

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)
FY03/2018		15,399	1,195	1,270	666	94.9	24.0	1,161.8
FY03/2019		17,866	1,524	1,560	1,000	123.3	27.0	1,258.9
FY03/2020CoE		18,800	1,750	1,750	1,120	137.8	28.0	-
FY03/2019	YoY	16.0%	27.5%	22.8%	50.2%	-	-	-
FY03/2020CoE	YoY	5.2%	14.8%	12.2%	11.9%	-	-	-
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 FY03/2019		8,773	888	917	573	-	-	-
Q3 to Q4 FY03/2019		9,093	635	642	427	-	-	-
Q1 to Q2 FY03/2020CoE		9,200	920	920	580	-	-	-
Q3 to Q4 FY03/2020CoE		9,600	830	830	540	-	-	-
Q1 to Q2 FY03/2020CoE	YoY	4.9%	3.5%	0.2%	1.2%	-	-	-
Q3 to Q4 FY03/2020CoE	YoY	5.6%	30.5%	29.2%	26.3%	-	-	-

Source: Company Data, WRJ Calculation

1.0 Results Update (17 May 2019)


Record High Earnings Renewed

On 15 May 2019, OKADA AIYON, holding strengths on sales and maintenance services for demolition attachments, held results meeting and disclosed details of FY03/2019 results (released on 14 May) and prospects. The Company suggested that sales and earnings are likely to perform in line with assumptions of long-term management plan “Arch 2020 Strategy” (FY03/2016 to FY03/2021). Having achieved sales increases for the 9th consecutive year in FY03/2019, the Company has persistently renewed record high earnings at the same time. Meanwhile, above-mentioned long-term management plan is calling for CAGR of 9.0% for sales and 14.4% for earnings during its period. The Company is one of the largest suppliers in Japan with respect to demolition attachments (crushers and hydraulic breakers) which are used as tips of hydraulic shovels adopted for demolition of buildings, etc., suggesting a major benefit from increased demand for demolition in a long-term view. On top of this, cultivation of markets overseas is steadily making progress in the mainstay North America, etc., while the Company is on the verge of benefiting from synergy to come from recent merger and acquisition. We are to interview with management to discuss the issues more in depth so that we should be able to initiate the Company.

IR Representative: Nobuo Maenishi, Executive Director (+81 6 6576 1271 maenishi@aiyon.co.jp)

2.0 Company Profile

Sales and Maintenance Services for Demolition Attachments

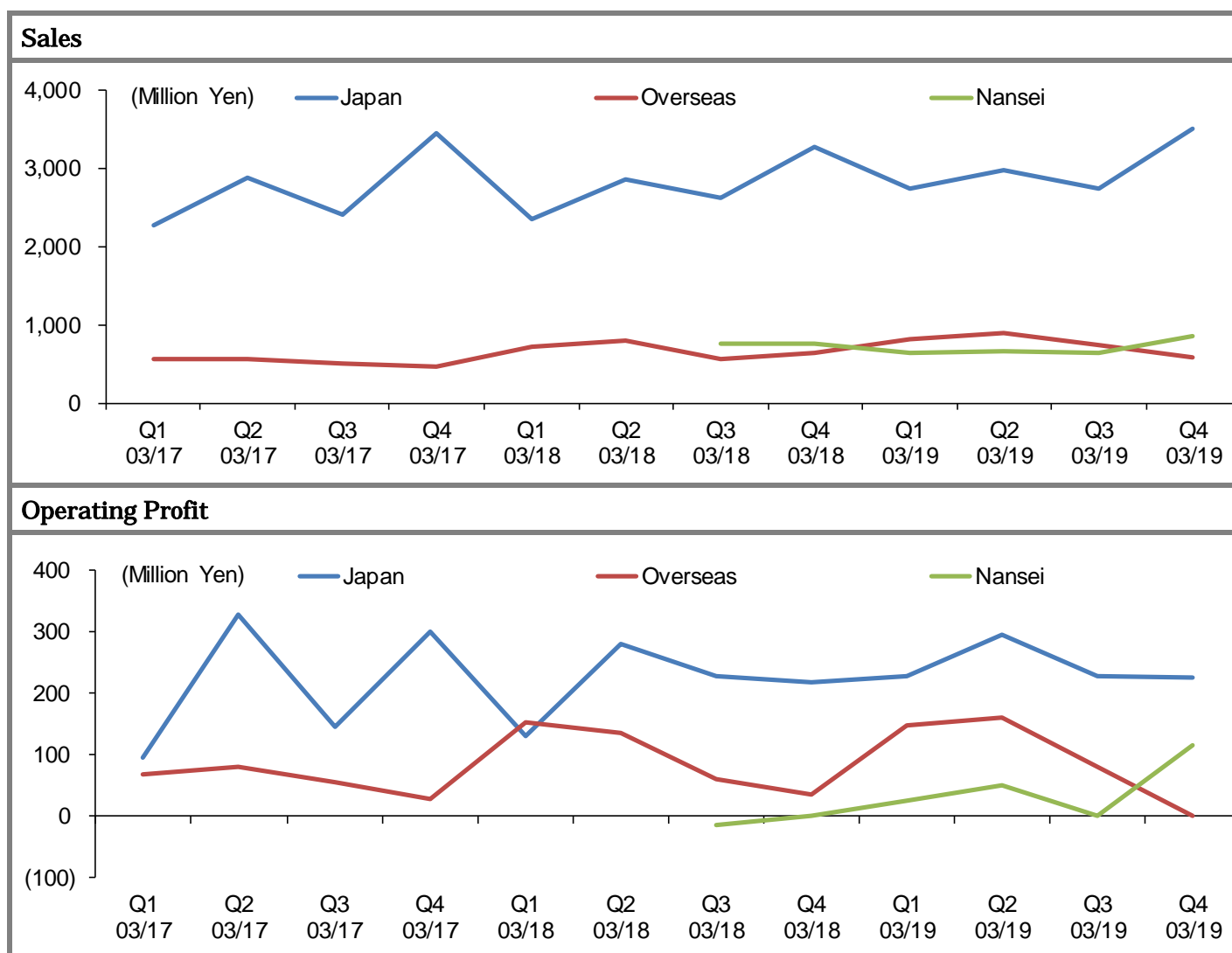
Company Name	OKADA AIYON CORPORATION Company Website IR Information Share Price (Japanese)	 OKADA AIYON CORPORATION
Established	1 September 1960	
Listing	18 March 2016: Tokyo Stock Exchange 1st section (ticker: 6294) 16 July 2013: Tokyo Stock Exchange 2nd section 11 August 1992: Osaka Stock Exchange 2nd section	
Capital	¥2,221m (as of the end of March 2019)	
No. of Shares	8,378,700 shares, including 252,615 treasury shares (as of the end of March 2019)	
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 ex-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: Yuji Okada	
Shareholders	Japan Master (trust account) 5.9%, Japan Trustee (trust account) 5.6% (as of the end of March 2019)	
Headquarters	Minato-ku, Osaka, JAPAN	
No. of Employees	Consolidated: 417, Parent: 194 (as of the end of March 2019)	

Source: Company Data

3.0 Recent Trading and Prospects

FY03/2019 Results

In FY03/2019, sales came in at ¥17,866m (up 16.0% YoY), operating profit ¥1,524m (up 27.5%), recurring profit ¥1,560m (up 22.8%) and profit attributable to owners of parent ¥1,000m (up 50.2%), while operating profit margin 8.5% (up 0.8% points). At the extraordinary level, the Company suffered from loss on guarantees for debt of ¥171m in FY03/2018, which did not reappear. Due mainly to this, profit attributable to owners of parent surged.



Source: Company Data, WRJ Calculation

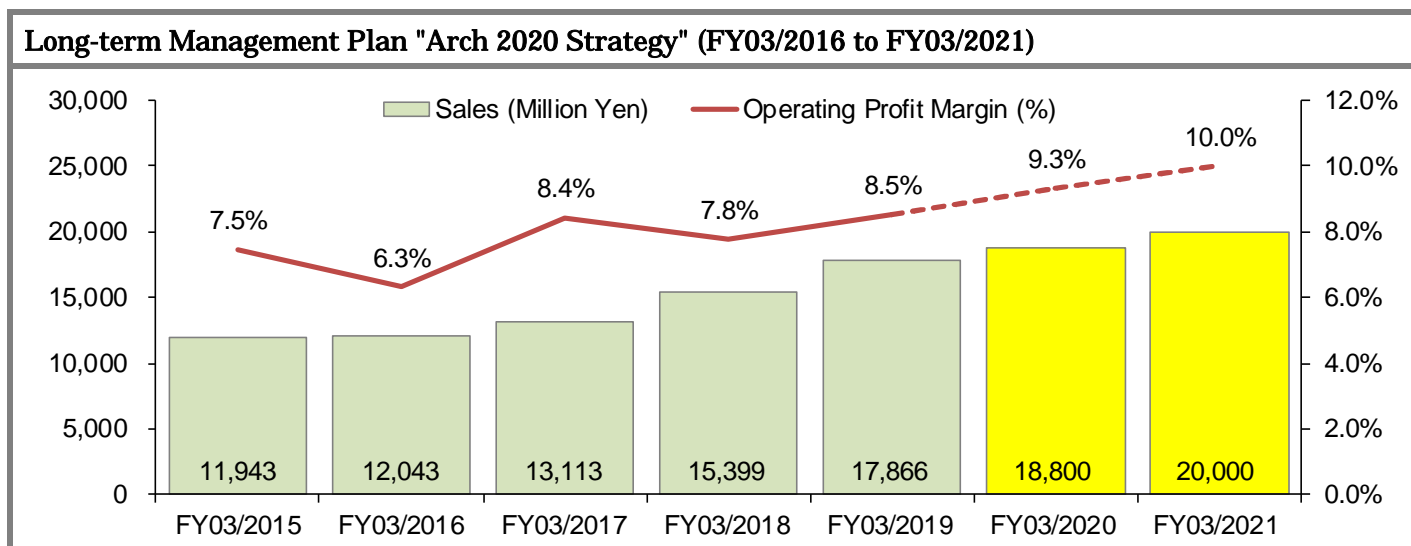
In the segment of Japan, sales came in at ¥11,996m (up 7.9%), operating profit ¥981m (up 14.0%) and operating profit margin 8.2% (up 0.4% points), having accounted for 67.1% of sales as a whole for the Company and 62.4% of operating profit (before elimination). Thus, the segment of Japan is the mainstay earnings pillar for the Company now. The key product here is crushers whose sales came in at ¥6,309m (up 7.4%), having driven sales with this segment most substantially. The Company argues that it has successfully expanded capacity to cope with increased demand associated with urban redevelopment and reconstruction of buildings.

In the segment of Overseas, sales came in at ¥3,061m (up 11.2%), operating profit ¥395m (up 1.1%) and operating profit margin 12.9% (down 1.3% points). By region, sales of North America accounted for the bulk and hydraulic breakers by product. In North America, the Company is keen on cultivating new distributors in order to further beef up sales, while trying to add crushers, etc. to own local product lineup. In Europe, the Company is to make a changeover to local subsidiary in regards to its representative office of Netherland by the end of FY03/2020, trying to accelerate local market cultivation, combined with aggressive local hiring. Meanwhile, in Asia, the Company is to newly set up representative office in Thailand to make progress with local market cultivation.

In the segment of Nansei, sales came in at ¥2,808m, operating profit ¥194m and operating profit margin 6.9%. This is of operations to manufacture and sell forestry grapples, cable cranes, etc., acquired through consolidation of ex-Nansei Group as fully-owned subsidiary since Q3 FY03/2018. In April 2019, the Company enforced merger among three companies of ex-Nansei group with Nansei Machinery as surviving company, while planning to adopt core system common as a whole for the Company in order to further pursue integration of operations and/or rationalization. In the first place, ex-Nansei Group has strengths on manufacture and the merger with the Company holding strengths on sales and maintenance services is supposed to create synergy.

FY03/2020 Company Forecasts

FY03/2020 Company forecasts are going for prospective sales of ¥18,800m (up 5.2%), operating profit of ¥1,750m (up 14.8%), recurring profit of ¥1,750m (up 12.2%) and profit attributable to owners of parent of ¥1,120m (up 11.9%), while operating profit margin of 9.3% (up 0.8% points). Company forecasts are also going for prospective annual dividend of ¥28.0 per share, implying payout ratio of 20.3%.



Source: Company Data, WRJ Calculation

With long-term management plan "Arch 2020 Strategy" 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. In the results through FY03/2016 to FY03/2019, the Company saw CAGR of 10.6% for sales and 14.3% for operating profit. Meanwhile, the plan is now going for 5.8% and 14.5%, respectively, for the remaining period through FY03/2020 to FY03/2021.

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		Net Chg.
	03/2018	03/2018	03/2018	03/2018	03/2019	03/2019	03/2019	03/2019		
Sales	3,085	6,742	10,715	15,399	4,222	8,773	12,911	17,866		+2,466
CoGS	2,135	4,728	7,587	11,027	2,964	6,126	9,029	12,607		+1,579
Gross Profit	949	2,014	3,127	4,372	1,258	2,646	3,882	5,259		+887
SG&A	664	1,308	2,181	3,177	865	1,757	2,684	3,735		+557
Operating Profit	285	705	945	1,195	392	888	1,197	1,524		+329
Non Operating Balance	5	4	0	75	7	29	32	35		(39)
Recurring Profit	290	710	946	1,270	399	917	1,229	1,560		+289
Extraordinary Balance	(18)	(32)	(241)	(197)	0	0	(12)	(39)		+158
Profit before Income Taxes	272	677	704	1,073	399	917	1,216	1,521		+447
Total Income Taxes	91	266	288	407	135	344	460	520		+113
Profit Attributable to Owners of Parent	180	410	416	666	264	573	756	1,000		+334
Sales YoY	+8.9%	+7.4%	+16.6%	+17.4%	+36.9%	+30.1%	+20.5%	+16.0%		-
Operating Profit YoY	+71.7%	+22.3%	+21.7%	+8.0%	+37.6%	+26.0%	+26.6%	+27.5%		-
Recurring Profit YoY	+100.3%	+30.2%	+21.9%	+16.4%	+37.4%	+29.2%	+30.0%	+22.8%		-
Profit Attributable to Owners of Parent YoY	+97.4%	+23.5%	(13.3%)	(4.3%)	+46.4%	+39.6%	+81.9%	+50.2%		-
Gross Profit Margin	30.8%	29.9%	29.2%	28.4%	29.8%	30.2%	30.1%	29.4%		+1.0%
(SG&A / Sales)	21.5%	19.4%	20.4%	20.6%	20.5%	20.0%	20.8%	20.9%		+0.3%
Operating Profit Margin	9.2%	10.5%	8.8%	7.8%	9.3%	10.1%	9.3%	8.5%		+0.8%
Recurring Profit Margin	9.4%	10.5%	8.8%	8.3%	9.5%	10.5%	9.5%	8.7%		+0.5%
Profit Attributable to Owners of Parent Margin	5.9%	6.1%	3.9%	4.3%	6.3%	6.5%	5.9%	5.6%		+1.3%
Total Income Taxes / Profit before Income Taxes	33.6%	39.4%	40.9%	37.9%	33.8%	37.5%	37.8%	34.2%		(3.7%)
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		Net Chg.
	03/2018	03/2018	03/2018	03/2018	03/2019	03/2019	03/2019	03/2019		
Sales	3,085	3,656	3,973	4,684	4,222	4,550	4,138	4,954		+270
CoGS	2,135	2,592	2,859	3,439	2,964	3,162	2,902	3,577		+138
Gross Profit	949	1,064	1,113	1,244	1,258	1,388	1,235	1,376		+132
SG&A	664	644	872	995	865	891	926	1,050		+54
Operating Profit	285	420	240	249	392	496	308	326		+77
Non Operating Balance	5	0	(4)	75	7	21	3	3		(71)
Recurring Profit	290	419	235	324	399	518	311	330		+5
Extraordinary Balance	(18)	(13)	(209)	44	0	0	(12)	(26)		(70)
Profit before Income Taxes	272	405	26	369	399	518	299	304		(65)
Total Income Taxes	91	175	21	119	135	209	115	60		(58)
Profit Attributable to Owners of Parent	180	230	5	250	264	309	183	244		(6)
Sales YoY	+8.9%	+6.1%	+36.4%	+19.4%	+36.9%	+24.5%	+4.2%	+5.8%		-
Operating Profit YoY	+71.7%	+2.3%	+20.2%	(24.4%)	+37.6%	+18.1%	+28.4%	+31.2%		-
Recurring Profit YoY	+100.3%	+4.7%	+2.4%	+2.7%	+37.4%	+23.5%	+32.2%	+1.8%		-
Profit Attributable to Owners of Parent YoY	+97.4%	(4.6%)	(96.4%)	+15.5%	+46.4%	+34.3%	-	(2.5%)		-
Gross Profit Margin	30.8%	29.1%	28.0%	26.6%	29.8%	30.5%	29.9%	27.8%		+1.2%
(SG&A / Sales)	21.5%	17.6%	22.0%	21.3%	20.5%	19.6%	22.4%	21.2%		(0.1%)
Operating Profit Margin	9.2%	11.5%	6.1%	5.3%	9.3%	10.9%	7.5%	6.6%		+1.3%
Recurring Profit Margin	9.4%	11.5%	5.9%	6.9%	9.5%	11.4%	7.5%	6.7%		(0.3%)
Profit Attributable to Owners of Parent Margin	5.9%	6.3%	0.1%	5.3%	6.3%	6.8%	4.4%	4.9%		(0.4%)
Total Income Taxes / Profit before Income Taxes	33.6%	43.2%	80.2%	32.2%	33.8%	40.4%	38.7%	19.8%		(12.4%)

Source: Company Data, WRJ Calculation

Segmented Information (Cumulative, Quarterly)

Segmented Information (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		
Japan	2,355	5,216	7,838	11,114	2,748	5,736	8,492	11,996	+882	
Overseas	730	1,525	2,102	2,752	824	1,728	2,473	3,061	+309	
Nansei	-	-	773	1,532	650	1,308	1,945	2,808	-	
Sales	3,085	6,742	10,715	15,399	4,222	8,773	12,911	17,866	+2,466	
Japan	131	413	642	860	229	526	756	981	+120	
Overseas	153	291	353	391	149	312	394	395	+4	
Nansei	-	-	(13)	(11)	25	77	79	194	-	
Segment profit	285	705	982	1,241	403	915	1,230	1,572	+330	
Elimination	0	0	(36)	(45)	(11)	(27)	(32)	(47)	(1)	
Operating Profit	285	705	945	1,195	392	888	1,197	1,524	+329	
Japan	5.6%	7.9%	8.2%	7.7%	8.3%	9.2%	8.9%	8.2%	+0.4%	
Overseas	21.0%	19.1%	16.8%	14.2%	18.1%	18.1%	16.0%	12.9%	(1.3%)	
Nansei	-	-	(1.8%)	(0.7%)	3.9%	5.9%	4.1%	6.9%	-	
Elimination	(0.0%)	0.0%	(0.3%)	(0.3%)	(0.3%)	(0.3%)	(0.3%)	(0.3%)	+0.0%	
Operating Profit Margin	9.2%	10.5%	8.8%	7.8%	9.3%	10.1%	9.3%	8.5%	+0.8%	

Segmented Information (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		
Japan	2,355	2,861	2,622	3,275	2,748	2,988	2,755	3,504	+229	
Overseas	730	795	577	649	824	904	745	587	(61)	
Nansei	-	-	773	759	650	657	637	862	+103	
Sales	3,085	3,656	3,973	4,684	4,222	4,550	4,138	4,954	+270	
Japan	131	282	228	218	229	297	229	225	+7	
Overseas	153	137	62	37	149	162	82	0	(36)	
Nansei	-	-	(13)	2	25	51	2	115	+112	
Segment profit	285	419	277	258	403	511	314	341	+83	
Elimination	0	0	(36)	(9)	(11)	(15)	(5)	(15)	(5)	
Operating Profit	285	420	240	249	392	496	308	326	+77	
Japan	5.6%	9.9%	8.7%	6.7%	8.3%	9.9%	8.3%	6.4%	(0.2%)	
Overseas	21.0%	17.3%	10.8%	5.8%	18.1%	18.0%	11.1%	0.1%	(5.7%)	
Nansei	-	-	(1.8%)	0.4%	3.9%	7.9%	0.3%	13.4%	+13.0%	
Elimination	(0.0%)	0.0%	(0.9%)	(0.2%)	(0.3%)	(0.3%)	(0.1%)	(0.3%)	(0.1%)	
Operating Profit Margin	9.2%	11.5%	6.1%	5.3%	9.3%	10.9%	7.5%	6.6%	+1.3%	

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	2,936	(538)	
Accounts Receivables	3,728	4,015	4,636	5,178	4,937	5,237	4,565	5,346	+167	
Inventory	3,648	3,780	4,680	4,632	4,888	5,153	5,942	5,744	+1,112	
Other	468	580	815	541	369	353	489	417	(123)	
Current Assets	10,776	12,124	12,900	13,827	13,486	13,953	14,289	14,444	+617	
Tangible Assets	3,883	3,949	4,848	4,764	4,763	4,712	4,794	5,059	+294	
Intangible Assets	173	169	392	381	369	355	340	373	(8)	
Investments & Other Assets	493	504	758	731	743	770	722	737	+5	
Fixed Assets	4,549	4,623	5,999	5,878	5,876	5,838	5,857	6,170	+291	
Total Assets	15,326	16,748	18,900	19,706	19,362	19,791	20,146	20,614	+908	
Accounts Payables	2,746	2,990	3,563	3,668	3,658	3,601	3,808	3,809	+141	
Short Term Debt	3,303	4,204	5,262	4,176	4,049	3,918	4,124	4,453	+277	
Other	602	651	991	1,248	998	1,033	909	1,264	+16	
Current Liabilities	6,652	7,846	9,816	9,092	8,706	8,553	8,841	9,527	+435	
Long Term Debt	812	770	690	610	557	783	690	275	(335)	
Other	359	370	571	523	529	532	534	523	-	
Fixed Liabilities	1,171	1,141	1,261	1,133	1,086	1,316	1,224	799	(334)	
Total Liabilities	7,824	8,987	11,078	10,226	9,792	9,869	10,066	10,327	+101	
Shareholders' Equity	7,299	7,561	7,591	9,347	9,420	9,743	9,927	10,175	+827	
Other	203	198	230	138	148	178	152	112	(25)	
Net Assets	7,502	7,760	7,822	9,486	9,569	9,922	10,079	10,287	+801	
Total Liabilities & Net Assets	15,326	16,748	18,900	19,712	19,362	19,791	20,146	20,614	+902	
Equity Capital	7,407	7,676	7,751	9,421	9,507	9,862	10,019	10,230	+809	
Interest Bearing Debt	4,115	4,974	5,952	4,786	4,606	4,701	4,814	4,728	(58)	
Net Debt	1,183	1,226	3,184	1,311	1,314	1,493	1,523	1,792	+480	
Equity Ratio	48.3%	45.8%	41.0%	47.8%	49.1%	49.8%	49.7%	49.6%	+1.8%	
Net Debt Equity Ratio	16.0%	16.0%	41.1%	13.9%	13.8%	15.1%	15.2%	17.5%	+3.6%	
ROE (12 months)	11.1%	10.6%	8.5%	7.9%	8.9%	9.5%	11.3%	10.2%	+2.3%	
ROA (12 months)	8.2%	8.2%	7.5%	7.2%	8.0%	8.1%	8.0%	7.7%	+0.5%	
Days for Inventory Turnover	156	133	149	123	150	149	187	146	-	
Quick Ratio	100%	99%	75%	95%	95%	99%	89%	87%	-	
Current Ratio	162%	155%	131%	152%	155%	163%	162%	152%	-	

Source: Company Data, WRJ Calculation

Cash Flow Statement (Cumulative)

キャッシュフロー計算書 (百万円)	連結実績	連結実績	連結実績	連結実績	連結実績	連結実績	連結実績	連結実績	連結実績	前年比 純増減
	1Q 03/2018	2Q累計 03/2018	3Q累計 03/2018	4Q累計 03/2018	1Q 03/2019	2Q累計 03/2019	3Q累計 03/2019	4Q累計 03/2019		
営業活動によるキャッシュフロー	-	76	-	(245)	-	(49)	-	127	+373	
投資活動によるキャッシュフロー	-	(136)	-	(481)	-	63	-	(400)	+80	
営業活動CF + 投資活動CF	-	(60)	-	(726)	-	14	-	(272)	+453	
財務活動によるキャッシュフロー	-	552	-	914	-	(282)	-	(267)	(1,182)	

出所: 会社データ、弊社計算

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.

Company name: Walden Research Japan Incorporated

Head office: 4F Hulic Ginza 1-chome Building, 1-13-1 Ginza, Chuo-ku, Tokyo 104-0061 JAPAN

URL: www.walden.co.jp

E-mail: info@walden.co.jp

Phone : +81 3 3553 3769
