

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 Results Update (14 November 2019)


Strengths of Mainstay Japan

On 12 November 2019, OKADA AIYON to manufacture and sell demolition attachments as well as providing maintenance services released its Q1 to Q2 FY03/2020 results. It has been revealed that sales are trending firmer than initially anticipated in the mainstay segment of Japan and thus earnings. Meanwhile, sales in ex-Japan Asia are coming down in the segment of Overseas and sales of forestry equipment have not expanded as much as initially anticipated in the segment of Nansei. Sales in ex-Japan Asia appear to have plummeted in Q2 and even short-term prospects have remained unclear to date, according to the Company. Thus, FY03/2020 Company forecasts have been revised down. However, the extent of the downward revision is rather limited, having reflected trends better than expected in the mainstay segment of Japan at the same time. The Company, being keen on returning earnings to shareholders, is to pay annual dividend of ¥28.0 per share, implying payout ratio of 22.3%, in FY03/2020 as initially planned, while having started to buy back own shares up to 180,000 in the number or ¥200m in value on 13 November. The upper limit of the number of shares equates to 2.21% of the number of shares outstanding but for treasury shares. We are to attend the upcoming results meeting on 18 November as well as interviewing with management afterwards so that we should be able to update [OKADA AIYON \(6294\) Demolition Demand \(12 July 2019\)](#) and release anew.

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2.0 Company Profile

Manufacture, Sales and Maintenance Services for Demolition Attachments

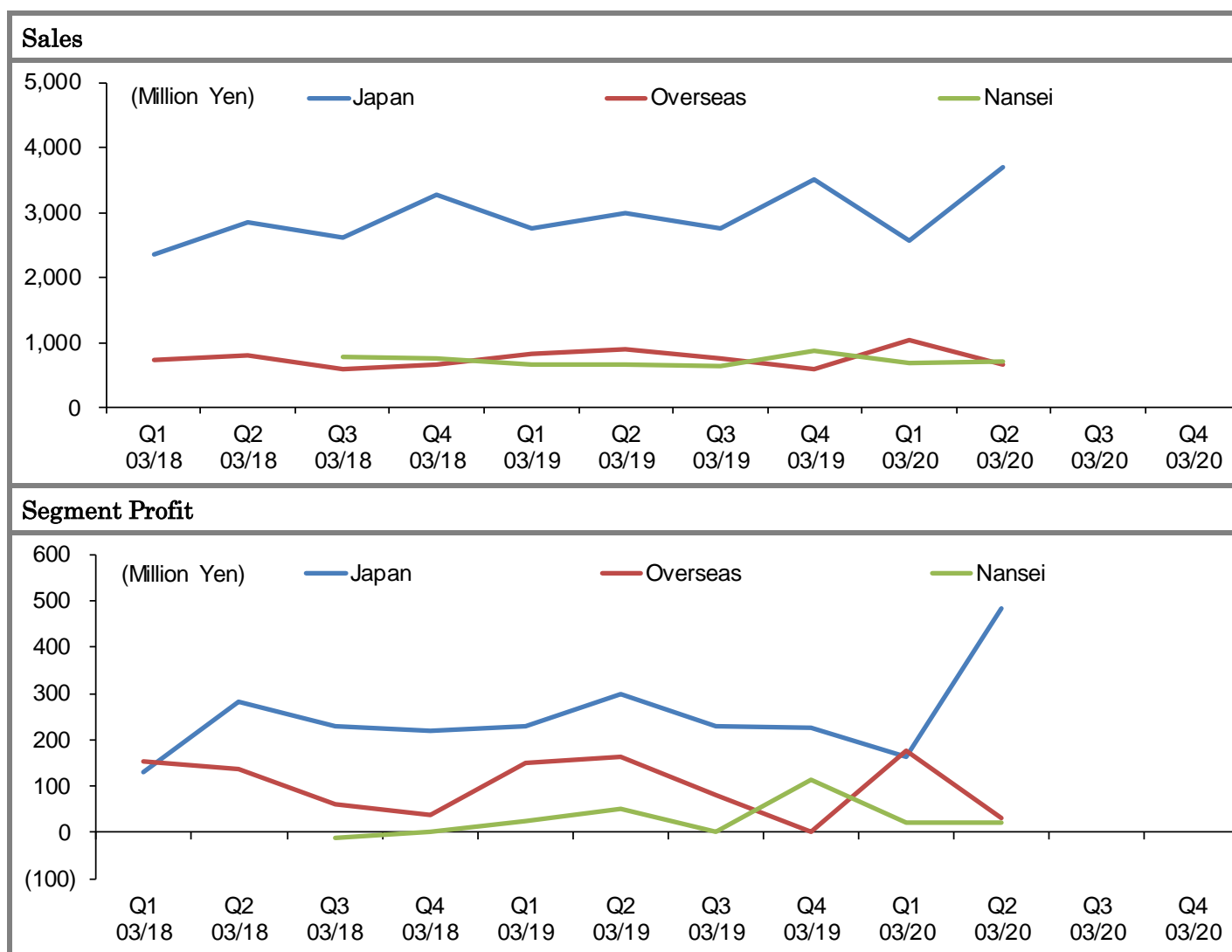
Company Name	OKADA AIYON CORPORATION Company Website IR Information Share Price (Japanese)	 OKADA AIYON CORPORATION
Established	1 September 1960	
Listing	18 March 2016: Tokyo Stock Exchange 1st section (ticker: 6294) 16 July 2013: Tokyo Stock Exchange 2nd section 11 August 1992: Osaka Stock Exchange 2nd section	
Capital	¥2,221m (as of the end of September 2019)	
No. of Shares	8,378,700 shares, including 245,315 treasury shares (as of the end of Sep. 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 assembly of procured components ● Fully consolidated ex-Nansei group as subsidiaries since Q3 FY03/2018 	
Business Segments	I . Japan II . Overseas III . Nansei	
Top Management	President & Representative Director: Yuji Okada Chairperson & Representative Director: Toshiyuki Kanda	
Shareholders	Master Trust Bank of Japan, T. 7.26%, Japan Trustee Services, T. 4.86%, Katsuhiko Okada 4.40%, Shinichiro Okada 4.15% (as of the end of September 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

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%) and operating profit is worse by ¥39m (4.2%), implying that the results are roughly in line, as far as we could see.



Source: Company Data, WRJ Calculation

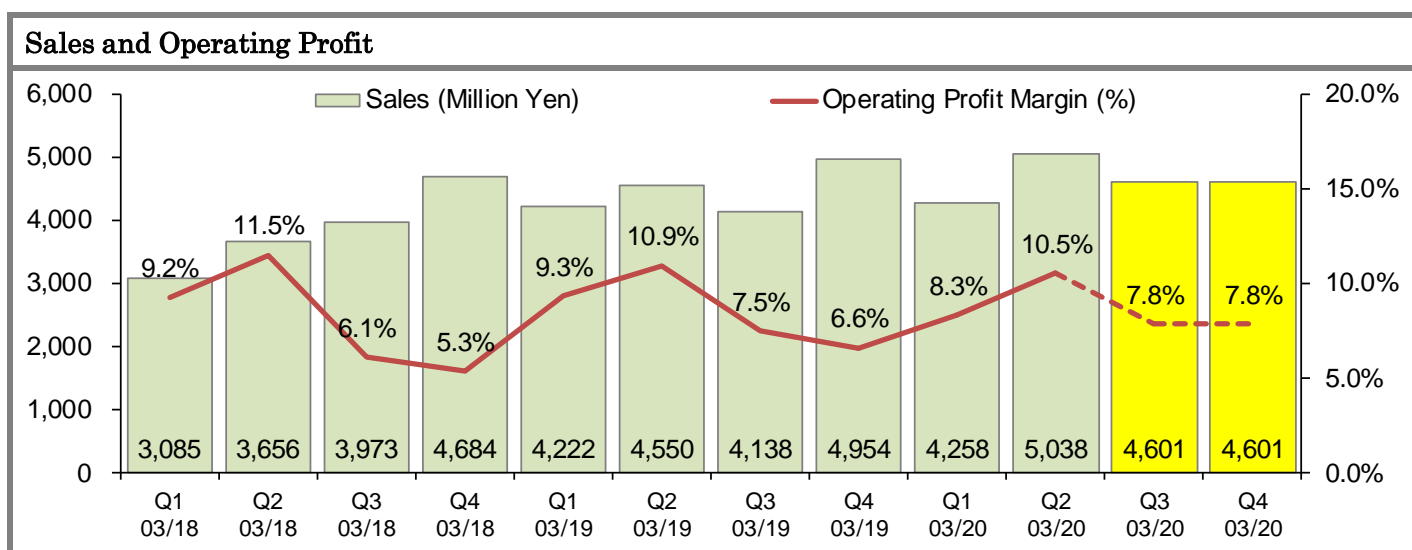
In the mainstay segment of Japan, sales came in at ¥6,246m (up 8.9%), segment profit ¥645m (up 22.7%) and segment profit margin 10.3% (up 1.2% points). Sales are running ahead of initial assumptions, beefing up effects of higher sales. Sales of Crushers are ¥3,123m (up 2.0%). Delivery delays in Q1 are being resolved, while order intake is trending steadily on the back of robust demand for redevelopment and reconstruction. Sales of Environmental Machinery are ¥737m (up 4.4%). Deliveries of large-scale wood crushers are steady. Sales of Hydraulic Breakers are ¥459m (up 15.9%). Large-scale models are contributing. With respect to after-sales business, sales of Raw Materials are ¥683m (up 17.8%) and sales of Repair are ¥383m (up 2.4%).

In the segment of Overseas, sales came in at ¥1,676m (down 3.0%), segment profit ¥211m (down 32.4%) and segment profit margin 12.6% (down 5.5% points). Recent trading looks rather disappointing, when compared with initial assumptions. In North America, which is estimated to account for more than 70% of sales of this segment, sales are higher over the same period of the previous year and as are the case in Europe. However, the impacts from declining sales in ex-Japan Asia are larger. It appears that sales in Q2 came down sharply in particular. The background to this is that the impacts of trade friction are locally prevailing while price-oriented competition intensifying.

In the segment of Nansei, sales came in at ¥1,373m (up 5.0%), segment profit ¥45m (down 41.1%) and segment profit margin 3.3% (down 2.6% points). Recent trading is rather lower than initially expected. Although the Company has introduced new models of mainstay Grapple / Winch as well as planned production to curb opportunity loss, sales have not expanded as much as initially anticipated, according to the Company.

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)

In other words, FY03/2020 initial Company forecasts have been revised down by ¥300m (1.6%) in sales and by ¥150m (8.6%) in operating profit. As mentioned above, although sales in the mainstay segment of Japan are moving up, the impacts of sales rather weaker than expected in the segment of Overseas and that of Nansei are larger. As a result, sales as a whole for the Company will be rather smaller than initially anticipated and thus earnings.

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.
	03/2019	03/2019	03/2019	03/2019	03/2020	03/2020	03/2020	03/2020		
Sales	4,222	8,773	12,911	17,866	4,258	9,296	-	-	-	+523
CoGS	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
Operating Profit	392	888	1,197	1,524	353	881	-	-	-	(6)
Non Operating Balance	7	29	32	35	10	10	-	-	-	(18)
Recurring Profit	399	917	1,229	1,560	363	892	-	-	-	(25)
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)
Profit Attributable to Owners of Parent	264	573	756	1,000	237	554	-	-	-	(18)
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	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.
	03/2019	03/2019	03/2019	03/2019	03/2020	03/2020	03/2020	03/2020		
Sales	4,222	4,550	4,138	4,954	4,258	5,038	-	-	-	+487
CoGS	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
Operating Profit	392	496	308	326	353	528	-	-	-	+32
Non Operating Balance	7	21	3	3	10	(0)	-	-	-	(22)
Recurring Profit	399	518	311	330	363	528	-	-	-	+10
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
Profit Attributable to Owners of Parent	264	309	183	244	237	317	-	-	-	+8
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	
Sales	4,222	8,773	12,911	17,866	4,258	9,296	-	-	+523	
Japan	229	526	756	981	163	645	-	-	+119	
Overseas	149	312	394	395	178	211	-	-	(101)	
Nansei	25	77	79	194	22	45	-	-	(31)	
Segment profit	403	915	1,230	1,572	364	902	-	-	(13)	
Elimination	(11)	(27)	(32)	(47)	(11)	(20)	-	-	+6	
Operating Profit	392	888	1,197	1,524	353	881	-	-	(6)	
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%	
Operating Profit Margin	9.3%	10.1%	9.3%	8.5%	8.3%	9.5%	-	-	(0.6%)	

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	
Sales	4,222	4,550	4,138	4,954	4,258	5,038	-	-	+487	
Japan	229	297	229	225	163	482	-	-	+184	
Overseas	149	162	82	0	178	32	-	-	(130)	
Nansei	25	51	2	115	22	23	-	-	(28)	
Segment profit	403	511	314	341	364	537	-	-	+26	
Elimination	(11)	(15)	(5)	(15)	(11)	(9)	-	-	+6	
Operating Profit	392	496	308	326	353	528	-	-	+32	
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%	
Operating Profit Margin	9.3%	10.9%	7.5%	6.6%	8.3%	10.5%	-	-	(0.4%)	

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 03/2019	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)
Current Assets	13,486	13,953	14,289	14,444	14,137	14,387	-	-	-	+434
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)
Fixed Assets	5,876	5,838	5,857	6,170	6,290	6,336	-	-	-	+497
Total Assets	19,362	19,791	20,146	20,614	20,427	20,723	-	-	-	+932
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
Current Liabilities	8,706	8,553	8,841	9,527	9,344	9,176	-	-	-	+623
Long Term Debt	557	783	690	275	235	425	-	-	-	(358)
Other	529	532	534	523	526	528	-	-	-	(4)
Fixed Liabilities	1,086	1,316	1,224	799	762	953	-	-	-	(363)
Total Liabilities	9,792	9,869	10,066	10,327	10,106	10,130	-	-	-	+260
Shareholders' Equity	9,420	9,743	9,927	10,175	10,192	10,519	-	-	-	+776
Other	148	178	152	112	128	74	-	-	-	(104)
Net Assets	9,569	9,922	10,079	10,287	10,321	10,593	-	-	-	+671
Total Liabilities & Net Assets	19,362	19,791	20,146	20,614	20,427	20,723	-	-	-	+932
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)
Operating CF and Investing CF	-	14	-	(272)	-	474	-	-	-	+460
Financing Cash Flow	-	(282)	-	(267)	-	(52)	-	-	-	+230

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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