

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	27.0	-
FY03/2018	YoY	17.4%	8.0%	16.4%	(4.3%)	-	-
FY03/2019CoE	YoY	13.6%	25.5%	18.0%	39.6%	-	-
Consolidated Q1 to Q3 (Million Yen)	Sales	Operating Profit	Recurring Profit	Profit Attributable to Owners of Parent	EPS (Yen)	DPS (Yen)	BPS (Yen)
Q1 to Q3 FY03/2018	10,715	945	946	416	-	-	-
Q1 to Q3 FY03/2019	12,911	1,197	1,229	756	-	-	-
Q1 to Q3 FY03/2019	YoY	20.5%	26.6%	30.0%	81.9%	-	-

Source: Company Data, WRJ Calculation

1.0 Results Update (18 February 2019)

Growth by Maturity

On 8 February 2019, OKADA AIYON, holding strengths on sales and maintenance services for demolition attachments, released its Q1 to Q3 FY03/2019 results. It has been revealed that sales are buoyant for the mainstay crushers, driven by ongoing urban redevelopment projects and/or by rebuilding demand. The Company is one of the largest suppliers in Japan in regards to crushers or one of the demolition attachments which are used as tips of hydraulic shovels adopted in demolition of buildings, etc., suggesting that it has a high potential to benefit from steady increases of demand for demolition in a long-term view. In a respect that the growth is driven by maturity of urbanization, etc. in a sense, the Company has unique business model, which is worthy of note, as far as we could see. Meanwhile, the Company is seeing sales overseas increasing faster than those of Japan as a result of successful measures to beef up own operations of local business offices while efficiently taking advantage of local distributors in North America, Asia and Europe. Given that local market shares overseas have remained far lower than that of Japan, the Company is keen on sales promotions overseas going forward. Sales overseas increasing faster than those of Japan are to basically improve sales mix with the Company due to exposure to the United States where price-oriented competition is not much when compared with Japan and thus generating gross profit margin higher. Meanwhile, the Company is going for benefit to kick in for the future from synergy associated with recent merger and acquisition. We are to initiate the Company based on FY03/2019 full-year results.

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2.0 Company Profile

Sales and Maintenance Services for Demolition Attachments

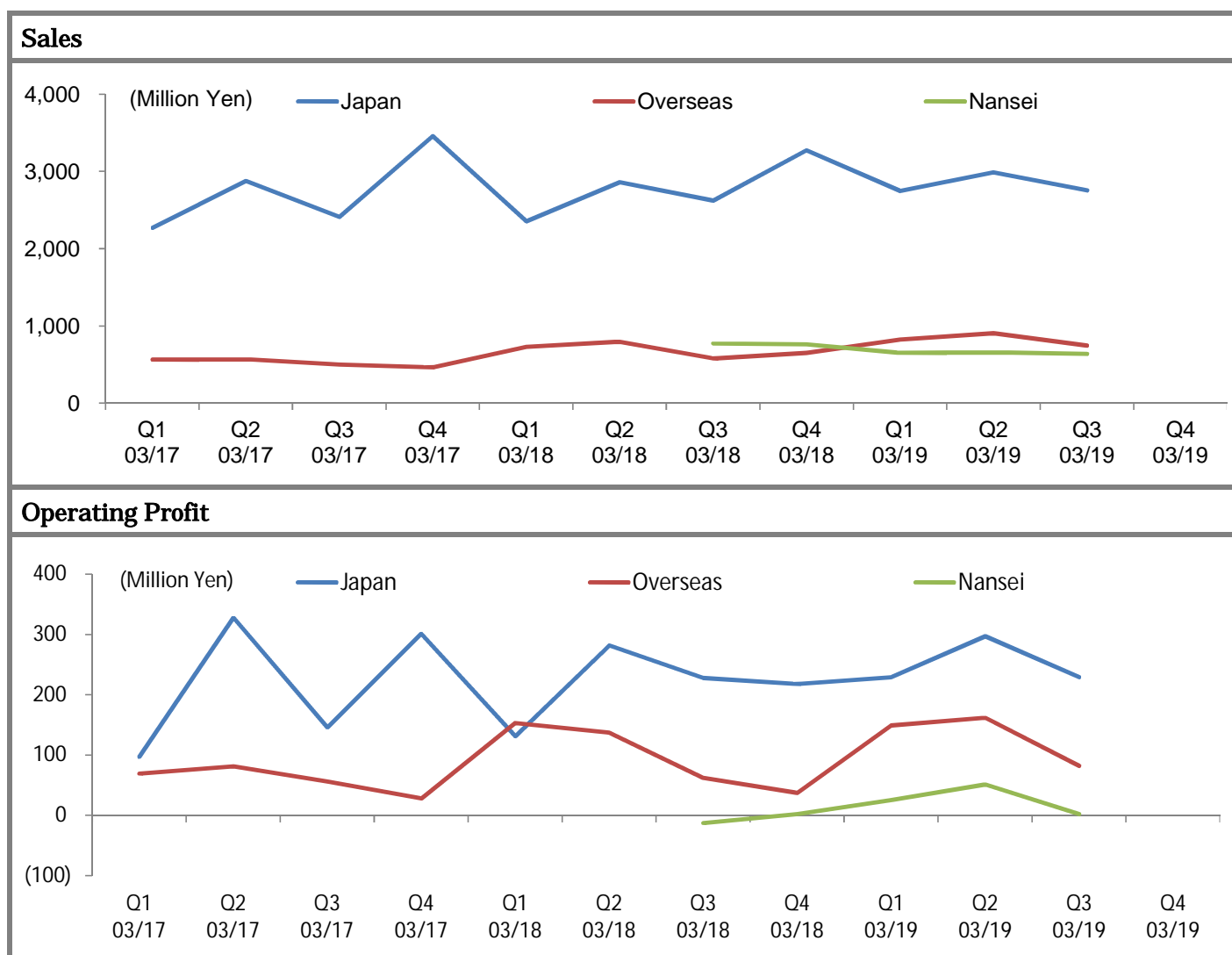
Company Name	OKADA AIYON CORPORATION Company Website IR Information Share Price (Japanese)
Established	1 September 1960
Listing	18 March 2016: Tokyo Stock Exchange 1st Section (ticker: 6294) 16 July 2013: Tokyo Stock Exchange 2nd Section 11 August 1992: Osaka Stock Exchange 2nd Section
Capital	¥2,221m (as of the end of December 2018)
No. of Shares	8,378,700 shares, including 256,671 treasury shares (as of the end of Dec. 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 being mainly of assembling procured components ● Fully consolidated Nansei group since Q3 FY03/2018
Business Segments	<ul style="list-style-type: none"> . Japan (manufacture, sales and maintenance services of attachments for construction equipment and of environmental-related equipment) . Overseas (sales and maintenance services of attachments for construction equipment) . Nansei (manufacture and sales of forestry grapples, industrial machinery, cable cranes, etc. in Japan)
Top Management	President: Toshiyuki Kanda
Shareholders	Japan Trustee (trust account) 8.4%, Japan Master (trust account) 5.4% (as of the end of September 2018)
Headquarters	Minato-ku, Osaka, JAPAN
No. of Employees	Consolidated: 424, Parent: 200 (as of the end of December 2018)

Source: Company Data

3.0 Recent Trading and Prospects

Q1 to Q3 FY03/2019 Results

In Q1 to Q3 FY03/2019, sales came in at ¥12,911m (up 20.5% YoY), operating profit ¥1,197m (up 26.6%), recurring profit ¥1,229m (up 30.0%) and profit attributable to owners of parent ¥756m (up 81.9%), while operating profit margin 9.3% (up 0.4% points). During the same period in the previous year, the Company suffered from losses on guarantees for debt of ¥121m booked as extraordinary loss, while profit attributable to owner of parent surged as this did not reappear. In fact, the said loss is just exceptional for the Company.



Source: Company Data, WRJ Calculation

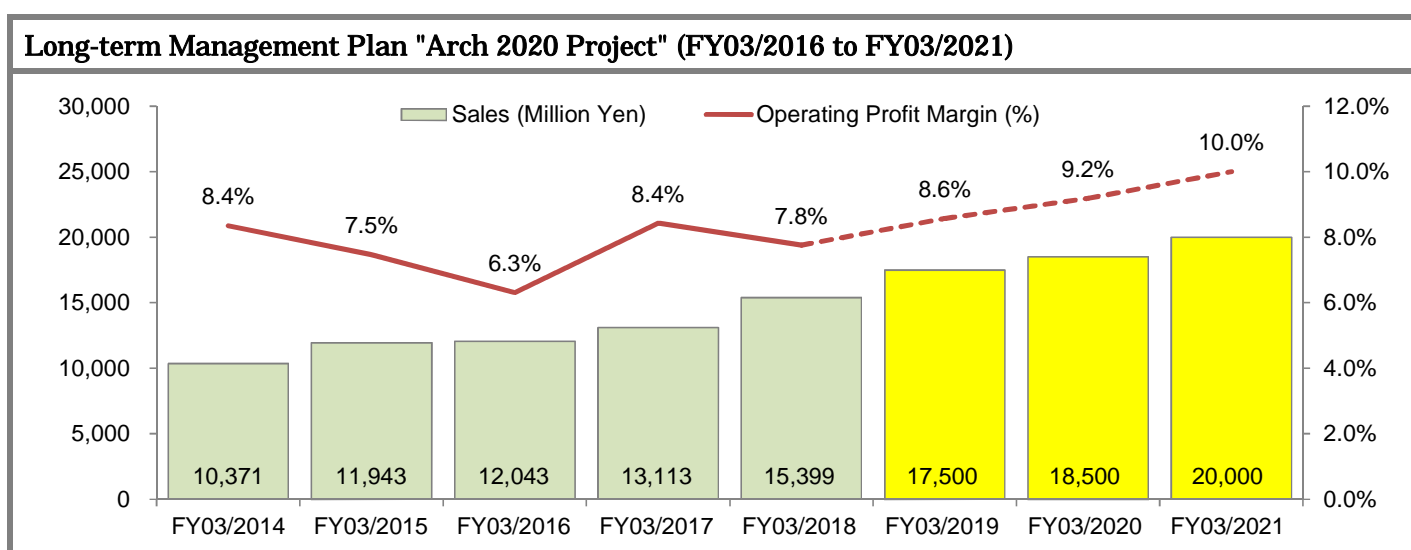
By business segment, Japan saw sales of ¥8,492m (up 8.3%), operating profit of ¥756m (up 17.6%) and operating profit margin of 8.9% (up 0.7% points), while Overseas sales of ¥2,473m (up 17.6%), operating profit of ¥394m (up 11.7%) and operating profit margin of 16.0% (down 0.9% points). Meanwhile, Nansei saw sales of ¥1,945m, operating profit of ¥79m and operating profit margin of 4.1%.

Having fully consolidated Nansei group, the Company newly set up business segment of Nansei in Q3 FY03/2018, comprising its operations on manufacture and sales of forestry grapples, industrial machinery, cable cranes, etc. in Japan. In Q1 to Q3 FY03/2019, this business segment saw net add-ons of sales and operating profit as much as above mentioned, while the Company has just announced that all the three companies belonging to Nansei group are to get integrated and efficiency of the operations as a whole is to be pursued more than before. In the first place, the Company, trying to “beef up value chain” to cope with development, manufacture, sales and maintenance services for own operations, fully consolidated Nansei group with objective to benefit from synergy to be created by putting it together with existing operations on the manufacture side in particular in a long-term view.

FY03/2019 Company Forecasts

FY03/2019 initial Company forecasts have remained unchanged, 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).

Meanwhile, the Company has upgraded prospective dividend at the release of Q1 to Q3 results. Compared with ¥25.0 per share as of the end of fiscal year with initial Company forecasts, the Company is now going for prospective annual dividend of ¥27.0 per share in FY03/2019, implying payout ratio of 23.5%, comprising ordinary dividend of ¥25.0 and commemorative dividend of ¥2.0 for 80th anniversary.



Source: Company Data, WRJ Calculation

With long-term management plan “Arch 2020 Project” over 6-year period, the Company is calling for prospective sales of ¥20,000m, operating profit of ¥2,000m and operating profit margin of 10.0% in FY03/2021 or the last year of the plan, currently suggesting CAGR of 9.1% for sales and 18.7% for earnings over 3-year period through FY03/2019 to FY03/2021, when based on the FY03/2018 results. To date, it appears that recent trading has been in line with assumptions across the board in all the business segments, i.e., Japan, Overseas and Nansei and the target business performance of the plan is likely to be met.

4.0 Financial Statements

Income Statement (Cumulative, Quarterly)

Income Statement	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	YoY
(Million Yen)	Q1	Q1 to Q2	Q1 to Q3	Q1 to Q4	Q1	Q1 to Q2	Q1 to Q3	Q1 to Q4	Q1 to Q4	Net Chg.
	03/2018	03/2018	03/2018	03/2018	03/2019	03/2019	03/2019	03/2019	03/2019	
Sales	3,085	6,742	10,715	15,399	4,222	8,773	12,911	-	-	+2,196
CoGS	2,135	4,728	7,587	11,027	2,964	6,126	9,029	-	-	+1,441
Gross Profit	949	2,014	3,127	4,372	1,258	2,646	3,882	-	-	+754
SG&A	664	1,308	2,181	3,177	865	1,757	2,684	-	-	+503
Operating Profit	285	705	945	1,195	392	888	1,197	-	-	+251
Non Operating Balance	5	4	0	75	7	29	32	-	-	+32
Recurring Profit	290	710	946	1,270	399	917	1,229	-	-	+283
Extraordinary Balance	(18)	(32)	(241)	(197)	0	0	(12)	-	-	+229
Profit before Income Taxes	272	677	704	1,073	399	917	1,216	-	-	+512
Total Income Taxes	91	266	288	407	135	344	460	-	-	+171
NP Belonging to Non-Controlling SHs	0	0	0	0	0	0	0	-	-	-
Profit Attributable to Owners of Parent	180	410	416	666	264	573	756	-	-	+340
Sales YoY	+8.9%	+7.4%	+16.6%	+17.4%	+36.9%	+30.1%	+20.5%	-	-	-
Operating Profit YoY	+71.7%	+22.3%	+21.7%	+8.0%	+37.6%	+26.0%	+26.6%	-	-	-
Recurring Profit YoY	+100.3%	+30.2%	+21.9%	+16.4%	+37.4%	+29.2%	+30.0%	-	-	-
Profit Attributable to Owners of Parent YoY	+97.4%	+23.5%	(13.3%)	(4.3%)	+46.4%	+39.6%	+81.9%	-	-	-
Gross Profit Margin	30.8%	29.9%	29.2%	28.4%	29.8%	30.2%	30.1%	-	-	+0.9%
(SG&A / Sales)	21.5%	19.4%	20.4%	20.6%	20.5%	20.0%	20.8%	-	-	+0.4%
Operating Profit Margin	9.2%	10.5%	8.8%	7.8%	9.3%	10.1%	9.3%	-	-	+0.4%
Recurring Profit Margin	9.4%	10.5%	8.8%	8.3%	9.5%	10.5%	9.5%	-	-	+0.7%
Profit Attributable to Owners of Parent Margin	5.9%	6.1%	3.9%	4.3%	6.3%	6.5%	5.9%	-	-	+2.0%
Total Income Taxes / Profit before Income Taxes	33.6%	39.4%	40.9%	37.9%	33.8%	37.5%	37.8%	-	-	(3.1%)
Income Statement	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	YoY
(Million Yen)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q4	Net Chg.
	03/2018	03/2018	03/2018	03/2018	03/2019	03/2019	03/2019	03/2019	03/2019	
Sales	3,085	3,656	3,973	4,684	4,222	4,550	4,138	-	-	+165
CoGS	2,135	2,592	2,859	3,439	2,964	3,162	2,902	-	-	+42
Gross Profit	949	1,064	1,113	1,244	1,258	1,388	1,235	-	-	+122
SG&A	664	644	872	995	865	891	926	-	-	+54
Operating Profit	285	420	240	249	392	496	308	-	-	+68
Non Operating Balance	5	0	(4)	75	7	21	3	-	-	+7
Recurring Profit	290	419	235	324	399	518	311	-	-	+76
Extraordinary Balance	(18)	(13)	(209)	44	0	0	(12)	-	-	+196
Profit before Income Taxes	272	405	26	369	399	518	299	-	-	+272
Total Income Taxes	91	175	21	119	135	209	115	-	-	+94
NP Belonging to Non-Controlling SHs	0	0	0	0	0	0	0	-	-	-
Profit Attributable to Owners of Parent	180	230	5	250	264	309	183	-	-	+178
Sales YoY	+8.9%	+6.1%	+36.4%	+19.4%	+36.9%	+24.5%	+4.2%	-	-	-
Operating Profit YoY	+71.7%	+2.3%	+20.2%	(24.4%)	+37.6%	+18.1%	+28.4%	-	-	-
Recurring Profit YoY	+100.3%	+4.7%	+2.4%	+2.7%	+37.4%	+23.5%	+32.2%	-	-	-
Profit Attributable to Owners of Parent YoY	+97.4%	(4.6%)	(96.4%)	+15.5%	+46.4%	+34.3%	-	-	-	-
Gross Profit Margin	30.8%	29.1%	28.0%	26.6%	29.8%	30.5%	29.9%	-	-	+1.8%
(SG&A / Sales)	21.5%	17.6%	22.0%	21.3%	20.5%	19.6%	22.4%	-	-	+0.4%
Operating Profit Margin	9.2%	11.5%	6.1%	5.3%	9.3%	10.9%	7.5%	-	-	+1.4%
Recurring Profit Margin	9.4%	11.5%	5.9%	6.9%	9.5%	11.4%	7.5%	-	-	+1.6%
Profit Attributable to Owners of Parent Margin	5.9%	6.3%	0.1%	5.3%	6.3%	6.8%	4.4%	-	-	+4.3%
Total Income Taxes / Profit before Income Taxes	33.6%	43.2%	80.2%	32.2%	33.8%	40.4%	38.7%	-	-	(41.5%)

Source: Company Data, WRJ Calculation

Segmented Information (Cumulative, Quarterly)

Segmented Information	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	YoY
(Million Yen)	Q1	Q1 to Q2	Q1 to Q3	Q1 to Q4	Q1	Q1 to Q2	Q1 to Q3	Q1 to Q4		Net Chg.
	03/2018	03/2018	03/2018	03/2018	03/2019	03/2019	03/2019	03/2019		
Japan	2,355	5,216	7,838	11,114	2,748	5,736	8,492	-	-	+653
Overseas	730	1,525	2,102	2,752	824	1,728	2,473	-	-	+371
Nansei	0	0	773	1,532	650	1,308	1,945	-	-	+1,172
Sales	3,085	6,742	10,715	15,399	4,222	8,773	12,911	-	-	+2,196
Japan	131	413	642	860	229	526	756	-	-	+113
Overseas	153	291	353	391	149	312	394	-	-	+41
Nansei	0	0	(13)	(11)	25	77	79	-	-	+93
Segment profit	285	705	982	1,241	403	915	1,230	-	-	+247
Elimination	0	0	(36)	(45)	(11)	(27)	(32)	-	-	+3
Operating Profit	285	705	945	1,195	392	888	1,197	-	-	+251
Japan	5.6%	7.9%	8.2%	7.7%	8.3%	9.2%	8.9%	-	-	+0.7%
Overseas	21.0%	19.1%	16.8%	14.2%	18.1%	18.1%	16.0%	-	-	(0.9%)
Nansei	-	-	(1.8%)	(0.7%)	3.9%	5.9%	4.1%	-	-	+5.9%
Elimination	(0.0%)	0.0%	(0.3%)	(0.3%)	(0.3%)	(0.3%)	(0.3%)	-	-	+0.1%
Operating Profit Margin	9.2%	10.5%	8.8%	7.8%	9.3%	10.1%	9.3%	-	-	+0.4%

Segmented Information	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	YoY
(Million Yen)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4		Net Chg.
	03/2018	03/2018	03/2018	03/2018	03/2019	03/2019	03/2019	03/2019		
Japan	2,355	2,861	2,622	3,275	2,748	2,988	2,755	-	-	+133
Overseas	730	795	577	649	824	904	745	-	-	+168
Nansei	0	0	773	759	650	657	637	-	-	(136)
Sales	3,085	3,656	3,973	4,684	4,222	4,550	4,138	-	-	+165
Japan	131	282	228	218	229	297	229	-	-	0
Overseas	153	137	62	37	149	162	82	-	-	+20
Nansei	0	0	(13)	2	25	51	2	-	-	+15
Segment profit	285	419	277	258	403	511	314	-	-	+37
Elimination	0	0	(36)	(9)	(11)	(15)	(5)	-	-	+31
Operating Profit	285	420	240	249	392	496	308	-	-	+68
Japan	5.6%	9.9%	8.7%	6.7%	8.3%	9.9%	8.3%	-	-	(0.4%)
Overseas	21.0%	17.3%	10.8%	5.8%	18.1%	18.0%	11.1%	-	-	+0.3%
Nansei	-	-	(1.8%)	0.4%	3.9%	7.9%	0.3%	-	-	+2.1%
Elimination	(0.0%)	0.0%	(0.9%)	(0.2%)	(0.3%)	(0.3%)	(0.1%)	-	-	+0.8%
Operating Profit Margin	9.2%	11.5%	6.1%	5.3%	9.3%	10.9%	7.5%	-	-	+1.4%

Source: Company Data, WRJ Calculation

Balance Sheet (Quarterly)

Balance Sheet (Million Yen)	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	YoY Net Chg.
	Q1 03/2018	Q2 03/2018	Q3 03/2018	Q4 03/2018	Q1 03/2019	Q2 03/2019	Q3 03/2019	Q4 03/2019		
Cash & Deposit	2,932	3,748	2,768	3,475	3,291	3,208	3,291	-	+522	
Accounts Receivables	3,728	4,015	4,636	5,178	4,937	5,237	4,565	-	(70)	
Inventory	3,648	3,780	4,680	4,632	4,888	5,153	5,942	-	+1,262	
Other	468	580	815	766	369	353	489	-	(325)	
Current Assets	10,776	12,124	12,900	14,052	13,486	13,953	14,289	-	+1,388	
Tangible Assets	3,883	3,949	4,848	4,764	4,763	4,712	4,794	-	(53)	
Intangible Assets	173	169	392	381	369	355	340	-	(52)	
Investments & Other Assets	493	504	758	513	743	770	722	-	(36)	
Fixed Assets	4,549	4,623	5,999	5,659	5,876	5,838	5,857	-	(142)	
Total Assets	15,326	16,748	18,900	19,712	19,362	19,791	20,146	-	+1,246	
Accounts Payables	2,746	2,990	3,563	3,668	3,658	3,601	3,808	-	+244	
Short Term Debt	3,303	4,204	5,262	4,176	4,049	3,918	4,124	-	(1,137)	
Other	602	651	991	1,248	998	1,033	909	-	(81)	
Current Liabilities	6,652	7,846	9,816	9,092	8,706	8,553	8,841	-	(974)	
Long Term Debt	812	770	690	610	557	783	690	-	-	
Other	359	370	571	523	529	532	534	-	(36)	
Fixed Liabilities	1,171	1,141	1,261	1,133	1,086	1,316	1,224	-	(36)	
Total Liabilities	7,824	8,987	11,078	10,226	9,792	9,869	10,066	-	(1,011)	
Shareholders' Equity	7,299	7,561	7,591	9,347	9,420	9,743	9,927	-	+2,335	
Other	203	198	230	138	148	178	152	-	(77)	
Net Assets	7,502	7,760	7,822	9,486	9,569	9,922	10,079	-	+2,257	
Total Liabilities & Net Assets	15,326	16,748	18,900	19,712	19,362	19,791	20,146	-	+1,246	
Equity Capital	7,407	7,676	7,751	9,421	9,507	9,862	10,019	-	+2,268	
Interest Bearing Debt	4,115	4,974	5,952	4,786	4,606	4,701	4,814	-	(1,137)	
Net Debt	1,183	1,226	3,184	1,311	1,314	1,493	1,523	-	(1,660)	
Equity Ratio	48.3%	45.8%	41.0%	47.8%	49.1%	49.8%	49.7%	-	+8.7%	
Net Debt Equity Ratio	16.0%	16.0%	41.1%	13.9%	13.8%	15.1%	15.2%	-	(25.9%)	
ROE (12 months)	11.1%	10.6%	8.5%	7.9%	8.9%	9.5%	11.3%	-	+2.8%	
ROA (12 months)	8.2%	8.2%	7.5%	7.2%	8.0%	8.1%	8.0%	-	+0.4%	
Days for Inventory Turnover	156	133	149	123	150	149	187	-	-	
Quick Ratio	100%	99%	75%	95%	95%	99%	89%	-	-	
Current Ratio	162%	155%	131%	155%	155%	163%	162%	-	-	

Source: Company Data, WRJ Calculation

Cash Flow Statement (Cumulative)

Cash Flow Statement (Million Yen)	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	YoY Net Chg.
	Q1 03/2018	Q1 to Q2 03/2018	Q1 to Q3 03/2018	Q1 to Q4 03/2018	Q1 03/2019	Q1 to Q2 03/2019	Q1 to Q3 03/2019	Q1 to Q4 03/2019		
Operating Cash Flow	-	76	-	(245)	-	(49)	-	-	-	
Investing Cash Flow	-	(136)	-	(481)	-	63	-	-	-	
Operating CF & Investing CF	-	(60)	-	(726)	-	14	-	-	-	
Financing Cash Flow	-	552	-	914	-	(282)	-	-	-	

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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