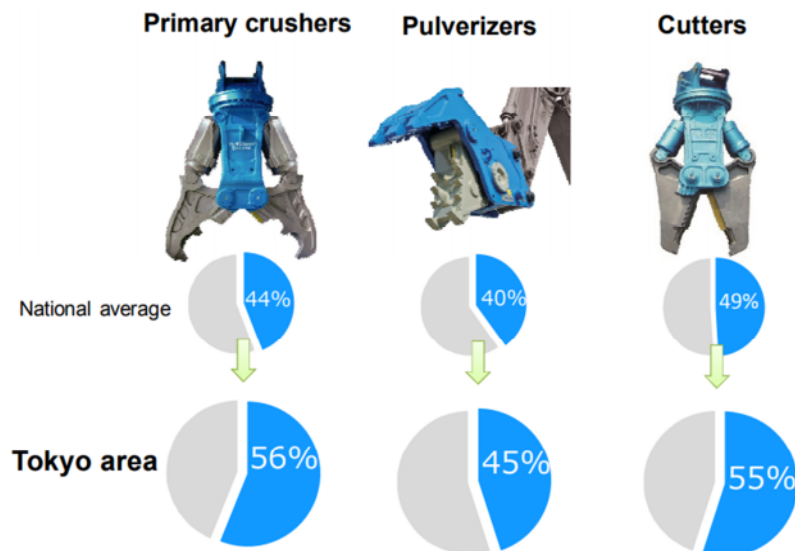
Demolition Attachments (Tips of Hydraulic Shovels)



Sales Composition Ratio (FY03/2018)



Main Products of Crushers and Domestic Market Shares in Japan (FY03/2018)

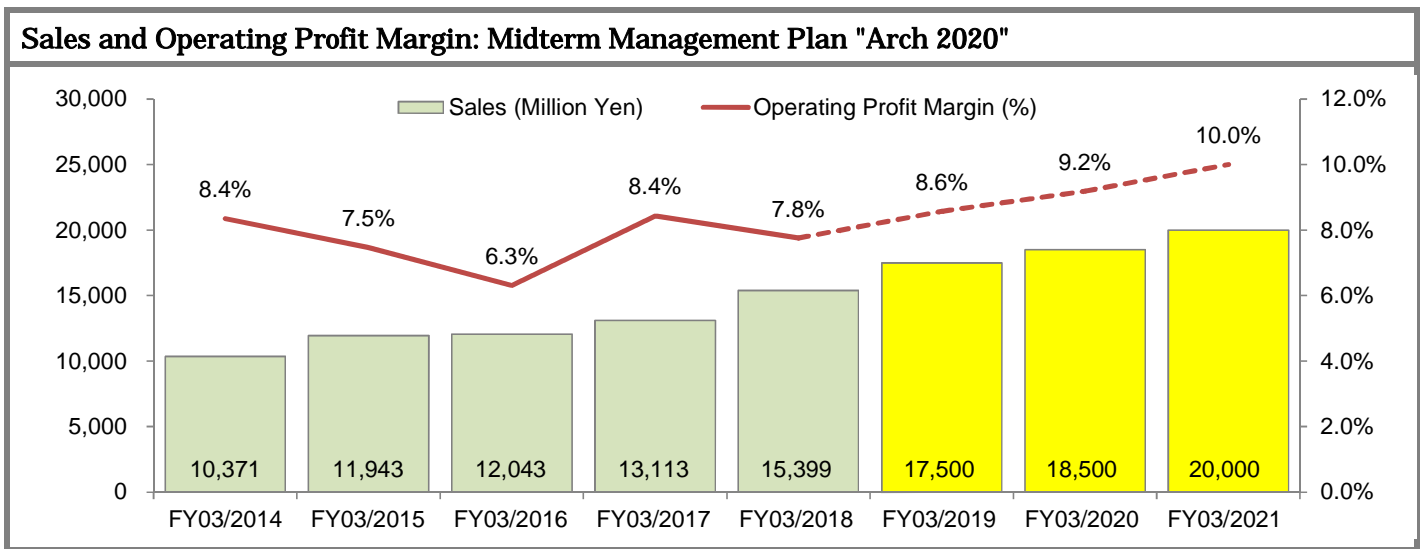


Source: Company Data (Japan Construction Equipment Manufacturers Association)

Long-Term Prospects

FY03/2019 Company forecasts area going for prospective sales of ¥17,500m (up 13.6%), operating profit of ¥1,500m (up 25.5%), recurring profit of ¥1,500m (up 18.0%) and profit attributable to owners of parent of ¥930m (up 39.6%), while operating profit margin of 8.6% (up 0.8% points). At the same time, prospective annual dividend is ¥25.0, implying payout ratio of 21.8%.

Meanwhile, the Company's midterm management plan "Arch 2020" anticipates ongoing increases of sales and earnings in the following years, i.e., FY03/2020 and FY03/2021, calling for CAGR of 9.1% for sales and 18.7% for earnings (operating profit) over the next three years to FY03/2021, implying operating profit margin of 10.0% to be achieved in FY03/2021.



Source: Company Data, WRJ Calculation

In FY03/2019, the Nansei group holding expertise on design and manufacture of machinery associated with forestry and dam construction, having consolidated since Q3 FY03/2018 through merger & acquisition, is to contribute to sales and earnings on a full-year basis for the first time. Synergy to be created is advocated to come from corporate efforts to enhance added value in the manufacture of demolition attachments by means of applying manufacturing expertise held by the Nansei group as well as from application of own capability of sales promotions for products of the Nansei group.

In regards to sales promotions overseas, the Company advocates "establishment of tripolar system (North America, Europe and Asia)". The Company newly set up Texas branch in January 2016 on top of existing local headquarters based in Oregon and Ohio branch in the mainstay market of North America, having accounted for 66% of sales overseas in FY03/2018. Given sales increases in North America triggered by this, the Company has got an idea that it is much better to enhance own local sales capability rather than taking advantage of local distributors. Now, the Company is trying to make a changeover for liaison office set up in Netherland last August to local subsidiary as soon as possible, while planning to set up bridgeheads in Asia, which has never been thought of until recently.

4.0 Financial Statements

Income Statement

Income Statement	Cons.Act FY	Cons.Act FY	Cons.Act FY	Cons.Act FY	Cons.Act FY	Cons.CoE FY	YoY Net Chg.
(Million Yen)	03/2014	03/2015	03/2016	03/2017	03/2018	03/2019	
Sales	10,371	11,943	12,043	13,113	15,399	17,500	+2,100
CoGS	7,362	8,684	8,700	9,359	11,027	-	-
Gross Profit	3,009	3,258	3,343	3,754	4,372	-	-
SG&A	2,142	2,366	2,583	2,647	3,177	-	-
Operating Profit	866	892	760	1,106	1,195	1,500	+304
Non Operating Balance	(28)	55	(38)	(14)	75	0	(75)
Recurring Profit	837	947	721	1,092	1,270	1,500	+229
Extraordinary Balance	0	0	0	0	(197)	-	-
Profit before Income Taxes	837	947	721	1,092	1,073	-	-
Total Income Taxes	345	372	282	395	407	-	-
NP Belonging to Non-Controlling SHs	0	0	0	0	0	-	-
Profit Attributable to Owners of Parent	491	574	438	696	666	930	+263
Sales YoY	+22.4%	+15.1%	+0.8%	+8.9%	+17.4%	+13.6%	-
Operating Profit YoY	+46.1%	+3.0%	(14.8%)	+45.6%	+8.0%	+25.5%	-
Recurring Profit YoY	+38.3%	+13.1%	(23.8%)	+51.4%	+16.4%	+18.0%	-
Profit Attributable to Owners of Parent YoY	+4.7%	+16.9%	(23.6%)	+58.6%	(4.3%)	+39.6%	-
Gross Profit Margin	29.0%	27.3%	27.8%	28.6%	28.4%	-	-
(SG&A / Sales)	20.7%	19.8%	21.4%	20.2%	20.6%	-	-
Operating Profit Margin	8.4%	7.5%	6.3%	8.4%	7.8%	8.6%	+0.8%
Recurring Profit Margin	8.1%	7.9%	6.0%	8.3%	8.3%	8.6%	+0.3%
Profit Attributable to Owners of Parent Margin	4.7%	4.8%	3.6%	5.3%	4.3%	5.3%	+1.0%
Total Income Taxes / Profit before Income Taxes	41.3%	39.3%	39.2%	36.2%	37.9%	-	-

Source: Company Data, WRJ Calculation

Segmented Information

Segmented Information (Million Yen)	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.CoE	
	FY 03/2014	FY 03/2015	FY 03/2016	FY 03/2017	FY 03/2018	FY 03/2019	YoY Net Chg.
Japan	8,903	10,052	9,730	11,018	11,114	-	-
Overseas	1,467	1,890	2,313	2,095	2,752	-	-
Nansei	-	-	-	-	1,532	-	-
Sales	10,371	11,943	12,043	13,113	15,399	17,500	+2,100
Japan	+22.0%	+12.9%	(3.2%)	+13.2%	+0.9%	-	-
Overseas	+24.6%	+28.8%	+22.4%	(9.4%)	+31.3%	-	-
Nansei	-	-	-	-	-	-	-
Sales (YoY)	+22.4%	+15.1%	+0.8%	+8.9%	+17.4%	+13.6%	-
Japan	85.8%	84.2%	80.8%	84.0%	72.2%	-	-
Overseas	14.2%	15.8%	19.2%	16.0%	17.9%	-	-
Nansei	-	-	-	-	10.0%	-	-
Sales (Composition)	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	-
Japan	797	683	445	872	860	-	-
Overseas	71	209	318	235	391	-	-
Nansei	-	-	-	-	(11)	-	-
Segment profit	868	892	763	1,107	1,241	-	-
Elimination	(2)	0	(3)	(1)	(45)	-	-
Operating Profit	866	892	760	1,106	1,195	1,500	+304
Japan	9.0%	6.8%	4.6%	7.9%	7.7%	-	-
Overseas	4.9%	11.1%	13.8%	11.2%	14.2%	-	-
Nansei	-	-	-	-	(0.7%)	-	-
Elimination	(0.0%)	(0.0%)	(0.0%)	(0.0%)	(0.3%)	-	-
Operating Profit Margin	8.4%	7.5%	6.3%	8.4%	7.8%	8.6%	+0.8%

Source: Company Data, WRJ Calculation

Balance Sheet

Balance Sheet (Million Yen)	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.CoE	
	FY 03/2014	FY 03/2015	FY 03/2016	FY 03/2017	FY 03/2018	FY 03/2019	YoY Net Chg.
Cash & Deposit	2,396	1,848	2,201	3,264	3,475	-	-
Accounts Receivables	3,079	3,917	3,260	3,944	5,178	-	-
Inventory	2,652	3,608	4,148	3,444	4,632	-	-
Other	216	343	520	332	766	-	-
Current Assets	8,344	9,718	10,130	10,986	14,052	-	-
Tangible Assets	2,680	3,208	3,794	3,946	4,764	-	-
Intangible Assets	182	192	179	175	381	-	-
Investments & Other Assets	369	441	423	490	513	-	-
Fixed Assets	3,231	3,843	4,396	4,612	5,659	-	-
Total Assets	11,576	13,561	14,527	15,599	19,712	-	-
Accounts Payables	2,083	3,010	2,493	2,454	3,668	-	-
Short Term Debt	2,302	2,524	3,567	3,366	4,176	-	-
Other	644	853	527	1,035	1,248	-	-
Current Liabilities	5,029	6,389	6,587	6,855	9,092	-	-
Long Term Debt	251	234	685	892	610	-	-
Other	325	351	363	356	523	-	-
Fixed Liabilities	576	585	1,049	1,248	1,133	-	-
Total Liabilities	5,606	6,974	7,637	8,104	10,226	-	-
Shareholders' Equity	5,926	6,418	6,732	7,277	9,347	-	-
Other	43	168	157	217	138	-	-
Net Assets	5,969	6,586	6,890	7,494	9,486	-	-
Total Liabilities & Net Assets	11,576	13,561	14,527	15,599	19,712	-	-
Equity Capital	5,954	6,564	6,840	7,407	9,421	-	-
Interest Bearing Debt	2,553	2,759	4,252	4,258	4,786	-	-
Net Debt	157	910	2,051	993	1,311	-	-
Equity Ratio	51.4%	48.4%	47.1%	47.5%	47.8%	-	-
Net Debt Equity Ratio	2.6%	13.9%	30.0%	13.4%	13.9%	-	-
ROE (12 months)	9.4%	9.2%	6.5%	9.8%	7.9%	9.5%	-
ROA (12 months)	7.7%	7.5%	5.1%	7.3%	7.2%	-	-
Days for Inventory Turnover	132	152	174	134	153	-	-
Quick Ratio	109%	90%	83%	105%	95%	-	-
Current Ratio	166%	152%	154%	160%	155%	-	-

Source: Company Data, WRJ Calculation

Cash Flow Statement

Cash Flow Statement (Million Yen)	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.CoE	
	FY 03/2014	FY 03/2015	FY 03/2016	FY 03/2017	FY 03/2018	FY 03/2019	YoY Net Chg.
Operating Cash Flow	(65)	(199)	(313)	1,528	(245)	-	-
Investing Cash Flow	(677)	(350)	(680)	(307)	(481)	-	-
Operating CF & Investing CF	(742)	(549)	(994)	1,221	(726)	-	-
Financing Cash Flow	865	118	1,362	(156)	914	-	-

Source: Company Data, WRJ Calculation

Disclaimer

Information here is a summary of “IR Information” of the Company, compiled by Walden Research Japan, from a neutral and professional standing point, in the form of a report. “IR Information” of the Company comprises a) contents of our interview with the Company, b) contents of presentations for institutional investors, c) contents of timely disclosed information and d) contents of the homepage etc.

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