

## 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		18,500	1,600	1,600	1,020	125.5	28.0	-
FY03/2019	YoY	16.0%	27.5%	22.8%	50.2%	-	-	-
FY03/2020CoE	YoY	3.5%	5.0%	2.5%	1.9%	-	-	-
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 FY03/2020		9,296	881	892	554	-	-	-
Q3 to Q4 FY03/2020CoE		9,203	718	707	465	-	-	-
Q1 to Q2 FY03/2020	YoY	6.0%	(0.8%)	(2.8%)	(3.3%)	-	-	-
Q3 to Q4 FY03/2020CoE	YoY	1.2%	13.0%	10.1%	8.9%	-	-	-

Source: Company Data, WRJ Calculation

### 1.0 Executive Summary (16 January 2020)

#### Long-term Growth with Stability

OKADA AIYON, manufacturing and selling demolition attachments as well as providing maintenance services, has a good opportunity to achieve long-term growth with stability, while it is actively working to return earnings to shareholders. Recent trading suggests that the Company struggles in development overseas and in the operations acquired, but demolition attachments (crushers and hydraulic breakers) in Japan are likely to see consistent increases of sales and earnings with stability in line with ongoing increases of demand for demolition. The Company spots that demand for demolition will remain firm over the next 30 years, judging from the transition of the total building area of non-wooden buildings. The Company, holding some 40% share in the market of Japan for the mainstay crushers, is quite likely to benefit from this. In fact, it has market share particularly high in the Tokyo metropolitan area where demand for demolition is concentrated. Meanwhile, the Company suffers from short-term adjustments in North America and ex-Japan Asia. Still, given a long-term prospect that there is a great room to cultivate in the markets overseas, including that of Europe, the Company is currently setting up new footholds overseas. On top of this, the long-term outlook is favorable for the forestry market in Japan, with which the former Nansei Group currently owned by the Company is deeply involved. In the forestry industry in Japan, 50% of timber self-sufficiency rate is aimed and the market continues to expand over the long term, according to the Company. At the same time, the Company is keen on returning earnings to shareholders, implying total return ratio of 41.9% in FY03/2020.

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## 2.0 Company Profile

### Manufacture, Sales and Provision of Maintenance Services for Demolition Attachments

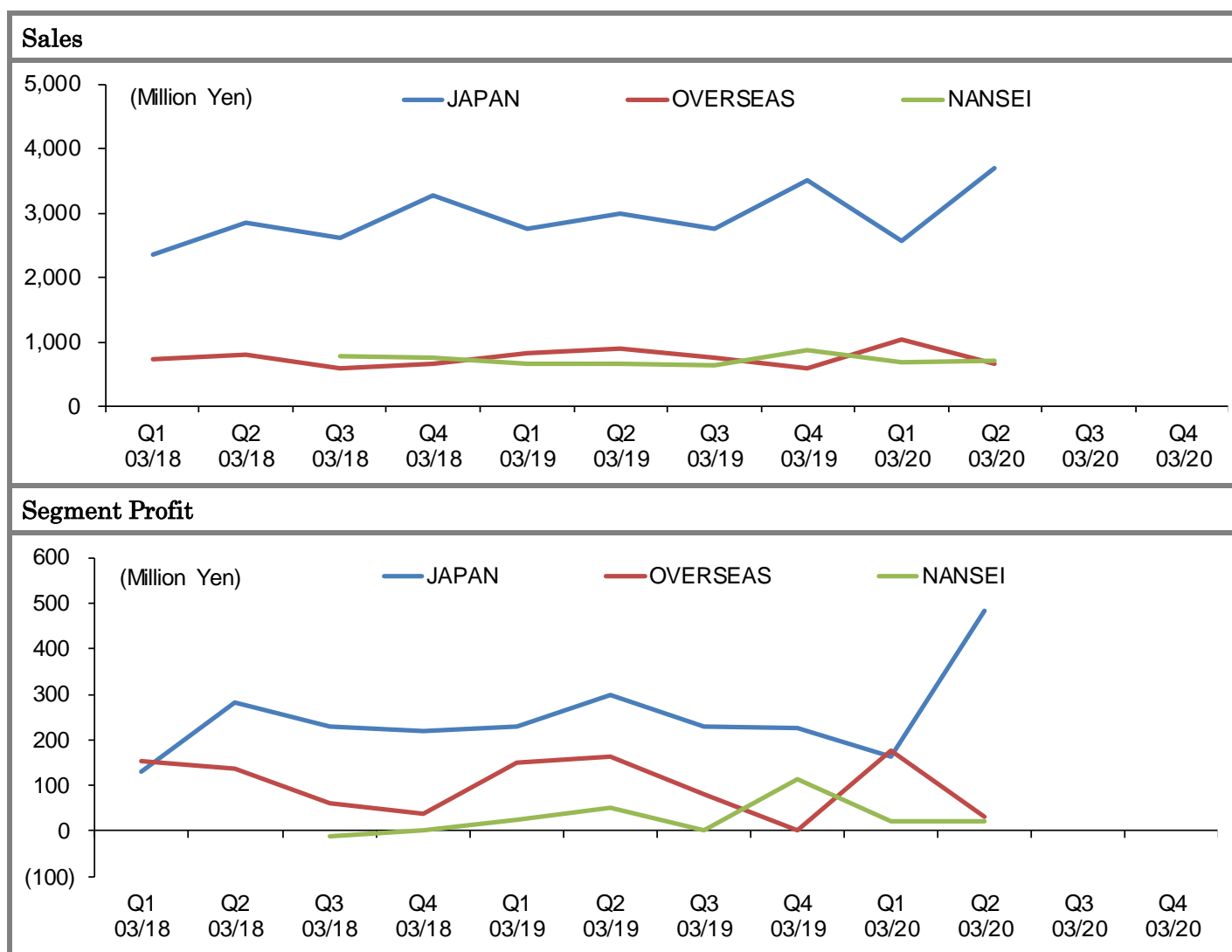
<b>Company Name</b>	OKADA AIYON CORPORATION <a href="#">Company Website</a> <a href="#">IR Information</a> <a href="#">Share Price (Japanese)</a>
<b>Established</b>	1 September 1960
<b>Listing</b>	18 March 2016: Tokyo Stock Exchange 1st section (ticker: 6294) 16 July 2013: Tokyo Stock Exchange 2nd section 11 August 1992: Osaka Stock Exchange 2nd section
<b>Capital</b>	¥2,221m (as of the end of September 2019)
<b>No. of Shares</b>	8,378,700 shares, including 245,315 treasury shares (as of the end of Sep. 2019)
<b>Main Features</b>	<ul style="list-style-type: none"> <li>● Heavily involved with demolition attachments, requiring consistent maintenance services</li> <li>● Strengths on sales and maintenance services, while the manufacture being mainly of assembling procured components</li> <li>● Fully consolidated former Nansei group as subsidiaries since Q3 FY03/2018</li> </ul>
<b>Business Segments</b>	I . JAPAN II . OVERSEAS III . NANSEI
<b>Top Management</b>	President and Representative Director: Yuji Okada Chairperson and Representative Director: Toshiyuki Kanda
<b>Shareholders</b>	Master Trust Bank of Japan, T. 7.2%, Japan Trustee Services, T. 4.8%, Katsuhiko Okada 4.4%, Shinichiro Okada 4.1% (as of the end of September 2019)
<b>Headquarters</b>	Minato-ku, Osaka, JAPAN
<b>No. of Employees</b>	Consolidated: 434, Parent: 195 (as of the end of September 2019)

Source: Company Data

## 3.0 Recent Trading and Prospects

### Q1 to Q2 FY03/2020 Results

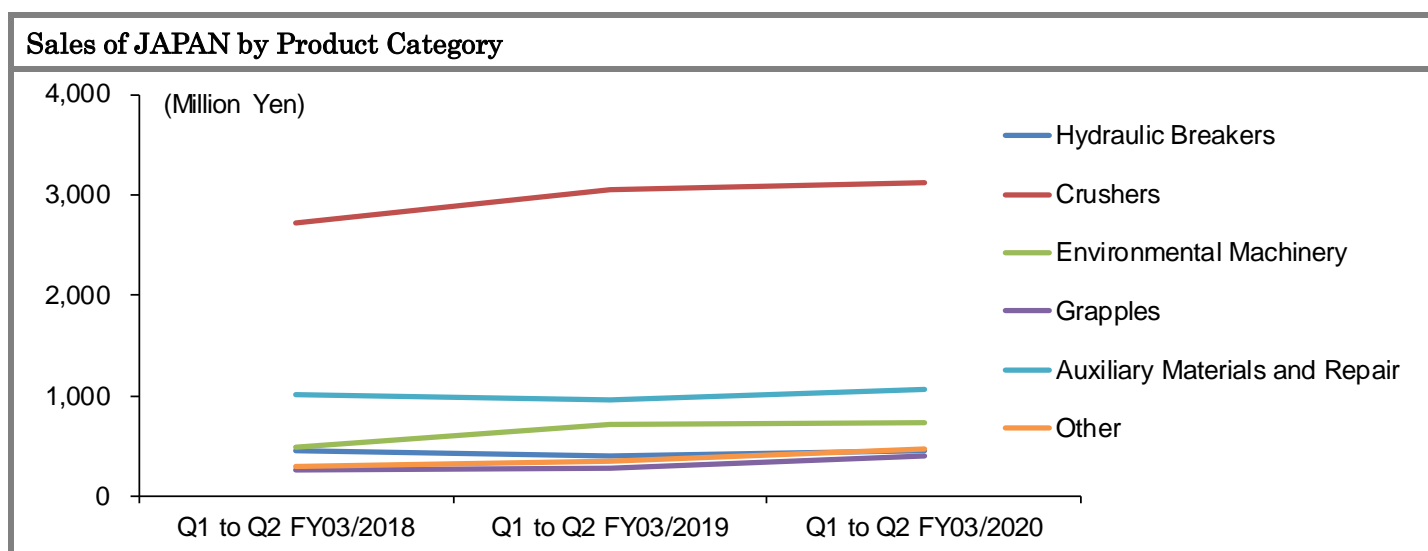
In Q1 to Q2 FY03/2020, sales came in at ¥9,296m (up 6.0% YoY), operating profit ¥881m (down 0.8%), recurring profit ¥892m (down 2.8%) and profit attributable to owners of parent ¥554m (down 3.3%), while operating profit margin 9.5% (down 0.6% points). Compared with initial Company forecasts, sales are better by ¥96m (1.0%), while operating profit worse by ¥39m (4.2%), recurring profit worse by ¥28m (3.0%) and profit attributable to owners of parent worse by ¥26m (4.5%).



Source: Company Data, WRJ Calculation

Meanwhile, gross profit came in at ¥2,768m (up 4.6%) and SG&A expenses ¥1,886m (up 7.3%), implying gross profit margin of 29.8% (down 0.4% points) and sales to SG&A expenses ratio of 20.3% (up 0.3% points). That is to say, the Company sees increases of SG&A expenses faster than those of gross profit, resulting in decreases of operating profit in spite of increases of sales over the same period of the previous year. It appears that the increases of SG&A expenses are attributable to those of sales promotions and establishment of new footholds on the OVERSEAS side to a large extent. Recent trading suggests that the situations on the OVERSEAS side are not favorable, but it appears that the Company is actively making upfront investment on the OVERSEAS side, given that a potential to cultivate markets on the OVERSEAS side is undoubtedly higher than on the JAPAN side.

The Company, manufacturing and selling demolition attachments (crushers and hydraulic breakers) as well as providing maintenance services, discloses its business performance by three business segments, i.e., JAPAN, OVERSEAS and NANSEI. On the mainstay JAPAN side, the Company holds market share of some 40% in regards to crushers to account for the bulk of demolition attachments, implying that the Company's business performance as a whole is largely exposed to demand for demolition in Japan. The Company suggests that it has market share of crushers particularly high in the Tokyo metropolitan area. With respect to hydraulic breakers, the Company holds market share of 14% in Japan. Meanwhile, the details of business model and business performance by business segment are as follows:

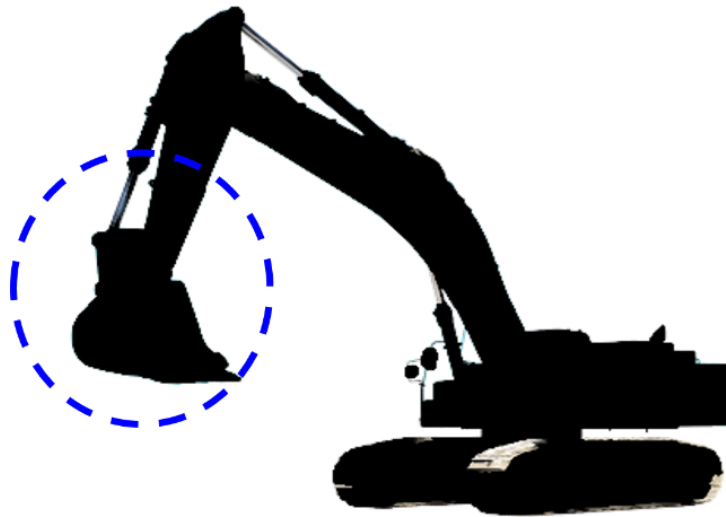


Source: Company Data, WRJ Calculation

On the JAPAN side, sales came in at ¥6,246m (up 8.9%), segment profit ¥645m (up 22.7%) and segment profit margin 10.3% (up 1.2% points). Sales are running ahead of initial assumptions and thus the effects of higher sales. On the JAPAN side, the Company is running operations to promote sales, mainly those of demolition attachments (crushers and hydraulic breakers). In particular, it has a large exposure to crushers, which account for 50.0% of sales. In Q2 over Q1, delayed delivery for crushers has been resolved and sales on the JAPAN side increased fast and thus earnings. Meanwhile, order intake is favorable, driven by robust demand for redevelopment and reconstruction.

Sales of grapples and other are also increasing fast, although not much in terms of sales composition ratio. The Company mentions that sales of grapples are driven by increased demand for demolition of low-rise wooden houses, i.e., the main application, while sales of other by couplers, which are equipment to efficiently mount demolition attachments onto the tip of hydraulic shovel's arm. For example, it takes too much time to mount crushers with which size enlargement is going on by means of the existing way based on manpower. On top of this, safety considerations are becoming more important than in the past. Now, couplers are the equipment to solve all those problems with the capability to have it done in 10 minutes versus half day with manpower.







## Demolition Attachments (Crushers and Hydraulic Breakers) to Replace Bucket Part of Hydraulic Shovel



Source: Company Data

Crushers are supposed to replace a bucket part or vessel to put in and carry ores, gravels, etc., mounted as default for the tip of hydraulic shovel's arm and this replacement makes hydraulic shovel able to be used for demolition of buildings on a full-fledged basis. Hydraulic breakers, also used as substitutes for a bucket part in the same way, are adopted for diverse purposes on top of demolition works of buildings, for example, in works like crushing bedrocks and concrete, excavating bedrocks, fragmenting bedrocks and boulders, etc. in all kinds of construction and/or civil-engineering sites, including those of road works, foundation works, works at quarries, tunnel works, etc.

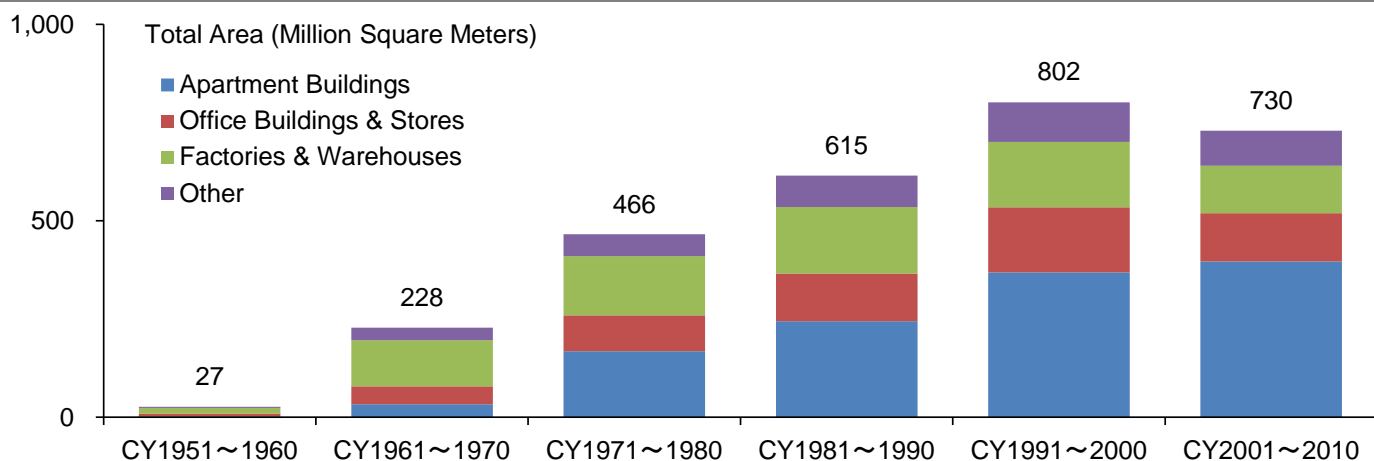
With respect to the manufacture of crushers, the Company assembles components externally procured. At the Asaka Plant (Aiyon Tech. Co., Ltd.: Asaka-city, Saitama-prefecture) where primary crushers and cutters are manufactured, the Company is in charge of assembly on the basis of cast components (castings, i.e., components made by processes of melting and pouring irons into molds, of being chilled and solidified, then of being taken out of), while contact factories manufacture pulverizers, etc. by means of assembling components on the basis of canning method (processing of steel sheets). For hydraulic breakers, subcontractors are in charge of the manufacture on an OEM basis to deliver them to the Company. Meanwhile, for environmental machinery (wood grinders and forestry machinery), the Company is involved with operations of stocking and selling as well as providing maintenance services with manufacturers based in Germany and the United States as the import sources. Thus, the Company is involved with maintenance services here too, while also with tuning the merchandises to suit to the natural features of Japan, creating added value that exceeds a certain level.

Crushers			Hydraulic Breakers
			
Primary Crushers	Pulverizers	Cutters	
Environmental Machinery (Wood Grinders and Forestry Machinery)			
			
Wood Hog	Big-Bass		

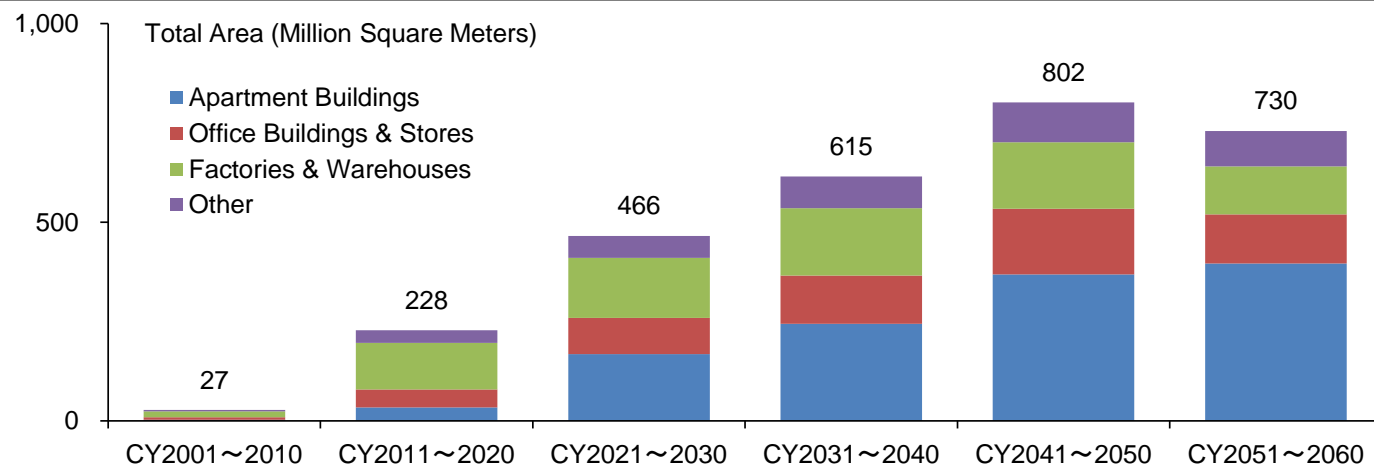
Source: Company Data

Thus, the Company is not heavily involved with the manufacture, including that of the mainstay crushers in a sense, but creating good added value from sales and maintenance services with which the Company has strengths as continuous use of crushers and hydraulic breakers requires consistent maintenance services. In regards to sales of JAPAN by channel, the Company discloses that manufacturers of hydraulic shovel and their distributors account for 60% of total, providers of rental services 20% and final users (wreckers, etc.) 20%.

### Total Area by New Construction of Non-wooden Buildings



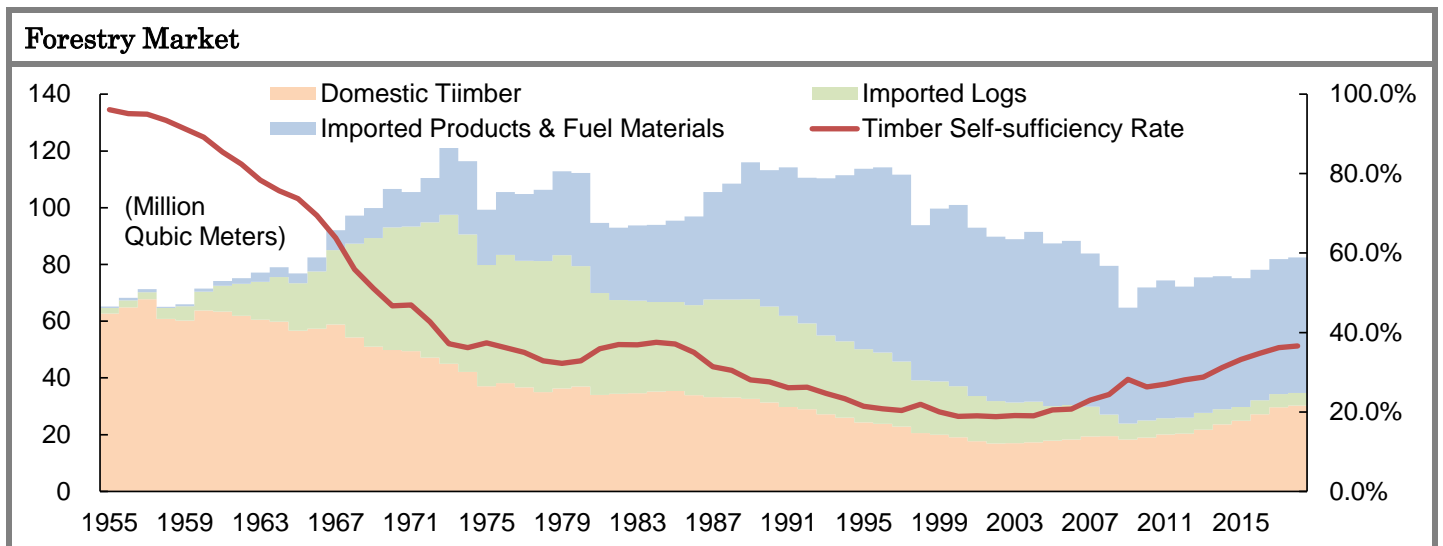
### Demand for Demolition (Total Area by New Construction of Non-wooden Buildings, delayed by 50 Years)



Source: Company Data; Ministry of Land, Infrastructure, Transport and Tourism (Building Stock Statistics)

Meanwhile, the Company suggests that there is a long-term and stable growth potential for demolition demand, which the Company mainly faces on the JAPAN side. According to the data disclosed by the Company, total area by new construction of non-wooden buildings continued to expand from the earliest days just after World War II to around 2000, while non-wooden (concrete) buildings comprise apartment buildings (condos), office buildings & stores, factories & warehouses, etc. Demolition demand for all those non-wooden buildings are supposed to emerge in 40 to 50 years after the construction.

Concrete as a raw material is durable for some 100 years, while the generation of voids and cracks caused by the infiltration of water from plumbing is gradual but inevitable, often resulting in concrete adopted in non-wooden buildings deteriorated to a considerable extent in 40 to 50 years after the construction. For example, the crash of the ceiling board of the Sasago Tunnel on the Chuo Expressway (Otsuki-city, Yamanashi-prefecture) on 7 December 2012 was caused by the deterioration of the concrete used in the ceiling sheet, where 47 years had passed since the construction then. If it is assumed the demand for demolition will occur in 50 years after the construction of non-wooden buildings, demand for demolition (on a total area basis) will continue to expand until around 2050. In light of this, the Company is going for firmness on demand for demolition in Japan to remain over the next 30 years or so.



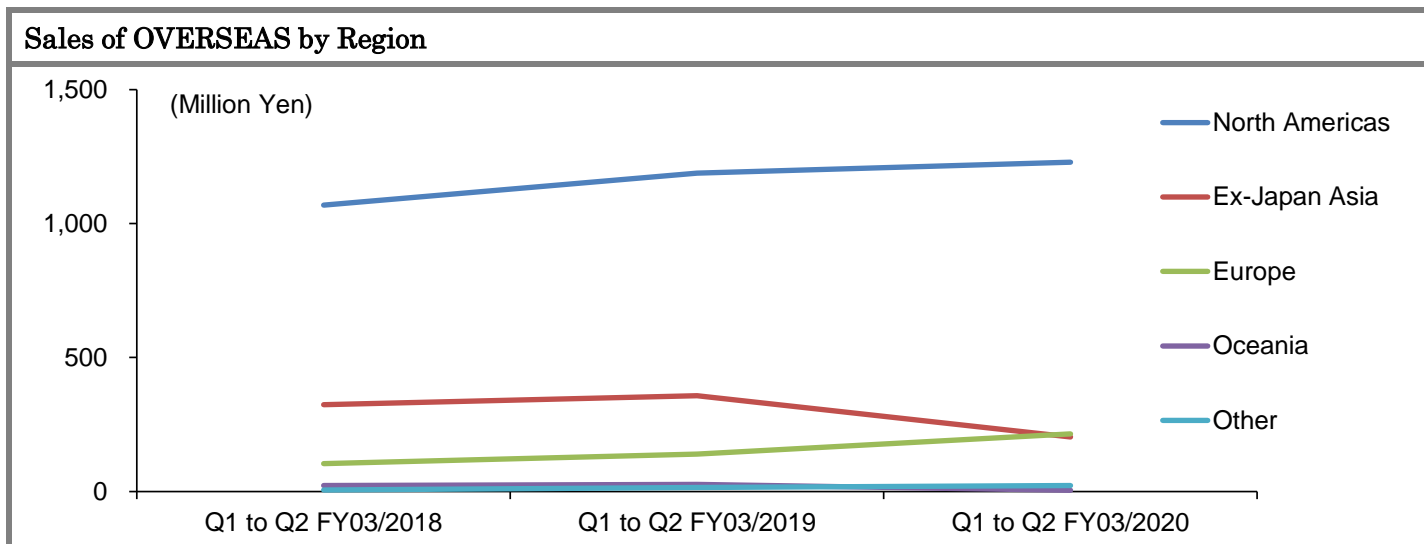
Source: Company Data: With regard to publication of "2018 Timber Supply and Demand Table" by Forestry Agency (released on 27 September 2019)

Moreover, the Company also suggests that there is a long-term and stable growth potential for forestry market, which the Company faces for some parts on the JAPAN side and on the NANSEI side. For example, in March 2019, the "Law Concerning Forest Environment Tax and Forest Environment Transfer Tax" was enacted and promulgated from the viewpoint of securing stable financial resources necessary for forest development to achieve greenhouse gas emission reduction targets and prevent disasters. In other words, the government has announced its policy of actively promoting the recovery and regeneration of forestry and focusing on the protection and cultivation of forest resources, aiming to achieve a 50% timber self-sufficiency rate by actively promoting thinning (cutting a portion of the crowded standing forests in the process of forest growth) to realize this goal.

Japan's domestic timber supply has continued to increase since bottoming out in CY2002. Average annual growth of 3.7% is seen towards CY2018. As a result, Japan's timber self-sufficiency rate has risen from 18.8% to 36.6%. After the post-war reconstruction period, when the timber self-sufficiency rate was virtually 100%, there was a shortage of forest resources due to the ongoing harvest, having resulted in startup and consistent increases of dependence on imported logs and then on imported products & fuel materials, while Japan's timber supply continued to decline. However, as the new forest resources planted in those days have been approaching the deforestation period, the supply of domestic timber in Japan has started to increase as above-mentioned. Further, considering that achievement of a timber self-sufficiency rate of 50% is aimed, the Company believes that Japan's domestic timber supply is to continue expanding for the future.

The Company also states that machinery related to forestry, with which the Company is involved, will play a major role in this process. In order to develop forestry efficiently, it is necessary to attempt mechanization using excellent machinery. In addition, it must be a machinery that is suitable for the natural features of Japan. For example, as mentioned above, the Company corresponds to this with environmental machinery (wood grinders and forestry machinery) on the JAPAN side. At the same time, the Company takes similar measures on the NANSEI side, where it is heavily involved with forestry, as is taken for granted.





Source: Company Data, WRJ Calculation

Meanwhile, on the OVERSEAS side, sales came in at ¥1,676m (down 3.0%), operating profit ¥211m (down 32.4%) and operating profit margin 12.6% (down 5.5% points), while the Company is basically involved with sales of hydraulic breakers through the use of local distributors in this business segment. In our estimates, hydraulic breakers account for 70% of sales and crushers 10% of sales. By region, sales in North America came in at ¥1,229m (up 3.5%), sales in ex-Japan Asia ¥204m (down 43.0%) and sales in Europe ¥215m (up 53.6%). In other words, sales of hydraulic breakers in North America are thought to be the center on the OVERSEAS side. In the United States, the center of North America, the Company runs sales offices in Oregon, Ohio and Texas through its local subsidiary.

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In Q1 to Q2, sales in North America increased over the same period of the previous year, as mentioned above, but the sales seem to have declined significantly in Q2 over Q1. In Europe, sales are increasing fast, while sales in ex-Japan Asia are coming down sharply. Sales in ex-Japan Asia appear to have come down particularly in Q2. As a result, sales on the OVERSEAS side as a whole over the same period of the previous year as well as having come down in Q2 over Q1. That is to say, there were unexpected adjustments in Q2 or the most recent quarterly results and uncertainty over short-term trends could not be dispelled.

In North America, demand associated with pipeline construction in the American South is robust, driving demand for the mainstay hydraulic breakers. However, the Company has started to suffer from intensified price-oriented competition since Q2 in line with economic slowdown.

In Europe, where sales of hydraulic breakers are roughly in balance with sales of crushers, the Company is steadily expanding sales network through its representative office established in Rotterdam (Netherlands). In order to further enhance sales, the Company has just made this into local subsidiary in January 2020. Given all of the subsidiaries overseas with the Company are supposed to end fiscal year as of the end of January, sales in Europe during a period of February to March in 2020 are to be booked in FY03/2021 with the Company's consolidated accounts. According to the Company, FY03/2020 initial Company forecasts are to suffer from shortfall to this extent stemming from here.

In ex-Japan Asia, the Company spots that the impact of trade frictions is being generated in some parts and that price-oriented competition with competitors is intensifying. However, from a long-term perspective, the Company believes the markets have room particularly large to cultivate, having established representative office in Thailand (Ayutthaya) in June 2019 in order to actively expand sales for the future. While developing products to cope with local needs with local partners, the Company plans to launch local maintenance base with this as the matrix.

### Main Products of NANSEI



**Forestry Grapples**



**Cable Cranes for Dam Construction**



**Winches**

Source: Company Data

On the NANSEI side, meanwhile, sales came in at ¥1,373m (up 5.0%), operating profit ¥45m (down 41.1%) and operating profit margin 3.3% (down 2.6%). The results suggest that recent trading is rather below initially expected. Although measures have been taken to introduce new models of the mainstay forestry grapples and winches and to introduce planned production to curb lost opportunities, sales have not expanded as much as expected at the initial stage. On the other hand, the improvement in employee compensation (shifting to the salary level for employees on the JAPAN side) has progressed as planned, having resulted in earnings below initial expectations.

This business segment was created in Q3 FY03/2018, owing to consolidation of former Nansei Group as fully-owned subsidiaries. In April 2019, the Company enforced merger amongst the three companies of former Nansei Group with Nanseikikai Co.,Ltd. as surviving one, while adopting core system common as a whole for the Company in order to further pursue integrated operations and/or rationalization. On top of this, the corporate identity has changed to “OKADA NANSEI” as brand, implying that it currently belongs to the OKADA group.

In the first place, former Nansei Group has a 90% in-house production ratio. Given its strengths in the manufacture (rather weak in sales and maintenance services), synergies are expected to gradually emerge from the merger with the Company which has strengths in sales and maintenance services. For example, considering that it possesses know-how regarding canning method, the Company should be able to internally manufacture components externally procured at the moment on the JAPAN side. However, it does not have know-how related to castings. Meanwhile, forestry grapples are used by means of replacing a bucket part of hydraulic shovel just like demolition attachments on the JAPAN side and thus sold to the same customers. In light of this, it should be also possible to beef up sales, taking advantage of sales channel on the JAPAN side.

For example, Nanseikikai Co.,Ltd. currently manufactures the entire amount of "Sansui Kozo" for which sales are booked on the JAPAN side. When doing the works of demolition, it has been the case that watering by manpower was always carried out in order to reduce dust generation. Now this is started to get replaced by equipment called "Sansui Kozo". This equipment is increasingly accepted at the sites of demolition as the adoptions cut back on personnel expenses as well as expenses of safety considerations, improving cost efficiency with the operations as a whole. Meanwhile, there are cases in which the Company has been serving as a point of contact for expanding sales of products on the NANSEI side, supplementing sales and maintenance services of Nanseikikai Co.,Ltd., although this is only true of a limited area at the moment.

Nanseikikai Co.,Ltd. in charge of operations on the NANSEI side is based in Kikuchi-city, Kumamoto-prefecture, while running 10 business offices in Japan, including the head office where it is based. According to the Company, mainstay products on the NANASE side are forestry grapples, cable cranes for dam construction and winches. Forestry grapples are mounted for the tip of hydraulic shovel's arm, just like demolition attachments (crushers and hydraulic breakers), functioning as attachments to grasp wood. While winches are equipment to drag wood with rolling ropes, cable cranes for dam construction is something typical on the NANSEI side, i.e., those to transport materials to deposit concrete for dam construction and also for that of hydraulic power plant most recently. The Company suggests that design, execution of works and management control for steel towers and cables for the sake of using the said cranes are implemented together with scheme just like that of general contractors.

Meanwhile, the Company suggests that forestry machinery represented by forestry grapples accounts for 27.5% of sales in this business segment in the Q1 to Q2 results, cable cranes 32.6% and metal recycling machinery 13.3%. With respect to forestry machinery per sales channel, the Company is exposed to manufacturers of hydraulic shovels by 60% in sales and to final users, i.e., forestry cooperatives, etc. by 40%. Cable cranes are sold to general contractors. With respect to metal recycling machinery, which is also mounted for the tip of hydraulic shovel's arm just like demolition attachments (crushers and hydraulic breakers), sales per channel comprise 60% by manufacturers of hydraulic shovels and 40% by final users such as operators to treat metal scraps, etc.

## Income Statement (Cumulative/Quarterly)

Income 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 03/2019	Q1 to Q2 03/2019	Q1 to Q3 03/2019	Q1 to Q4 03/2019	Q1 03/2020	Q1 to Q2 03/2020	Q1 to Q3 03/2020	Q1 to Q4 03/2020		
<b>Sales</b>	<b>4,222</b>	<b>8,773</b>	<b>12,911</b>	<b>17,866</b>	<b>4,258</b>	<b>9,296</b>	-	-	-	<b>+523</b>
Cost of Sales	2,964	6,126	9,029	12,607	2,961	6,528	-	-	-	+401
Gross Profit	1,258	2,646	3,882	5,259	1,296	2,768	-	-	-	+121
SG&A Expenses	865	1,757	2,684	3,735	943	1,886	-	-	-	+128
<b>Operating Profit</b>	<b>392</b>	<b>888</b>	<b>1,197</b>	<b>1,524</b>	<b>353</b>	<b>881</b>	-	-	-	<b>(6)</b>
Non Operating Balance	7	29	32	35	10	10	-	-	-	(18)
<b>Recurring Profit</b>	<b>399</b>	<b>917</b>	<b>1,229</b>	<b>1,560</b>	<b>363</b>	<b>892</b>	-	-	-	<b>(25)</b>
Extraordinary Balance	0	0	(12)	(39)	0	0	-	-	-	0
Profit before Income Taxes	399	917	1,216	1,521	363	892	-	-	-	(25)
Total Income Taxes	135	344	460	520	126	337	-	-	-	(6)
<b>Profit Attributable to Owners of Parent</b>	<b>264</b>	<b>573</b>	<b>756</b>	<b>1,000</b>	<b>237</b>	<b>554</b>	-	-	-	<b>(18)</b>
Sales YoY	+36.9%	+30.1%	+20.5%	+16.0%	+0.9%	+6.0%	-	-	-	-
Operating Profit YoY	+37.6%	+26.0%	+26.6%	+27.5%	(10.0%)	(0.8%)	-	-	-	-
Recurring Profit YoY	+37.4%	+29.2%	+30.0%	+22.8%	(8.9%)	(2.8%)	-	-	-	-
Profit Attributable to Owners of Parent YoY	+46.4%	+39.6%	+81.9%	+50.2%	(10.2%)	(3.3%)	-	-	-	-
Gross Profit Margin	29.8%	30.2%	30.1%	29.4%	30.4%	29.8%	-	-	-	(0.4%)
Sales to SG&A Expenses Ratio	20.5%	20.0%	20.8%	20.9%	22.2%	20.3%	-	-	-	+0.3%
Operating Profit Margin	9.3%	10.1%	9.3%	8.5%	8.3%	9.5%	-	-	-	(0.6%)
Recurring Profit Margin	9.5%	10.5%	9.5%	8.7%	8.5%	9.6%	-	-	-	(0.9%)
Profit Attributable to Owners of Parent Margin	6.3%	6.5%	5.9%	5.6%	5.6%	6.0%	-	-	-	(0.6%)
Total Income Taxes / Profit before Income Taxes	33.8%	37.5%	37.8%	34.2%	34.8%	37.8%	-	-	-	+0.3%

Income 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 03/2019	Q2 03/2019	Q3 03/2019	Q4 03/2019	Q1 03/2020	Q2 03/2020	Q3 03/2020	Q4 03/2020		
<b>Sales</b>	<b>4,222</b>	<b>4,550</b>	<b>4,138</b>	<b>4,954</b>	<b>4,258</b>	<b>5,038</b>	-	-	-	<b>+487</b>
Cost of Sales	2,964	3,162	2,902	3,577	2,961	3,566	-	-	-	+404
Gross Profit	1,258	1,388	1,235	1,376	1,296	1,471	-	-	-	+83
SG&A Expenses	865	891	926	1,050	943	942	-	-	-	+50
<b>Operating Profit</b>	<b>392</b>	<b>496</b>	<b>308</b>	<b>326</b>	<b>353</b>	<b>528</b>	-	-	-	<b>+32</b>
Non Operating Balance	7	21	3	3	10	(0)	-	-	-	(22)
<b>Recurring Profit</b>	<b>399</b>	<b>518</b>	<b>311</b>	<b>330</b>	<b>363</b>	<b>528</b>	-	-	-	<b>+10</b>
Extraordinary Balance	0	0	(12)	(26)	0	0	-	-	-	0
Profit before Income Taxes	399	518	299	304	363	528	-	-	-	+10
Total Income Taxes	135	209	115	60	126	210	-	-	-	+1
<b>Profit Attributable to Owners of Parent</b>	<b>264</b>	<b>309</b>	<b>183</b>	<b>244</b>	<b>237</b>	<b>317</b>	-	-	-	<b>+8</b>
Sales YoY	+36.9%	+24.5%	+4.2%	+5.8%	+0.9%	+10.7%	-	-	-	-
Operating Profit YoY	+37.6%	+18.1%	+28.4%	+31.2%	(10.0%)	+6.5%	-	-	-	-
Recurring Profit YoY	+37.4%	+23.5%	+32.2%	+1.8%	(8.9%)	+2.0%	-	-	-	-
Profit Attributable to Owners of Parent YoY	+46.4%	+34.3%	-	(2.5%)	(10.2%)	+2.7%	-	-	-	-
Gross Profit Margin	29.8%	30.5%	29.9%	27.8%	30.4%	29.2%	-	-	-	(1.3%)
Sales to SG&A Expenses Ratio	20.5%	19.6%	22.4%	21.2%	22.2%	18.7%	-	-	-	(0.9%)
Operating Profit Margin	9.3%	10.9%	7.5%	6.6%	8.3%	10.5%	-	-	-	(0.4%)
Recurring Profit Margin	9.5%	11.4%	7.5%	6.7%	8.5%	10.5%	-	-	-	(0.9%)
Profit Attributable to Owners of Parent Margin	6.3%	6.8%	4.4%	4.9%	5.6%	6.3%	-	-	-	(0.5%)
Total Income Taxes / Profit before Income Taxes	33.8%	40.4%	38.7%	19.8%	34.8%	39.9%	-	-	-	(0.4%)

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 03/2019	Q1 to Q2 03/2019	Q1 to Q3 03/2019	Q1 to Q4 03/2019	Q1 03/2020	Q1 to Q2 03/2020	Q1 to Q3 03/2020	Q1 to Q4 03/2020		
JAPAN	2,748	5,736	8,492	11,996	2,558	6,246	-	-	+509	
OVERSEAS	824	1,728	2,473	3,061	1,025	1,676	-	-	(51)	
NANSEI	650	1,308	1,945	2,808	673	1,373	-	-	+65	
<b>Sales</b>	<b>4,222</b>	<b>8,773</b>	<b>12,911</b>	<b>17,866</b>	<b>4,258</b>	<b>9,296</b>	-	-	<b>+523</b>	
JAPAN	229	526	756	981	163	645	-	-	+119	
OVERSEAS	149	312	394	395	178	211	-	-	(101)	
NANSEI	25	77	79	194	22	45	-	-	(31)	
<b>Segment profit</b>	<b>403</b>	<b>915</b>	<b>1,230</b>	<b>1,572</b>	<b>364</b>	<b>902</b>	-	-	<b>(13)</b>	
Elimination	(11)	(27)	(32)	(47)	(11)	(20)	-	-	+6	
<b>Operating Profit</b>	<b>392</b>	<b>888</b>	<b>1,197</b>	<b>1,524</b>	<b>353</b>	<b>881</b>	-	-	<b>(6)</b>	
JAPAN	8.3%	9.2%	8.9%	8.2%	6.4%	10.3%	-	-	+1.2%	
OVERSEAS	18.1%	18.1%	16.0%	12.9%	17.4%	12.6%	-	-	(5.5%)	
NANSEI	3.9%	5.9%	4.1%	6.9%	3.3%	3.3%	-	-	(2.6%)	
Elimination	(0.3%)	(0.3%)	(0.3%)	(0.3%)	(0.3%)	(0.2%)	-	-	+0.1%	
<b>Operating Profit Margin</b>	<b>9.3%</b>	<b>10.1%</b>	<b>9.3%</b>	<b>8.5%</b>	<b>8.3%</b>	<b>9.5%</b>	-	-	<b>(0.6%)</b>	

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 03/2019	Q2 03/2019	Q3 03/2019	Q4 03/2019	Q1 03/2020	Q2 03/2020	Q3 03/2020	Q4 03/2020		
JAPAN	2,748	2,988	2,755	3,504	2,558	3,687	-	-	+699	
OVERSEAS	824	904	745	587	1,025	650	-	-	(253)	
NANSEI	650	657	637	862	673	699	-	-	+41	
<b>Sales</b>	<b>4,222</b>	<b>4,550</b>	<b>4,138</b>	<b>4,954</b>	<b>4,258</b>	<b>5,038</b>	-	-	<b>+487</b>	
JAPAN	229	297	229	225	163	482	-	-	+184	
OVERSEAS	149	162	82	0	178	32	-	-	(130)	
NANSEI	25	51	2	115	22	23	-	-	(28)	
<b>Segment profit</b>	<b>403</b>	<b>511</b>	<b>314</b>	<b>341</b>	<b>364</b>	<b>537</b>	-	-	<b>+26</b>	
Elimination	(11)	(15)	(5)	(15)	(11)	(9)	-	-	+6	
<b>Operating Profit</b>	<b>392</b>	<b>496</b>	<b>308</b>	<b>326</b>	<b>353</b>	<b>528</b>	-	-	<b>+32</b>	
JAPAN	8.3%	9.9%	8.3%	6.4%	6.4%	13.1%	-	-	+3.1%	
OVERSEAS	18.1%	18.0%	11.1%	0.1%	17.4%	5.0%	-	-	(13.0%)	
NANSEI	3.9%	7.9%	0.3%	13.4%	3.3%	3.3%	-	-	(4.6%)	
Elimination	(0.3%)	(0.3%)	(0.1%)	(0.3%)	(0.3%)	(0.2%)	-	-	+0.2%	
<b>Operating Profit Margin</b>	<b>9.3%</b>	<b>10.9%</b>	<b>7.5%</b>	<b>6.6%</b>	<b>8.3%</b>	<b>10.5%</b>	-	-	<b>(0.4%)</b>	

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 03/2019	Q2 03/2019	Q3 03/2019	Q4 03/2019	Q1 03/2020	Q2 03/2020	Q3 03/2020	Q4 03/2020		
Cash and Deposit	3,291	3,208	3,291	2,936	3,177	3,355	-	-	+146	
Accounts Receivables	4,937	5,237	4,565	5,346	4,320	4,620	-	-	(617)	
Inventory	4,888	5,153	5,942	5,744	6,320	6,147	-	-	+994	
Other	369	353	489	417	318	264	-	-	(89)	
<b>Current Assets</b>	<b>13,486</b>	<b>13,953</b>	<b>14,289</b>	<b>14,444</b>	<b>14,137</b>	<b>14,387</b>	-	-	<b>+434</b>	
Tangible Assets	4,763	4,712	4,794	5,059	5,188	5,241	-	-	+529	
Intangible Assets	369	355	340	373	383	375	-	-	+19	
Investments & Other Assets	743	770	722	737	718	718	-	-	(51)	
<b>Fixed Assets</b>	<b>5,876</b>	<b>5,838</b>	<b>5,857</b>	<b>6,170</b>	<b>6,290</b>	<b>6,336</b>	-	-	<b>+497</b>	
<b>Total Assets</b>	<b>19,362</b>	<b>19,791</b>	<b>20,146</b>	<b>20,614</b>	<b>20,427</b>	<b>20,723</b>	-	-	<b>+932</b>	
Accounts Payables	3,658	3,601	3,808	3,809	3,834	3,543	-	-	(58)	
Short Term Debt	4,049	3,918	4,124	4,453	4,453	4,480	-	-	+561	
Other	998	1,033	909	1,264	1,055	1,153	-	-	+120	
<b>Current Liabilities</b>	<b>8,706</b>	<b>8,553</b>	<b>8,841</b>	<b>9,527</b>	<b>9,344</b>	<b>9,176</b>	-	-	<b>+623</b>	
Long Term Debt	557	783	690	275	235	425	-	-	(358)	
Other	529	532	534	523	526	528	-	-	(4)	
<b>Fixed Liabilities</b>	<b>1,086</b>	<b>1,316</b>	<b>1,224</b>	<b>799</b>	<b>762</b>	<b>953</b>	-	-	<b>(363)</b>	
<b>Total Liabilities</b>	<b>9,792</b>	<b>9,869</b>	<b>10,066</b>	<b>10,327</b>	<b>10,106</b>	<b>10,130</b>	-	-	<b>+260</b>	
<b>Shareholders' Equity</b>	<b>9,420</b>	<b>9,743</b>	<b>9,927</b>	<b>10,175</b>	<b>10,192</b>	<b>10,519</b>	-	-	<b>+776</b>	
Other	148	178	152	112	128	74	-	-	(104)	
<b>Net Assets</b>	<b>9,569</b>	<b>9,922</b>	<b>10,079</b>	<b>10,287</b>	<b>10,321</b>	<b>10,593</b>	-	-	<b>+671</b>	
<b>Total Liabilities &amp; Net Assets</b>	<b>19,362</b>	<b>19,791</b>	<b>20,146</b>	<b>20,614</b>	<b>20,427</b>	<b>20,723</b>	-	-	<b>+932</b>	
Equity Capital	9,507	9,862	10,019	10,230	10,264	10,537	-	-	+675	
Interest Bearing Debt	4,606	4,701	4,814	4,728	4,688	4,905	-	-	+203	
Net Debt	1,314	1,493	1,523	1,792	1,511	1,550	-	-	+57	
Equity Ratio	49.1%	49.8%	49.7%	49.6%	50.2%	50.8%	-	-	-	
Net Debt Equity Ratio	13.8%	15.1%	15.2%	17.5%	14.7%	14.7%	-	-	-	
ROE (12 months)	8.9%	9.5%	11.3%	10.2%	9.9%	9.6%	-	-	-	
ROA (12 months)	8.0%	8.1%	8.0%	7.7%	7.7%	7.6%	-	-	-	
Days for Inventory Turnover	150	149	187	146	195	157	-	-	-	
Quick Ratio	95%	99%	89%	87%	80%	87%	-	-	-	
Current Ratio	155%	163%	162%	152%	151%	157%	-	-	-	

Source: Company Data, WRJ Calculation

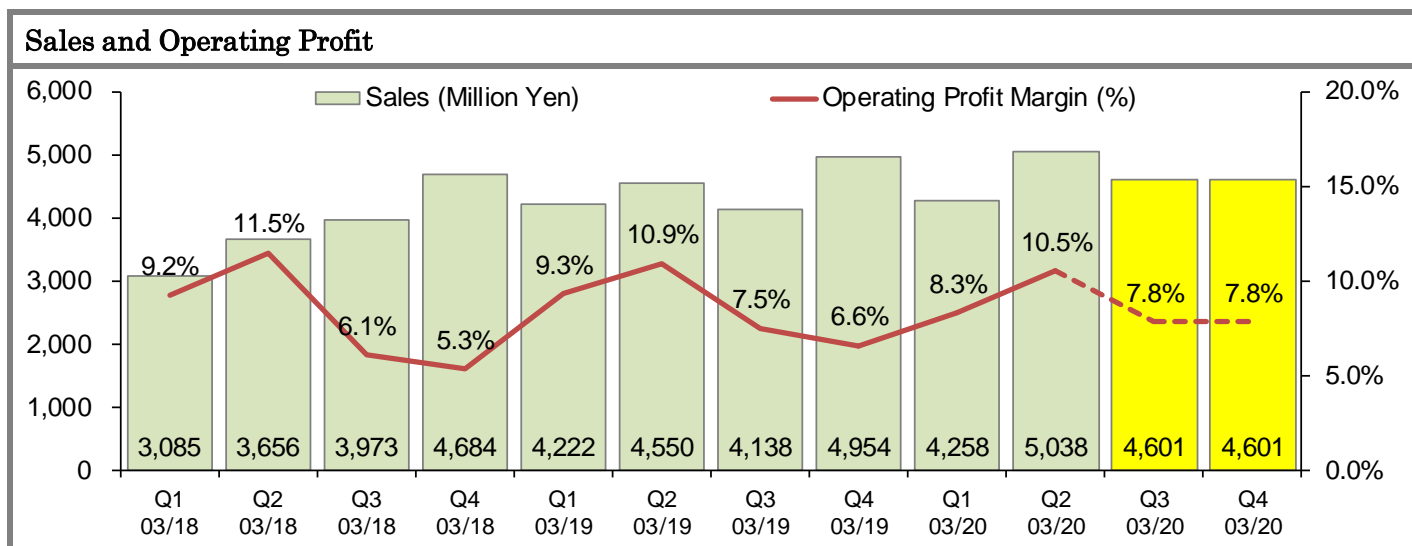
### Cash Flow Statement (Cumulative)

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 03/2019	Q1 to Q2 03/2019	Q1 to Q3 03/2019	Q1 to Q4 03/2019	Q1 03/2020	Q1 to Q2 03/2020	Q1 to Q3 03/2020	Q1 to Q4 03/2020		
Operating Cash Flow	-	(49)	-	127	-	809	-	-	+858	
Investing Cash Flow	-	63	-	(400)	-	(334)	-	-	(398)	
<b>Operating CF and Investing CF</b>	<b>-</b>	<b>14</b>	<b>-</b>	<b>(272)</b>	<b>-</b>	<b>474</b>	<b>-</b>	<b>-</b>	<b>+460</b>	
Financing Cash Flow	-	(282)	-	(267)	-	(52)	-	-	+230	

Source: Company Data, WRJ Calculation

## FY03/2020 Company Forecasts

FY03/2020 Company forecasts (released on 12 November 2019) are going for prospective sales of ¥18,500m (up 3.5%), operating profit of ¥1,600m (up 5.0%), recurring profit of ¥1,600m (up 2.5%) and profit attributable to owners of parent of ¥1,020m (up 1.9%), while operating profit margin of 8.6% (up 0.1% points).



Source: Company Data, WRJ Calculation (Q3 and Q4 FY03/2020: H2 Company forecasts, pro rata)

Initial Company forecasts (released on 14 May 2019) have been downgraded by ¥300m (1.6%) in sales, by ¥150m (8.6%) in operating profit, by ¥150m (8.6%) in recurring profit and by ¥100m (8.9%) in profit attributable to owners of parent. On the mainstay JAPAN side, sales are running ahead of initial assumptions, but are more than offset by shortfall collectively on the OVERSEAS side and on the NANSEI side, which is expected to result in shortfall of earnings as a whole for the Company at the same time.

With respect to OVERSEAS, sales in North America and ex-Japan Asia are slowing, while sales in Europe are to fall short of in line with aforementioned establishment of local subsidiary. Sales in North America as well as those of ex-Japan Asia had remained favorable in Q1, while came down sharply in Q2 over Q1. Given recent trading like this, uncertainty over short-term trends could not be dispelled, according to the Company. With respect to NANSEI, sales of forestry machinery, etc. fail to increase as much as initially expected.

Still, the Company is actively returning earnings to shareholders, currently going for increases of dividend for the 10th consecutive year as initially planned in FY03/2020. Compared with annual dividend of ¥27.0 per share, implying payout ratio of 21.9%, in the FY03/2019 results, FY03/2020 Company forecasts are currently going for prospective annual dividend of ¥28.0 per share (as initially planned), implying payout ratio of 22.3%.

On top of this, the Company has started buying back own shares (up to 180,000 in the number and/or ¥200m) on the Tokyo Stock Exchange with the period to do so through 13 November 2019 to 28 February 2020. The upper limit of 180,000 shares equate to 2.21% of the number of shares outstanding but for treasury shares, while the upper limit of ¥200m equates to 19.6% of prospective profit attributable to owners of parent of ¥1,020m in FY03/2020 Company forecasts. In other words, together with prospective payout ratio of 22.3%, the Company suggests total return ratio of 41.9%.

### FY03/2020 Company Forecasts and Results

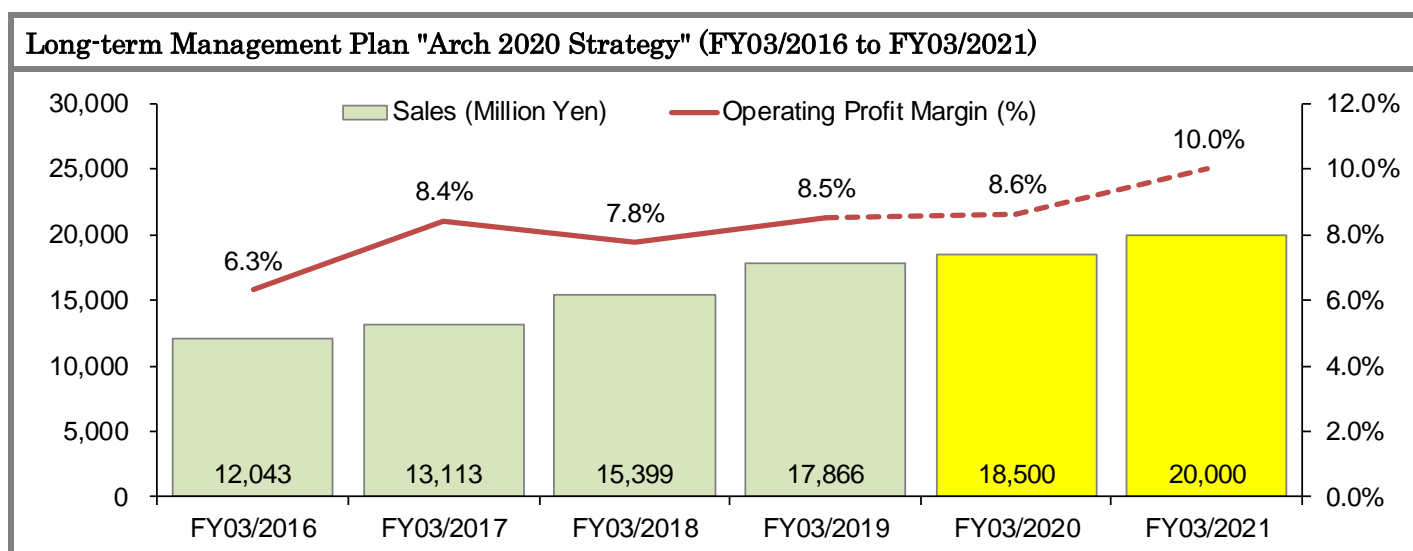
Consolidated Fiscal Year (Million Yen)	Date	Event	Sales	Operating Profit	Recurring Profit	Profit Attributable to Owners of Parent
FY03/2020CoE	14-May-19	Q4 Results	18,800	1,750	1,750	1,120
FY03/2020CoE	9-Aug-19	Q1 Results	18,800	1,750	1,750	1,120
FY03/2020CoE	12-Nov-19	Q2 Results	18,500	1,600	1,600	1,020
		Amount of Gap	(300)	(150)	(150)	(100)
		Rate of Gap	(1.6%)	(8.6%)	(8.6%)	(8.9%)
FY03/2020CoE	14-May-19	Q4 Results	18,800	1,750	1,750	1,120
FY03/2020CoE	12-Nov-19	Q2 Results	18,500	1,600	1,600	1,020
		Amount of Gap	(300)	(150)	(150)	(100)
		Rate of Gap	(1.6%)	(8.6%)	(8.6%)	(8.9%)
Consolidated Half Year (Million Yen)	Date	Event	Sales	Operating Profit	Recurring Profit	Profit Attributable to Owners of Parent
Q1 to Q2 FY03/2020CoE	14-May-19	Q4 Results	9,200	920	920	580
Q1 to Q2 FY03/2020CoE	9-Aug-19	Q1 Results	9,200	920	920	580
Q1 to Q2 FY03/2020Act	12-Nov-19	Q2 Results	9,296	881	892	554
		Amount of Gap	96	(39)	(28)	(26)
		Rate of Gap	1.0%	(4.2%)	(3.0%)	(4.5%)
Q1 to Q2 FY03/2020CoE	14-May-19	Q4 Results	9,200	920	920	580
Q1 to Q2 FY03/2020Act	12-Nov-19	Q2 Results	9,296	881	892	554
		Amount of Gap	96	(39)	(28)	(26)
		Rate of Gap	1.0%	(4.2%)	(3.0%)	(4.5%)
Consolidated Half Year (Million Yen)	Date	Event	Sales	Operating Profit	Recurring Profit	Profit Attributable to Owners of Parent
Q3 to Q4 FY03/2020CoE	14-May-19	Q4 Results	9,600	830	830	540
Q3 to Q4 FY03/2020CoE	9-Aug-19	Q1 Results	9,600	830	830	540
Q3 to Q4 FY03/2020CoE	12-Nov-19	Q2 Results	9,204	719	708	466
		Amount of Gap	(396)	(111)	(122)	(74)
		Rate of Gap	(4.1%)	(13.4%)	(14.7%)	(13.7%)
Q3 to Q4 FY03/2020CoE	14-May-19	Q4 Results	9,600	830	830	540
Q3 to Q4 FY03/2020CoE	12-Nov-19	Q2 Results	9,204	719	708	466
		Amount of Gap	(396)	(111)	(122)	(74)
		Rate of Gap	(4.1%)	(13.4%)	(14.7%)	(13.7%)

Source: Company Data, WRJ Calculation



## Long-Term Prospects

With long-term management plan “Arch 2020 Strategy” (FY03/2016 to FY03/2021), 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, while calling for prospective ROE of 10.8% (versus ROE of 10.2% in FY03/2019) at the same time. When based on the FY03/2015 results, sales are expected to see CAGR of 9.0% and 14.4% for earnings over the said 6-year period, while the Company saw results of 10.6% and 14.3%, respectively, over four-year period through FY03/2016 to FY03/2019. Now, over two-year period by the last year, i.e., through FY03/2020 to FY03/2021, the plan assumes 5.8% and 14.5%, respectively.



Source: Company Data, WRJ Calculation

As principle of operations over two-year period by the last year of the plan, i.e., through FY03/2020 to FY03/2021, the Company is going for implementation of three Cs as corporate slogan, comprising CONNECTED (further beefing up new connections to pursue visualization of synergies), CHANGE (coping with changes, changing ourselves and making changes) and CHALLENGE WITH CHECK (always check up on own new challenges with raised own sights). Meanwhile, the Company is going for OKADA's 8 Measures at the same time. On the market side, the Company is going for 1) fusion with former Nansei Group and chemical reactions, 2) sales enhancement in line with capacity enhancement, including those of subcontractors, 3) securement of stable earnings by strengthening maintenance services and 4) development of markets overseas. On the basic management side, the Company is going for 5) work style reform or improvement of engagement with personnel, 6) improvement of productivity and efficiency by utilizing new core system, 7) strengthening of long-term persistent human resources and 8) emphasis upon compliance and risk control.

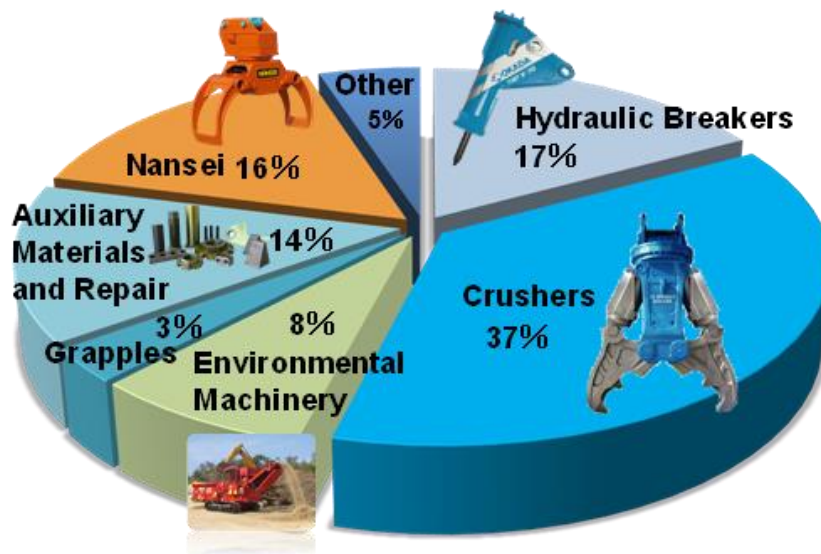
On top of this, the Company discloses that it plans to carry out capex of collective ¥2,000m during the said two-year period, spending on issues to relocate or expand sales offices in Japan, to expand capacity in own factories, to set up or enhance sales offices overseas (in Europe and ex-Japan Asia) and to introduce new core system.

## 4.0 Business Model

### Manufacture, Sales and Provision of Maintenance Services for Demolition Attachments

The Company mainly runs operations of manufacture, sales and maintenance services for demolition attachments (crushers and hydraulic breakers). Out of sales of ¥17,866m as a whole for the Company in FY03/2019, comprising those of JAPAN, OVERSEAS and NANSEI, crushers accounted for 37% of total and hydraulic breakers 17%, while auxiliary materials and repair, mainly associated with the former and the latter 14%.

Sales Breakdown: FY03/2019



Source: Company Data

Meanwhile, out of above-mentioned 7 product categories, the Company suggests auxiliary materials and repair carries gross profit margin higher than all the rest of the categories. In order to drive sales here, it is required to drive sales of crushers and hydraulic breakers, while it is required to enhance maintenance services in order to do so. Given the fact that the Company has been seeing consistent growth so far, it must be the case that the Company holds business model for the two cogwheels to well mesh with each other. Given an expectation that the Company is to see increased synergies stemming from consolidation of former Nansei group as subsidiaries, spinning of the cogwheels is to accelerate going forward and thus the Company's business performance.

## 5.0 Financial Statements

### Income Statement

Income Statement (Million Yen)	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.CoE	YoY
	FY 03/2015	FY 03/2016	FY 03/2017	FY 03/2018	FY 03/2019	FY 03/2020	Net Chg.
<b>Sales</b>	<b>11,943</b>	<b>12,043</b>	<b>13,113</b>	<b>15,399</b>	<b>17,866</b>	<b>18,500</b>	<b>+633</b>
Cost of Sales	8,684	8,700	9,359	11,027	12,607	-	-
Gross Profit	3,258	3,343	3,754	4,372	5,259	-	-
SG&A Expenses	2,366	2,583	2,647	3,177	3,735	-	-
<b>Operating Profit</b>	<b>892</b>	<b>760</b>	<b>1,106</b>	<b>1,195</b>	<b>1,524</b>	<b>1,600</b>	<b>+75</b>
Non Operating Balance	55	(38)	(14)	75	35	0	(35)
<b>Recurring Profit</b>	<b>947</b>	<b>721</b>	<b>1,092</b>	<b>1,270</b>	<b>1,560</b>	<b>1,600</b>	<b>+39</b>
Extraordinary Balance	0	0	0	(197)	(39)	-	-
Profit before Income Taxes	947	721	1,092	1,073	1,521	-	-
Total Income Taxes	372	282	395	407	520	-	-
<b>Profit Attributable to Owners of Parent</b>	<b>574</b>	<b>438</b>	<b>696</b>	<b>666</b>	<b>1,000</b>	<b>1,020</b>	<b>+19</b>
Sales YoY	+15.1%	+0.8%	+8.9%	+17.4%	+16.0%	+3.5%	-
Operating Profit YoY	+3.0%	(14.8%)	+45.6%	+8.0%	+27.5%	+5.0%	-
Recurring Profit YoY	+13.1%	(23.8%)	+51.4%	+16.4%	+22.8%	+2.5%	-
Profit Attributable to Owners of Parent YoY	+16.9%	(23.6%)	+58.6%	(4.3%)	+50.2%	+1.9%	-
Gross Profit Margin	27.3%	27.8%	28.6%	28.4%	29.4%	-	-
Sales to SG&A Expenses Ratio	19.8%	21.4%	20.2%	20.6%	20.9%	-	-
Operating Profit Margin	7.5%	6.3%	8.4%	7.8%	8.5%	8.6%	+0.1%
Recurring Profit Margin	7.9%	6.0%	8.3%	8.3%	8.7%	8.6%	(0.1%)
Profit Attributable to Owners of Parent Margin	4.8%	3.6%	5.3%	4.3%	5.6%	5.5%	(0.1%)
Total Income Taxes / Profit before Income Taxes	39.3%	39.2%	36.2%	37.9%	34.2%	-	-

Source: Company Data, WRJ Calculation

### Segmented Information

Segmented Information (Million Yen)	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.CoE	
	FY 03/2015	FY 03/2016	FY 03/2017	FY 03/2018	FY 03/2019	FY 03/2020	YoY Net Chg.
JAPAN	10,052	9,730	11,018	11,114	11,996	-	-
OVERSEAS	1,890	2,313	2,095	2,752	3,061	-	-
NANSEI	-	-	-	1,532	2,808	-	-
<b>Sales</b>	<b>11,943</b>	<b>12,043</b>	<b>13,113</b>	<b>15,399</b>	<b>17,866</b>	<b>18,500</b>	<b>+633</b>
JAPAN	+12.9%	(3.2%)	+13.2%	+0.9%	+7.9%	-	-
OVERSEAS	+28.8%	+22.4%	(9.4%)	+31.3%	+11.2%	-	-
NANSEI	-	-	-	-	+83.2%	-	-
<b>Sales (YoY)</b>	<b>+15.1%</b>	<b>+0.8%</b>	<b>+8.9%</b>	<b>+17.4%</b>	<b>+16.0%</b>	<b>+3.5%</b>	-
JAPAN	84.2%	80.8%	84.0%	72.2%	67.1%	-	-
OVERSEAS	15.8%	19.2%	16.0%	17.9%	17.1%	-	-
NANSEI	-	-	-	10.0%	15.7%	-	-
<b>Sales (Composition)</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	-
JAPAN	683	445	872	860	981	-	-
OVERSEAS	209	318	235	391	395	-	-
NANSEI	-	-	-	(11)	194	-	-
<b>Segment profit</b>	<b>892</b>	<b>763</b>	<b>1,107</b>	<b>1,241</b>	<b>1,572</b>	-	-
Elimination	(0)	(3)	(1)	(45)	(47)	-	-
<b>Operating Profit</b>	<b>892</b>	<b>760</b>	<b>1,106</b>	<b>1,195</b>	<b>1,524</b>	<b>1,600</b>	<b>+75</b>
JAPAN	6.8%	4.6%	7.9%	7.7%	8.2%	-	-
OVERSEAS	11.1%	13.8%	11.2%	14.2%	12.9%	-	-
NANSEI	-	-	-	(0.7%)	6.9%	-	-
Elimination	(0.0%)	(0.0%)	(0.0%)	(0.3%)	(0.3%)	-	-
<b>Operating Profit Margin</b>	<b>7.5%</b>	<b>6.3%</b>	<b>8.4%</b>	<b>7.8%</b>	<b>8.5%</b>	<b>8.6%</b>	<b>+0.1%</b>

Source: Company Data, WRJ Calculation

### Per Share Data

Per Share Data (Before Adjustments for Split) (Yen)	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.CoE	
	FY 03/2015	FY 03/2016	FY 03/2017	FY 03/2018	FY 03/2019	FY 03/2020	YoY Net Chg.
No. of Shares FY End (thousand shares)	7,229	7,229	7,229	8,379	8,379	-	-
Net Profit/ EPS (thousand shares)	6,903	6,904	6,904	7,026	8,119	-	-
Treasury Shares FY End (thousand shares)	325	325	325	269	253	-	-
Earnings Per Share	83.27	63.59	100.87	94.85	123.26	125.47	-
Earnings Per Share (Fully Diluted)	82.95	63.26	99.71	93.52	122.11	-	-
Book Value Per Share	950.96	990.88	1,072.95	1,161.82	1,258.93	-	-
Dividend Per Share	18.00	22.00	23.00	24.00	27.00	28.00	-
Per Share Data (After Adjustments for Split) (Yen)	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.CoE	
	FY 03/2015	FY 03/2016	FY 03/2017	FY 03/2018	FY 03/2019	FY 03/2020	YoY Net Chg.
Share Split Factor	1	1	1	1	1	-	-
Earnings Per Share	83.27	63.59	100.87	94.85	123.26	125.47	-
Book Value Per Share	950.96	990.88	1,072.95	1,161.82	1,258.93	-	-
Dividend Per Share	18.00	22.00	23.00	24.00	27.00	28.00	-
Payout Ratio	21.6%	34.6%	22.8%	25.3%	21.9%	22.3%	-

Source: Company Data, WRJ Calculation

## Balance Sheet

Balance Sheet (Million Yen)	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.CoE	
	FY 03/2015	FY 03/2016	FY 03/2017	FY 03/2018	FY 03/2019	FY 03/2020	YoY Net Chg.
Cash and Deposit	1,848	2,201	3,264	3,475	2,936	-	-
Accounts Receivables	3,917	3,260	3,944	5,178	5,346	-	-
Inventory	3,608	4,148	3,444	4,632	5,744	-	-
Other	343	520	332	541	417	-	-
<b>Current Assets</b>	<b>9,718</b>	<b>10,130</b>	<b>10,986</b>	<b>13,827</b>	<b>14,444</b>	-	-
Tangible Assets	3,208	3,794	3,946	4,764	5,059	-	-
Intangible Assets	192	179	175	381	373	-	-
Investments and Other Assets	441	423	490	731	737	-	-
<b>Fixed Assets</b>	<b>3,843</b>	<b>4,396</b>	<b>4,612</b>	<b>5,878</b>	<b>6,170</b>	-	-
<b>Total Assets</b>	<b>13,561</b>	<b>14,527</b>	<b>15,599</b>	<b>19,706</b>	<b>20,614</b>	-	-
Accounts Payables	3,010	2,493	2,454	3,668	3,809	-	-
Short Term Debt	2,524	3,567	3,366	4,176	4,453	-	-
Other	853	527	1,035	1,248	1,264	-	-
<b>Current Liabilities</b>	<b>6,389</b>	<b>6,587</b>	<b>6,855</b>	<b>9,092</b>	<b>9,527</b>	-	-
Long Term Debt	234	685	892	610	275	-	-
Other	351	363	356	517	523	-	-
<b>Fixed Liabilities</b>	<b>585</b>	<b>1,049</b>	<b>1,248</b>	<b>1,127</b>	<b>799</b>	-	-
<b>Total Liabilities</b>	<b>6,974</b>	<b>7,637</b>	<b>8,104</b>	<b>10,220</b>	<b>10,327</b>	-	-
<b>Shareholders' Equity</b>	<b>6,418</b>	<b>6,732</b>	<b>7,277</b>	<b>9,347</b>	<b>10,175</b>	-	-
Other	168	157	217	138	112	-	-
<b>Net Assets</b>	<b>6,586</b>	<b>6,890</b>	<b>7,494</b>	<b>9,486</b>	<b>10,287</b>	-	-
<b>Total Liabilities &amp; Net Assets</b>	<b>13,561</b>	<b>14,527</b>	<b>15,599</b>	<b>19,706</b>	<b>20,614</b>	-	-
Equity Capital	6,564	6,840	7,407	9,421	10,230	-	-
Interest Bearing Debt	2,759	4,252	4,258	4,786	4,728	-	-
Net Debt	910	2,051	993	1,311	1,792	-	-
Equity Ratio	48.4%	47.1%	47.5%	47.8%	49.6%	-	-
Net Debt Equity Ratio	13.9%	30.0%	13.4%	13.9%	17.5%	-	-
ROE (12 months)	9.2%	6.5%	9.8%	7.9%	10.2%	-	-
ROA (12 months)	7.5%	5.1%	7.3%	7.2%	7.7%	-	-
Days for Inventory Turnover	152	174	134	153	166	-	-
Quick Ratio	90%	83%	105%	95%	87%	-	-
Current Ratio	152%	154%	160%	152%	152%	-	-

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 03/2015	FY 03/2016	FY 03/2017	FY 03/2018	FY 03/2019	FY 03/2020	YoY Net Chg.
Operating Cash Flow	(199)	(313)	1,528	(245)	127	-	-
Investing Cash Flow	(350)	(680)	(307)	(481)	(400)	-	-
<b>Operating CF and Investing CF</b>	<b>(549)</b>	<b>(994)</b>	<b>1,221</b>	<b>(726)</b>	<b>(272)</b>	-	-
Financing Cash Flow	118	1,362	(156)	914	(267)	-	-

Source: Company Data, WRJ Calculation

## 6.0 Other Information

### “Be a Company that Contributes to Society”

On 1 April 2019, Yuji Okada, who used to serve as managing director with the Company, was appointed as president and representative director. At the same time, Toshiyuki Kanda, who used to serve as president and representative director with the Company for 6 terms or 12 years after his career with financial institution, was appointed as chairperson and representative director. With Okada Rock Drill Co. Ltd. or the Company's predecessor organization founded in 1960, Tatsuo Okada or the founder served as president and representative director, who was succeeded by Shinichiro or the eldest son of Tatsuo, then by the second son or Toshio and then by the third son or Katsuhiko. This was followed by appointment of above-mentioned Toshiyuki Kanda as the 5th president and representative director with the Company. Meanwhile, Yuji Okada who have succeeded Kanda as the 6th present and representative director is son of Katsuhiko or the 4th and thus grandson of Tatsuo.

Yuji Okada, appointed as president and representative director, advocates “be a company that contributes to society” as the primary management philosophy as well as “be a department that contributes to the Company” and “be an individual who contributes to own department” at the same time to realize the primary. Having entered the 21st century, he believes that Japan's society and economy are facing a need for structural reform on a full-fledged basis. For example, in construction industry to which the Company belongs, regulations have become tighter as found in environmental issues and/or recycling law, while competition is intensifying and customer needs are increasingly diversified. In a period of changes like this, the Company is trying to get at being one that “contributes to society” particularly with environment, renovation and recycling or the Company's mainstay business domains by means of own community-based sales activities paying attention to own philosophy of coexistence and mutual prosperity. In other words, the idea of Yuji Okada coincides with that of SDGs (Sustainable Development Goals). On top of this, he also advocates “management thoughtful for people”, while making steady progress with planning, developing and providing for next-generation products.

## Company History

Date	Events
September 1960	Established Okada Rock Drill Co. Ltd. in Higashi-ku, Osaka-city and began sales, repair and assembly of pneumatic breakers and other construction machineries
March 1969	Established Shigino plant in Joto-ku, Osaka-city
February 1973	Established Higashi-Osaka plant in Higashi-Osaka-city, Osaka-prefecture and Shigino plant relocated here
April 1977	Started selling hydraulic breakers
September 1983	Changed corporate identity to OKADA AIYON CORPORATION
February 1987	Integrated head office and Higashi-Osaka plant and relocated to Minato-ku, Osaka-city
October 1987	Started manufacturing and selling “Kowarikun” or new product of high-speed crusher
August 1992	Listed on Osaka Stock Exchange 2nd section
September 1996	Established BOA, Inc. as affiliate
February 2002	Established AIYON TECH. Co., Ltd.
December 2002	Consolidated BOA, Inc. (current OKADA America, Inc.) as subsidiary with additional procurement of shares
July 2013	Listed on Tokyo Stock Exchange 2nd section due to integration of spot markets between Osaka and Tokyo
February 2016	Completed new plant with AIYON TECH. Co., Ltd.
March 2016	Listed on Tokyo Stock Exchange 1st section
August 2017	Established representative office in Europe (Rotterdam, Netherlands)
October 2017	Consolidated Nanseikikai Co., Ltd., Nansei Wintech Co., Ltd. and Akatsuki Kikou Co., Ltd. as subsidiaries due to purchase of the shares
April 2019	Merged three former Nansei Group subsidiaries with Nanseikikai Co., Ltd. as surviving company

### 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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