

OKADA AIYON CORPORATION (TSE1/6294)

Financial Results for Q2 FY3/21

Yuji Okada,
President and
Representative Director



(Yamba Dam, Gunma Prefecture)



Financial Summary



- ◆ Economic activity in Japan and overseas remains unpredictable due to the impact of COVID-19.
- ◆ For Q2 of FY3/21, sales and profits declined but exceeded its forecasts (announced on August 7).
 - Net sales: 8,456 million yen (Down 9.0% YoY; +356 million yen vs. forecast)
 - Operating income: 735 million yen (Down 16.5% YoY; +85 million yen vs. forecast)
- ◆ OKADA AIYON CORPORATION (Domestic Sales): 5,751 million yen (Down 7.9% YoY)
OKADA AIYON CORPORATION (Overseas Sales): 1,366 million yen (Down 18.5% YoY)
Nansei Machinery (Domestic Sales): 1,338 million yen (Down 2.6% YoY)
*Became subsidiary in October 2017
- ◆ While sales of mainstay construction machinery attachments and forestry machines struggled due to the impact of COVID-19, sales of renewable energy-related products and disaster recovery-related products were steady, as shown below.
 - Grapples, which are expected to be used for disaster recovery, etc. (Up 20.3% YoY)
 - Environmental-related equipment for biomass power generation (Up 27.2% YoY)
 - Cable cranes related to hydropower (Up 34.3% YoY)

Status by segment under COVID-19



【YoY(%)】

		Ratio to sales for Q2 FY3/21(%)	2020 Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Total
Domestic		68	117	99	100	95	112	110	87	71	96
Overseas	North America	11	142	57	57	72	89	52	126	63	76
	Europe	3	151	89	62	160	92	138	156	93	110
	Asia, others	2	225	55	80	63	136	75	156	117	103
Nansei		16	66	112	60	90	94	127	179	65	95
Consolidated total		100	113	94	82	92	107	105	107	70	94

Results for Q2 of FY3/21 and Full-year Forecasts



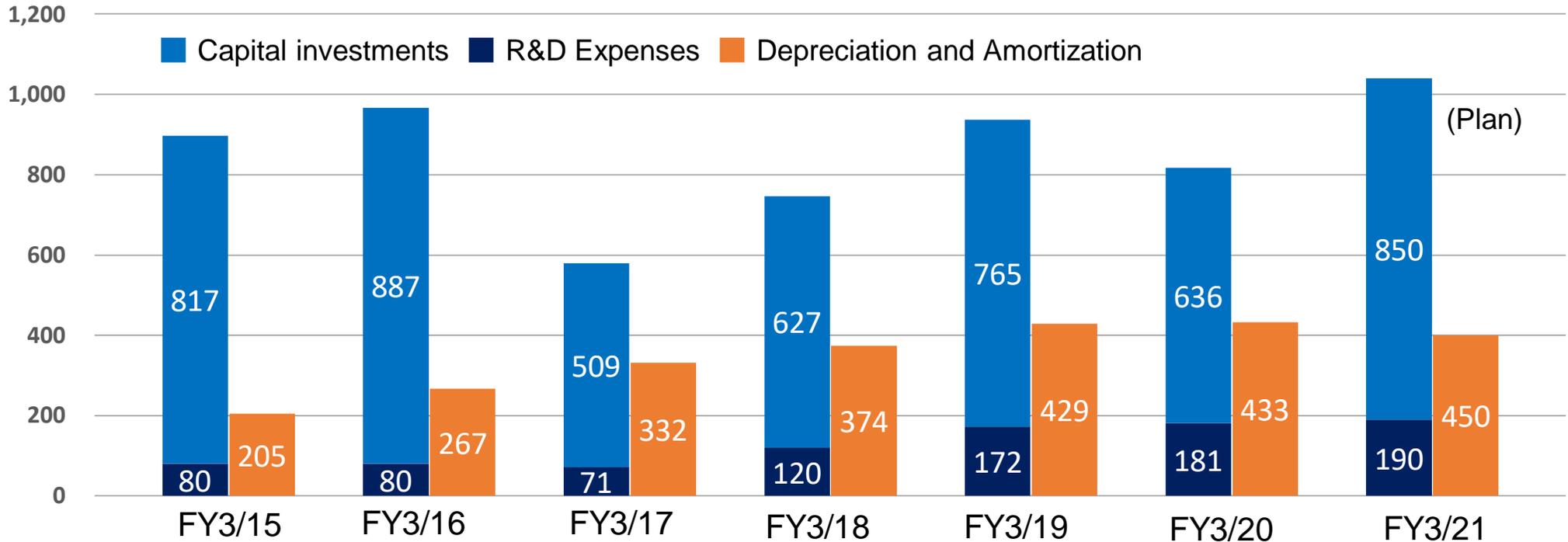
(Million yen)

	Q2 FY3/20 Results (cumulative)	Q2 FY3/21 Results (cumulative)	YoY change		FY3/21 Forecasts (Announced on August 7, 2020)	Progress rate (%)
			(Amount)	(%)		
Net sales	9,296	8,456	▼840	▼9.0	16,000	52.9
Gross profit	2,768	2,446	▼322	▼11.6	—	—
SG&A	1,886	1,710	△176	△9.3	—	—
Operating income	881	735	▼145	▼16.5	1,000	73.6
Ordinary income	892	758	▼133	▼15.0	1,000	75.8
Net income attributable to owners of parent	554	460	▼94	▼17.1	650	70.8

Capital investments



(Million yen)



[Major Contents]

- AIYON TECH's neighboring land and plant (402 million yen)

- AIYON TECH Capital Investment (559 million yen)

- Construction of Hokuriku Sales Office (270 million yen)

- Reconstruction of AIYON TECH (220 million yen)

- Nansei Group's goodwill (209 million yen)

- Land for relocation of Yokohama Sales Office (201 million yen)

- Land for relocation of Shikoku Sales Office (105 million yen)

- Newly built of Shikoku Sales Office (276 million yen)

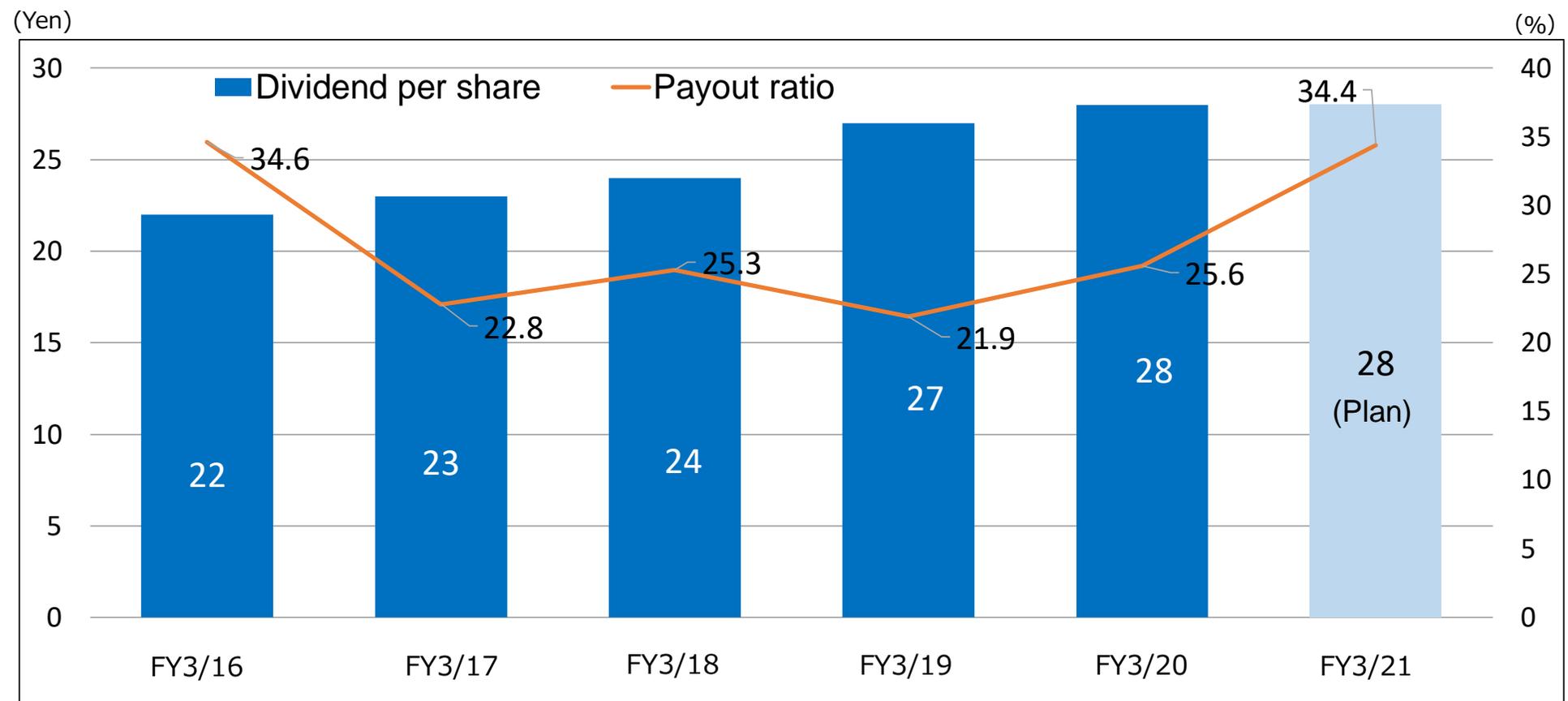
- Rebuilding of Head Office Maintenance Factory (94Million yen)

- Newly built of Shonan Sales Office (445 million yen)

Changes in dividends



- Dividend policy : Payout ratio 30%/DOE 3%
- Review of the shareholder benefit program (Premium Shareholder Benefit Club)



Priority measures: Enhancement of domestic bases



【Renewal of bases】

2015: Expanded AIYON TECH. CO., LTD.

2017: Relocated and newly built Hokuriku Sales Office

2019: Relocated and newly built Shikoku Sales Office

2020: Relocated and newly built Shonan Sales Office (October)

: Kyushu Sales Office Second Factory and warehouse (*)

2021: Rebuild Chubu Sales Office (*)

: Relocate and newly built Hiroshima Sales Office (*)

2022 : Relocate Sendai Sales Office (*)

(*) are under planning

◆ Yokohama Sales Office was relocated and newly established as Shonan Sales Office.

- In line with the increase in the size of machines to save manpower, there is an urgent need to enhance crane facilities.
- Plans to continue renewing sales offices throughout Japan.



Shonan Sales Office



Side view



Inside of the repair plant

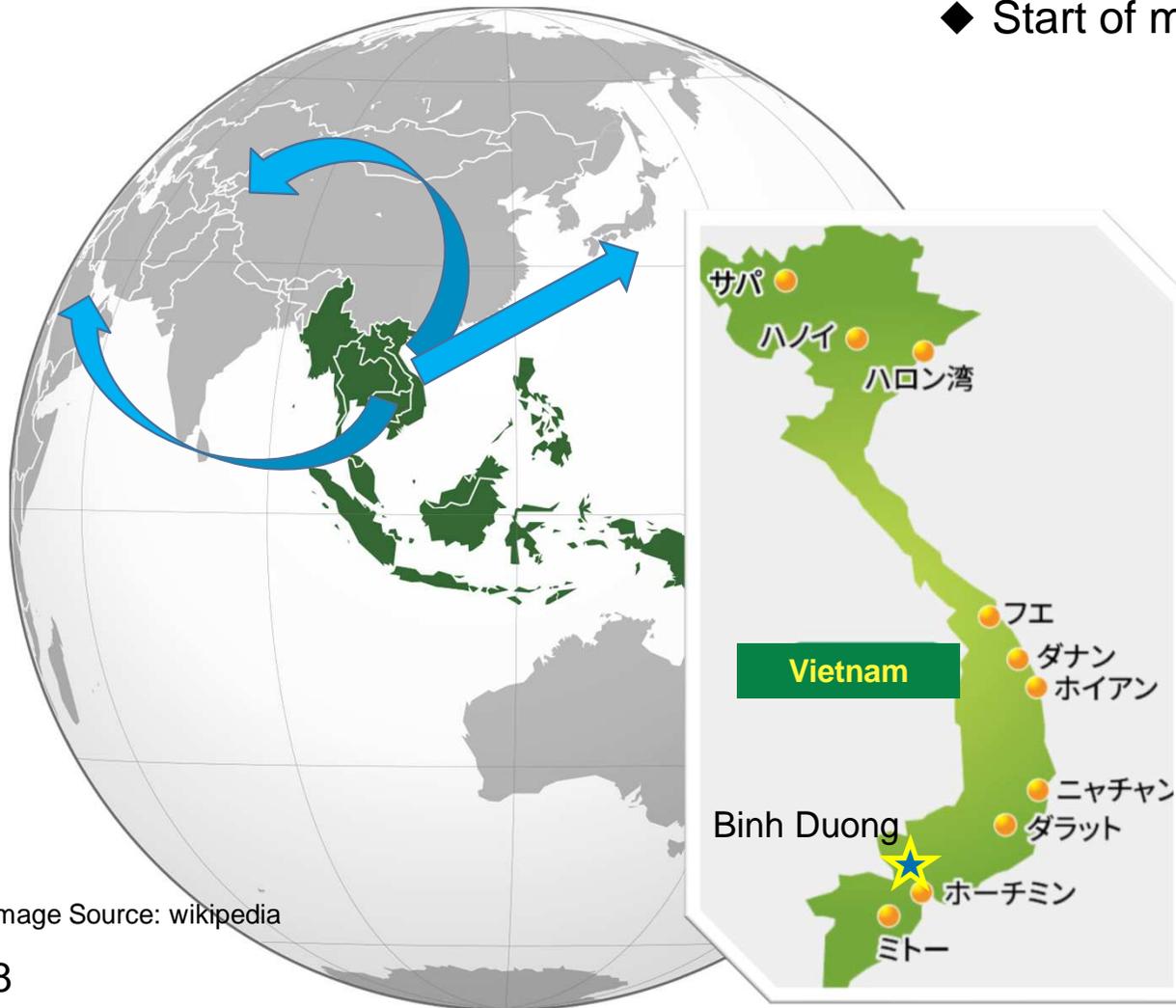


Priority measures: Start of overseas manufacturing



◆ Start of manufacturing in Vietnam (during FY2021)

- ★ My Phuoc 3 Industrial Park, Binh Duong Province
(One of the largest industrial parks in southern Vietnam)
- Enjoy advantage of economies of scale with a universal model



【Reference model】
TOPV-50



【Reference model】
TOP-32

Image Source: wikipedia

Initiatives for SDGs



Dismantling and metal recycling machinery that supports recycling systems in cities

[Strengthening national land and reconstruction capabilities]



The life of concrete is said to be 40 to 50 years. Resilience requires dismantling



The highway collapsed in the Great Hanshin Earthquake. Our products supported the reconstruction.



Separate process of large quantities of garbage generated by the Tohoku Earthquake using wood crushers

[Promotion of recycling of concrete, iron, etc.]



Efficient sorting without burdening the shovel body



The attachment of Nansei Machine is playing an active role in the recycling of scrap iron



Some machinery treats soft waste such as wood waste, plastic waste, and tires

Initiatives for SDGs



Forestry equipment and cable cranes that contribute to the effective use of domestic mountainous and forestry resources



[It is necessary to cut trees in order to protect the forest]



We use winches to haul the harvested timber down from the roadless mountain



It can move, cut down, clear branches, and helps to alleviate the labor shortage



We can process large trees, stumps and root balls.



[Promote woody biomass power generation and hydroelectric power generation]



Thinned wood can be chipped and used as fuel for power generation



Cable cranes play an active role in transporting materials during construction of dams and power plants



100% of electric power our company consumes is derived from biomass power plant

OKADA contributes to biomass power generation



All the electricity we use comes from biomass

[Power suppliers (excerpt)]

- Green Power Generation Oita (Oita)
- Chugoku Wood Biomass Power Plant (Saga)
- Chugoku Wood Biomass Power Plant (Saga)
- Uttikawaikuzakai Power Station (Iwate)
- Ichinohe Forest Power Generation (Iwate)
- Shiranui Biomass Power Plant (Hokkaido), etc.

Scope of OKADA Group's business



Logging and transportation of thinned wood
(OKADA/Nansei products)



Wood chipping
(OKADA products)



Combustion and power generation
(Biomass power plant)



FIT system

(Fixed purchase price
by the government)

Sales of electricity to
power companies

Flow of woody biomass power generation

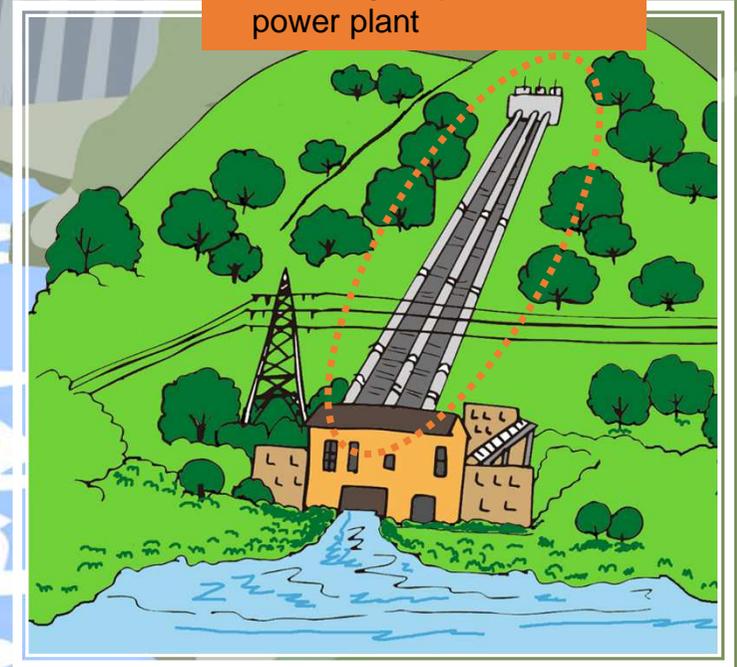
We also contributes to dam construction and hydroelectric power generation



① When constructing a dam, connect mountains and they **transport concrete, equipment, materials, etc.**



② **Placing Water pipes** when constructing or renewing a hydroelectric power plant



Point

Key points

- ◆ Recently, it was used in the construction of the Yamba Dam.
- ◆ Renewal work for hydroelectric power generation is scheduled to continue in the future.
- ◆ Only Nansei and another company are authorized to handle large cable cranes

Progress of Medium-to Long-Term Management Plan



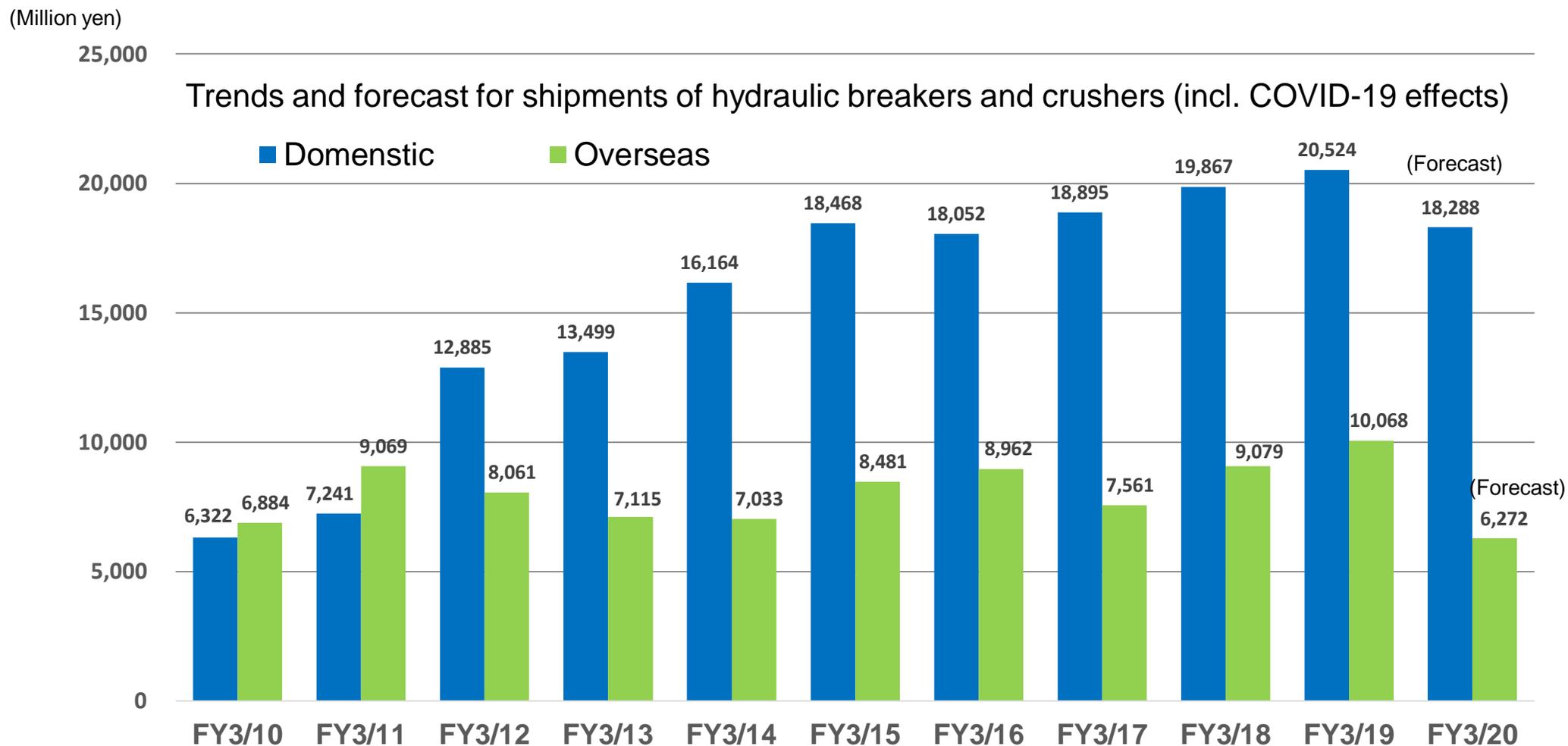
◆ To challenge the medium-term management plan again after COVID-19

(Million yen)	1st stage			2nd stage			Initial Plan FY3/21
	Results			Results		Plan	
	FY3/16	FY3/17	FY3/18	FY3/19	FY3/20	FY3/21	
Net sales	12,043	13,113	15,399	17,866	17,957	16,000	20,000
Operating income	760	1,106	1,195	1,524	1,368	1,000	2,000
Ordinary income	721	1,092	1,270	1,560	1,347	1,000	2,000
Net income attributable to owners of parent	438	696	666	1,000	884	650	1,250
Overseas net sales	2,313	2,095	2,752	3,061	2,985	2,180	4,000
Overseas sales ratio	19.2%	16.0%	17.9%	17.1%	16.6%	13.6%	20.0%



*Announcement of revised forecast for FY3/21 on August 7, 2020

Market scale



(Prepared by us based on data published as of August 27 of the Japan Construction Equipment Manufacturers Association (CEMA)** Impact of COVID-19 not taken into account

Share of our major products



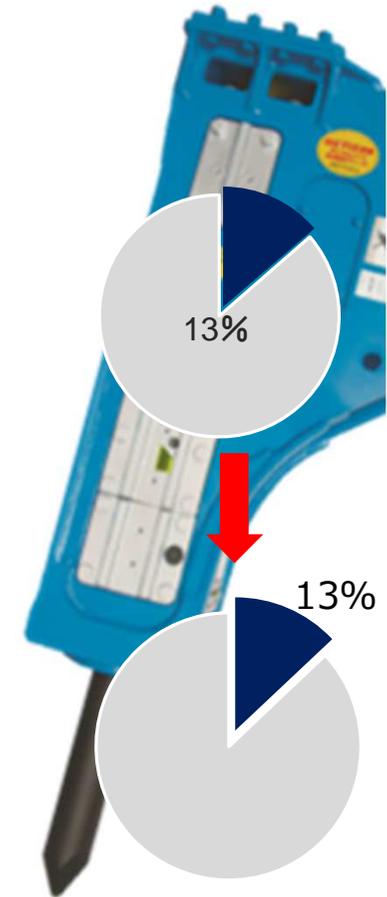
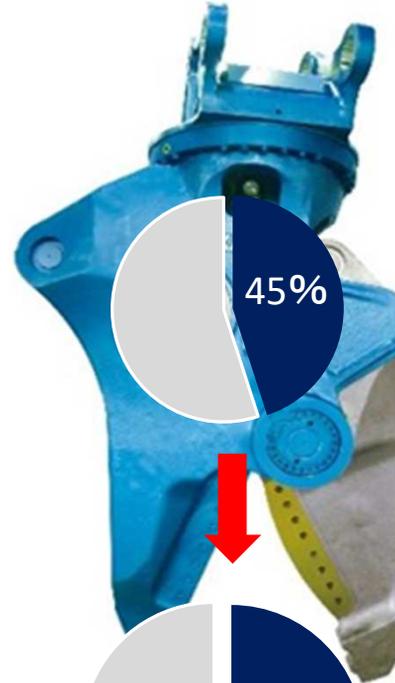
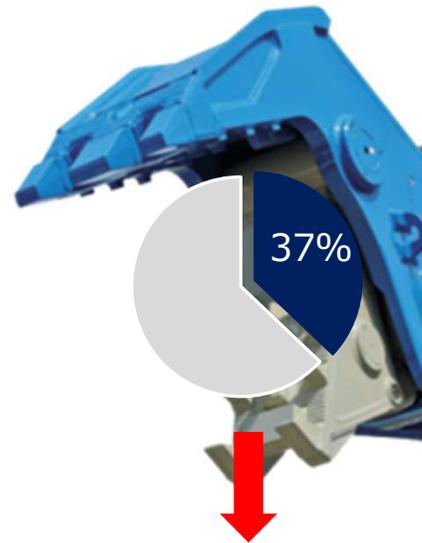
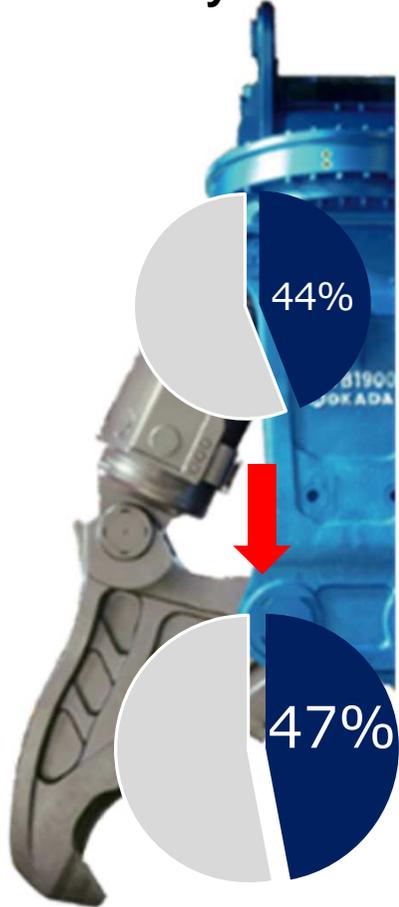
Primary crushers

Pulverizers

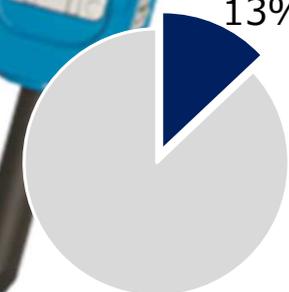
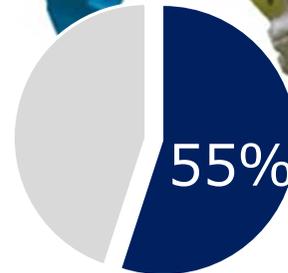
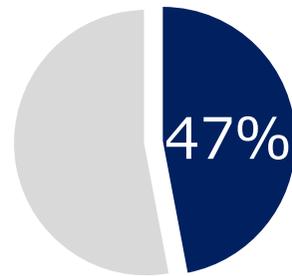
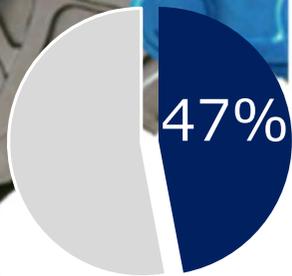
Cutters

Breakers

Domestic market



Tokyo area

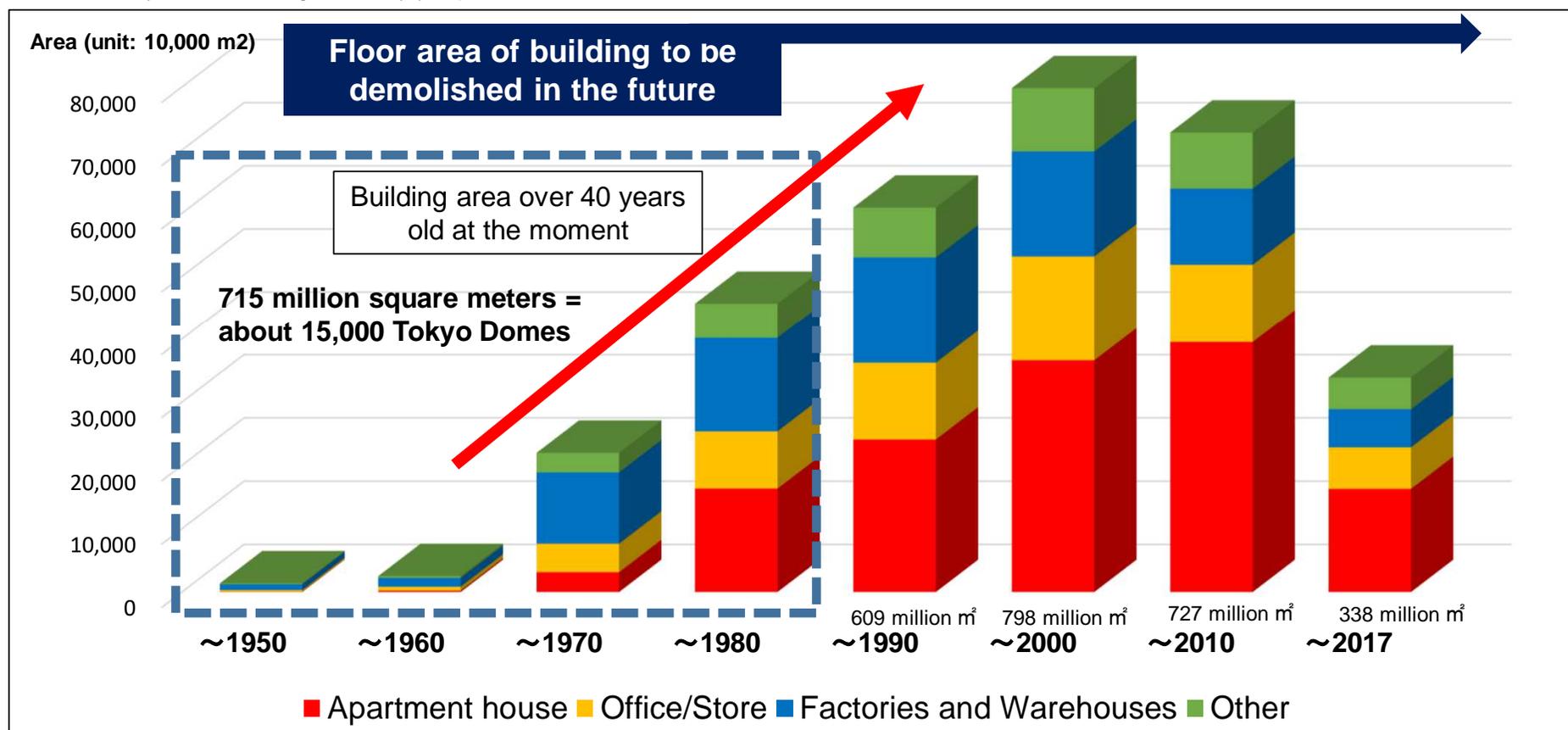


Demolition market demand



Age of constructions and floor area of non-wooden buildings (concrete buildings)

- ◆ Looking at volume of buildings 40 years and older to be demolished, the demand for demolition is about to be full scale. (the area equivalent to about 1,500 Tokyo Domes is targeted every year)



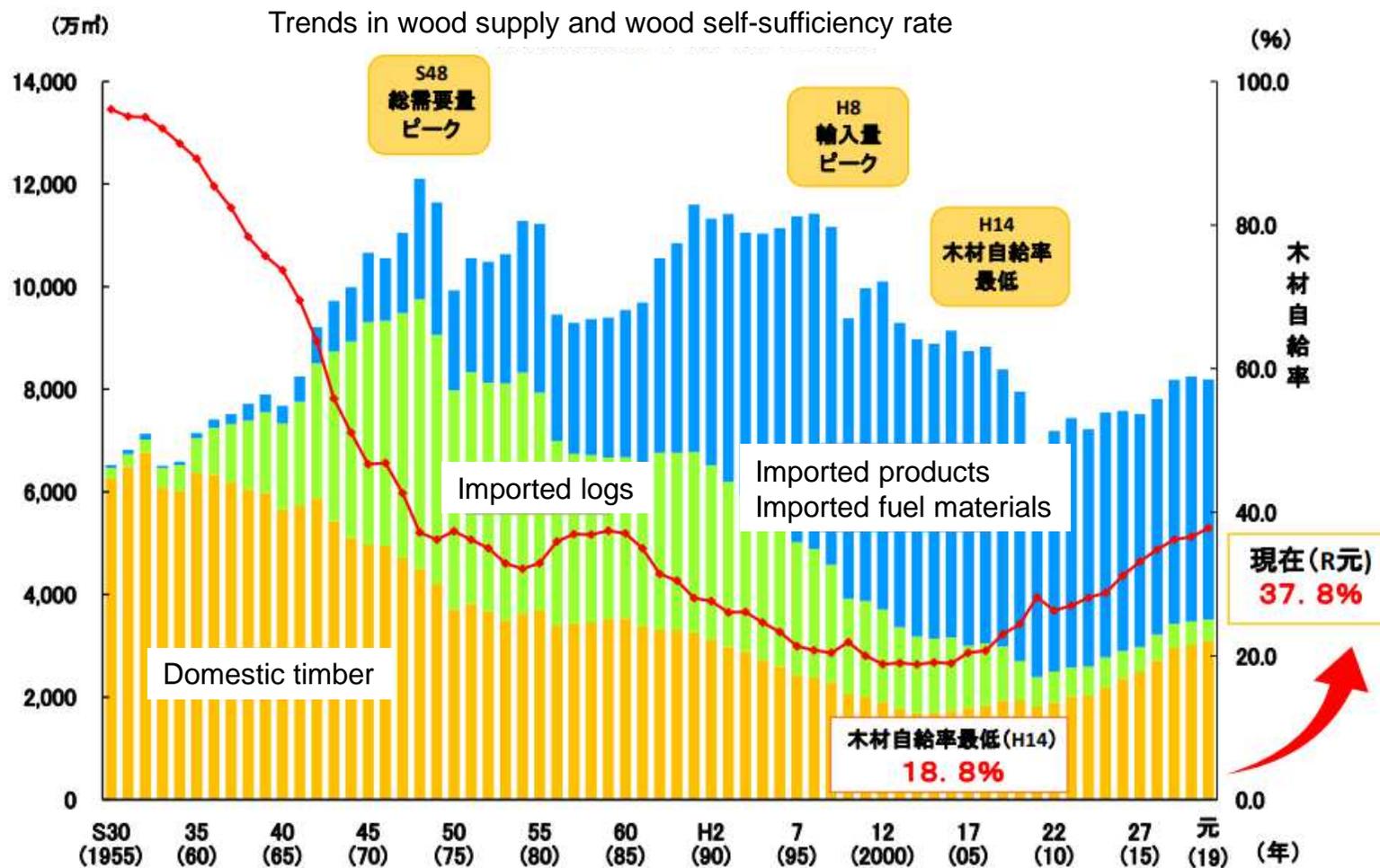
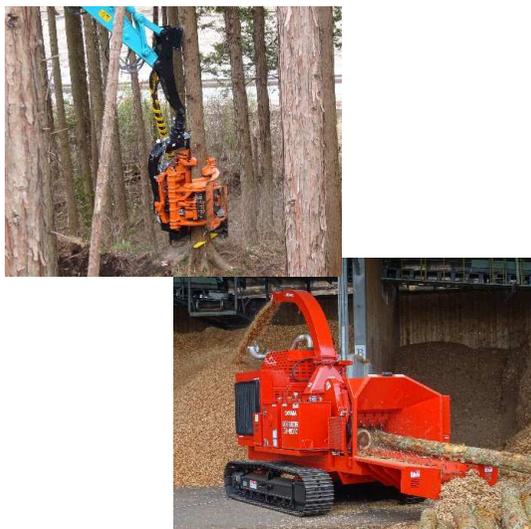
Forestry market demand

◆ Wood self-sufficiency rate has **risen** for **9 consecutive years** (37.8%)

➡ Increase at an average 1.2% pace

◆ Total demand for **fuel materials** increased by **15.1%** from the previous year

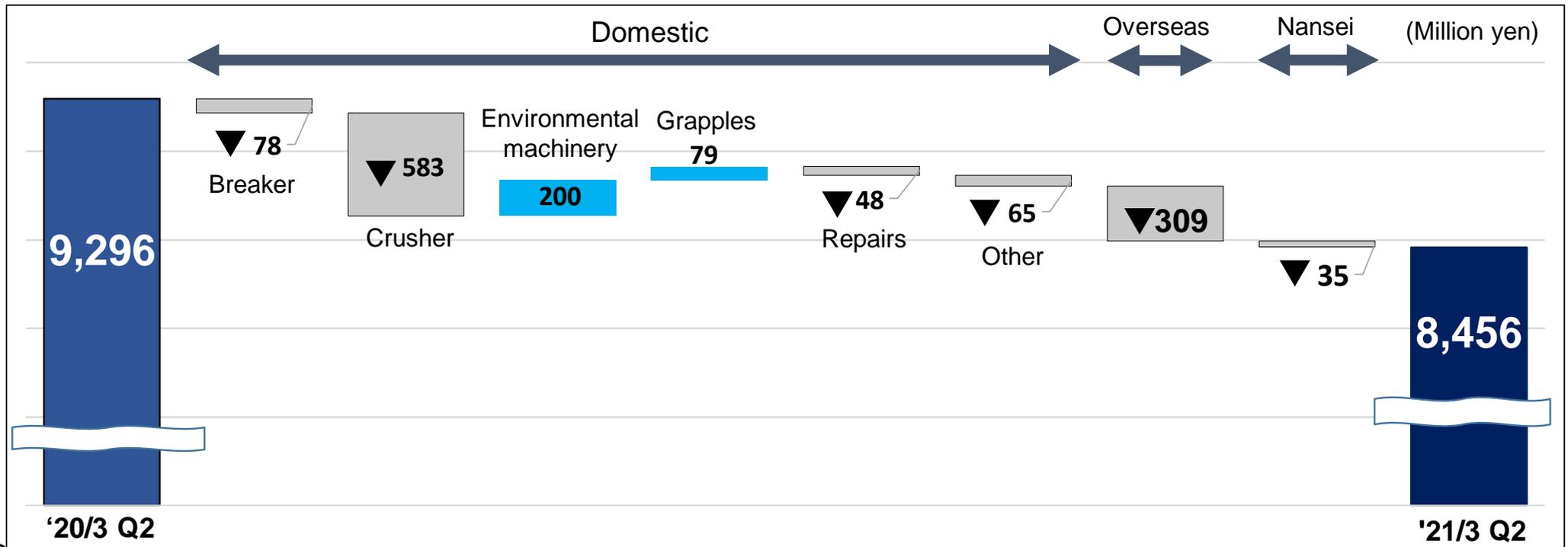
➡ Expanding opportunities for forestry machinery to play an active role



Factors for changes in net sales



- In Japan, sales of crushers and hydraulic breakers declined (impacted by COVID-19). Strong sales of grapples, which can be used even in times of disaster, and sales of wood crushers also increased due to strong demand for biomass power generation.
- Overseas, sales declined in the U.S. (due to COVID-19), while sales were steady in Europe and signs of recovery were seen in Asia where new products have been introduced.
- Sales at Nansei increased due to demand for renovation of hydroelectric power plants, but sales of forestry machines decreased reflecting the impact of restrained purchasing due to COVID-19.

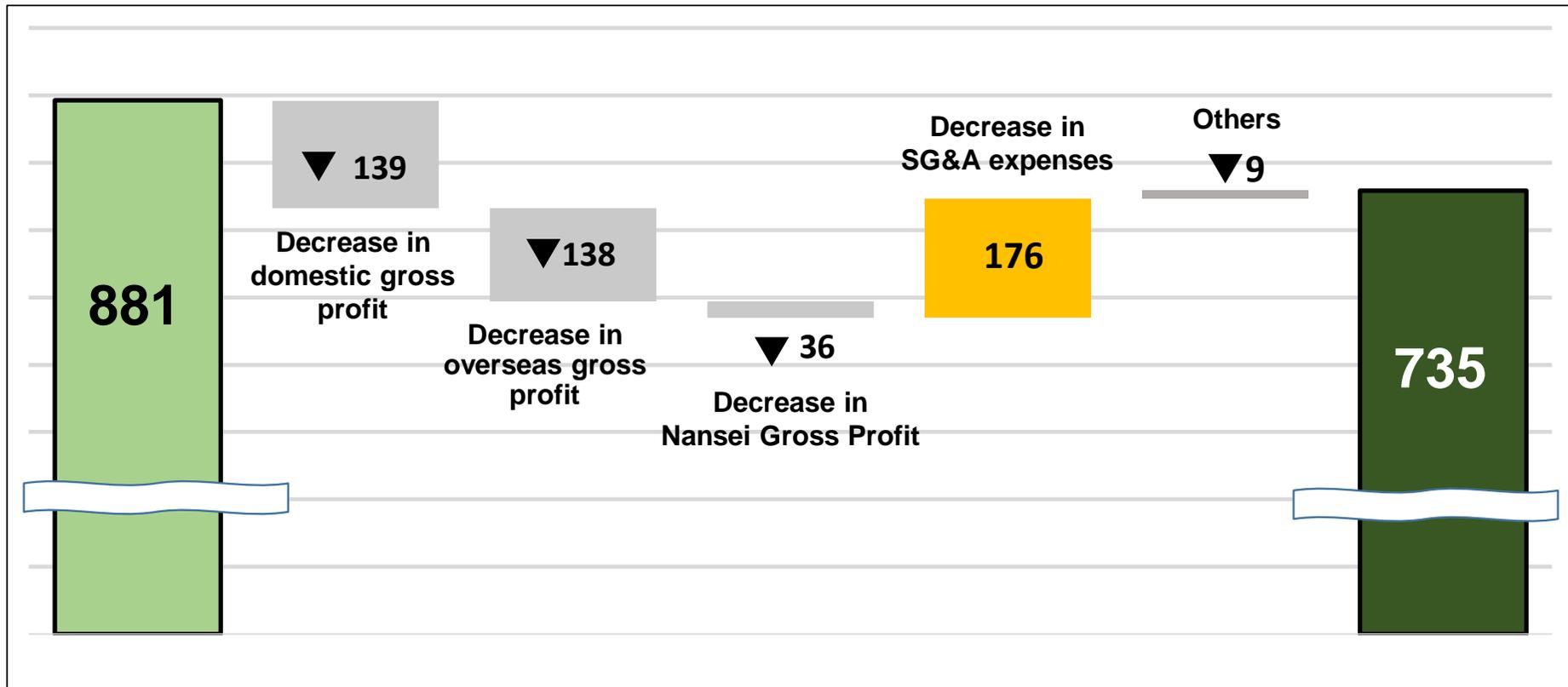


Factors for changes operating income

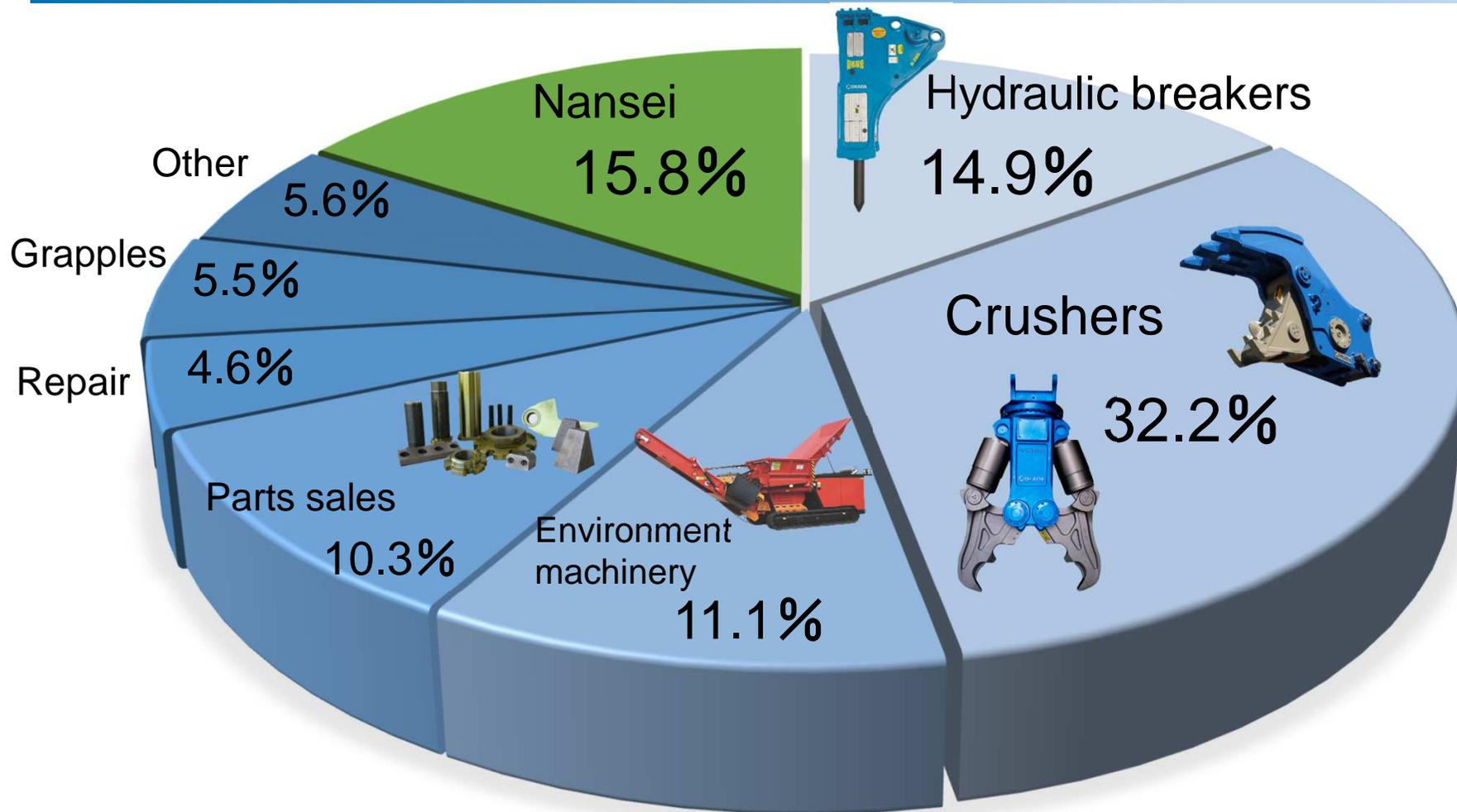


- Decrease in domestic, overseas, and Nansei gross profit due to sales decline
- Decrease in SG&A expenses such as exhibition expenses, transportation expenses, and entertainment expenses due to restrictions on activities caused by COVID-19

(Million yen)



Sales by product ratio (Overall)



Sales by product category (Q2)



(Million yen)

		Q2 FY3/19	Q2 FY3/20	Q2 FY3/21	YoY		Vs. Q2 FY3/19
					Amount	Change (%)	Change(%)
	Breaker	396	459	381	▼78	▼17.0	▼3.8
	Crusher	3,060	3,123	2,539	▼583	▼18.7	▼17.0
	Environment machinery	705	737	937	200	27.2	32.9
	Grapple	270	390	469	79	20.3	73.7
	Repair and maintenance	954	1,067	1,018	▼48	▼4.5	6.7
	Others	351	470	407	▼63	▼13.7	16.1
	Domestic total	5,736	6,246	5,751	▼495	▼7.9	0.3
	Overseas total	1,728	1,676	1,366	▼309	▼18.5	▼20.9
	Nansei Total	1,308	1,373	1,338	▼35	▼2.6	2.3
	Consolidated total	8,773	9,296	8,456	▼840	▼9.0	▼3.6

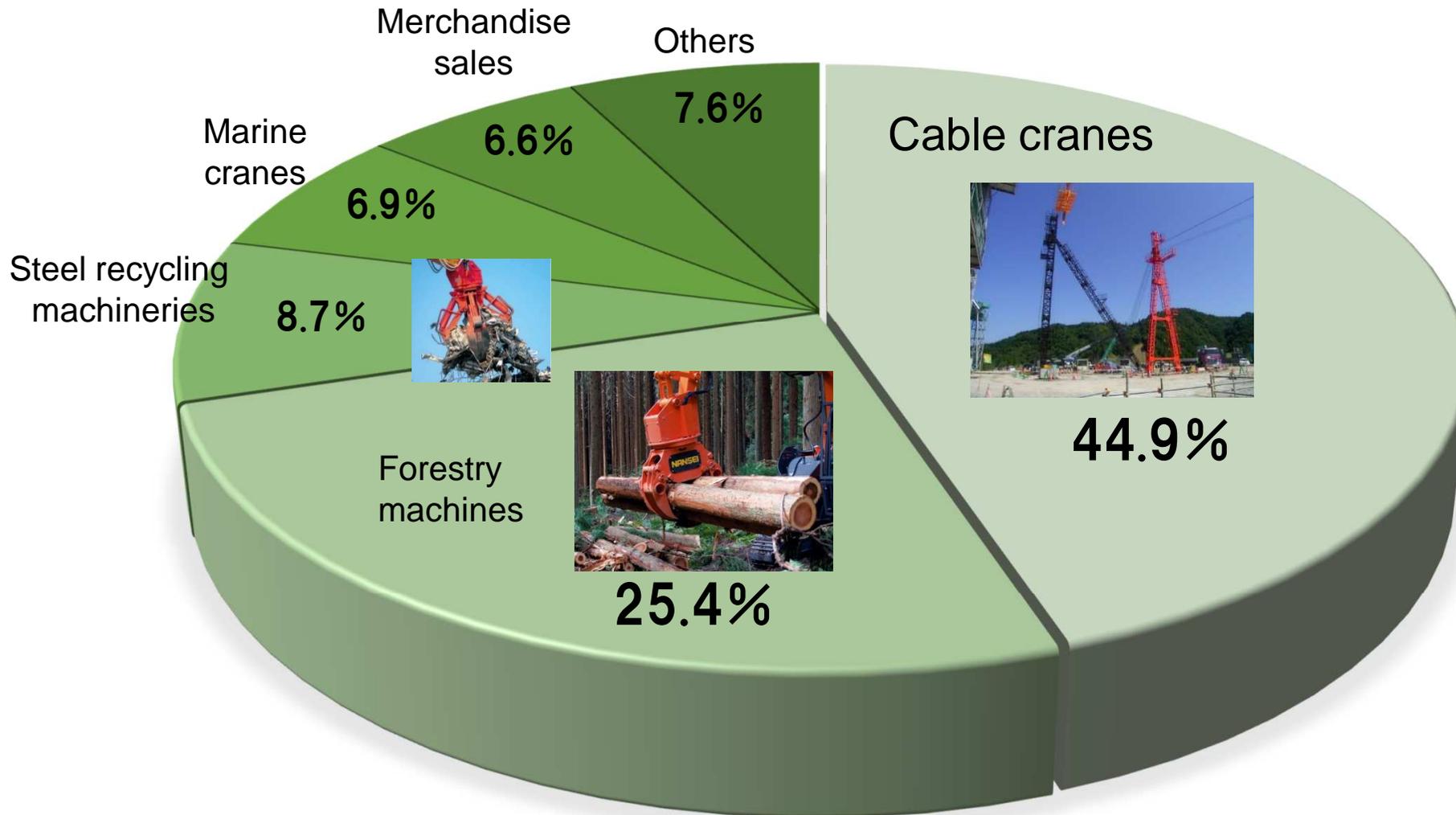
Sales by region (Domestic/Q2)



(Million yen)

	Q2 FY3/19	Q2 FY3/20	Q2 FY3/21	YoY		Vs. Q2 FY3/19 (%)
				Amount	Change (%)	
Hokkaido	295	237	281	44	19.0	▼4.7
Tohoku	671	674	744	70	10.4	10.9
Kanto	1,793	2,037	1,614	▼423	▼20.8	▼10.0
Chubu/Hokuriku	708	826	861	35	4.2	21.6
Kansai	689	880	678	▼202	▼23.0	▼1.6
Chugoku/Shikoku	565	656	509	▼147	▼22.4	▼9.9
Kyushu	786	796	934	138	17.3	18.8
Other (Head Office)	229	135	130	▼5	▼3.7	▼43.2
Domestic total	5,736	6,246	5,751	▼495	▼7.9	0.3
Overseas total	1,728	1,676	1,366	▼309	▼18.5	▼20.9
Nansei Total	1,308	1,373	1,338	▼35	▼2.6	2.3
Consolidated total	8,773	9,296	8,456	▼840	▼9.0	▼3.6

Sales by products ratio (Nansei)



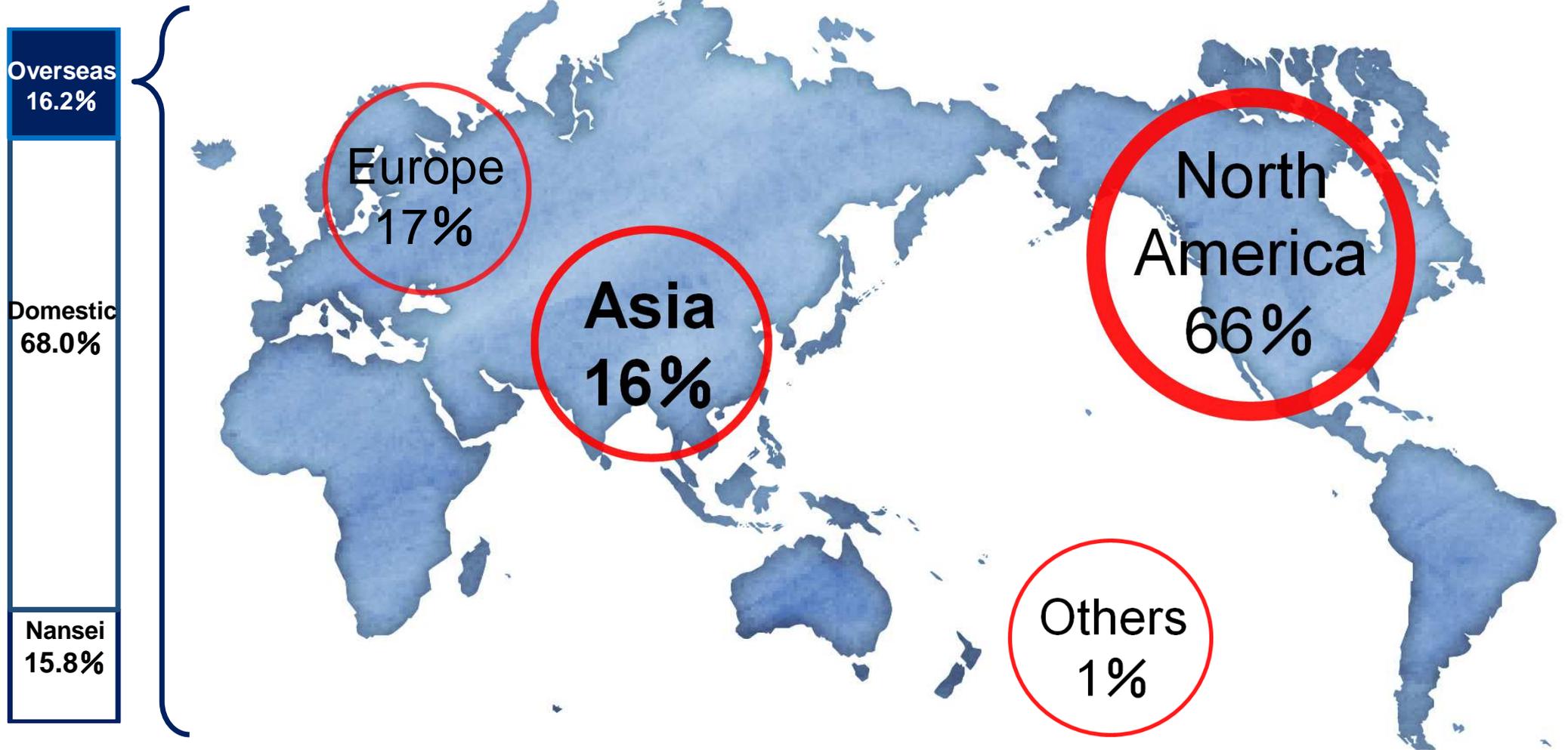
Nansei: Sales by machinery (Q2)



(Million yen)

	Q2 FY3/19	Q2 FY3/20	Q2 FY3/21	YoY		Vs. Q2 FY3/19
				Amount	Change (%)	Change(%)
Cable cranes	372	447	600	153	34.3	61.3
Forestry machines	397	377	339	▼37	▼10.0	▼14.2
Steel recycling machineries	123	182	115	▼66	▼36.6	▼6.4
Marine cranes	112	88	91	3	4.4	▼18.2
Merchandise sales	193	148	87	▼60	▼40.7	▼54.3
Other	111	129	101	▼27	▼21.6	▼8.1
Nansei Total	1,308	1,373	1,338	▼35	▼2.6	2.3
Consolidated Total	8,773	9,296	8,456	▼840	▼9.0	▼3.6

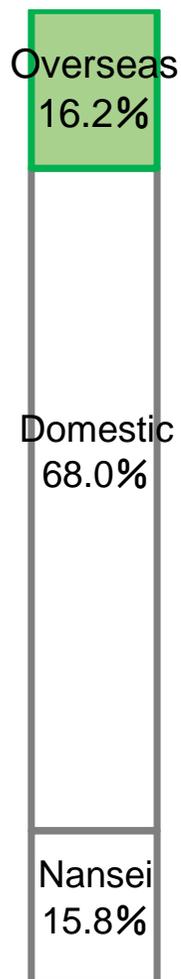
Overseas sales by regions



Sales by regions (overseas/Q2)



(Million yen)



	Q2 FY3/19	Q2 FY3/20	Q2 FY3/21	YoY		Vs. Q2 FY3/19
				Amount	Change (%)	
North America	1,188	1,229	896	▼333	▼27.1	▼24.6
Asia	358	204	215	10	5.3	▼39.9
Europe	140	215	233	17	8.0	66.4
Oceania	27	4	8	4	100	▼70.4
Others	15	22	12	▼9	▼41.5	▼20.0
Total overseas sales	1,728	1,676	1,366	▼309	▼18.5	▼20.9
Overseas ratio (%)	19.7	18.0	16.2	▼1.8	—	—
Ratio of North America(%)	68.8	73.3	65.6	▼7.7	—	—

Thank you for your attention.



Precautions

The forecasts in this document were prepared based on the information available at the time of the announcement of settlement of accounts.

Actual results may differ depending on various factors in the future.

【Ref.】 Corporate Profile (As of March 31, 2020)



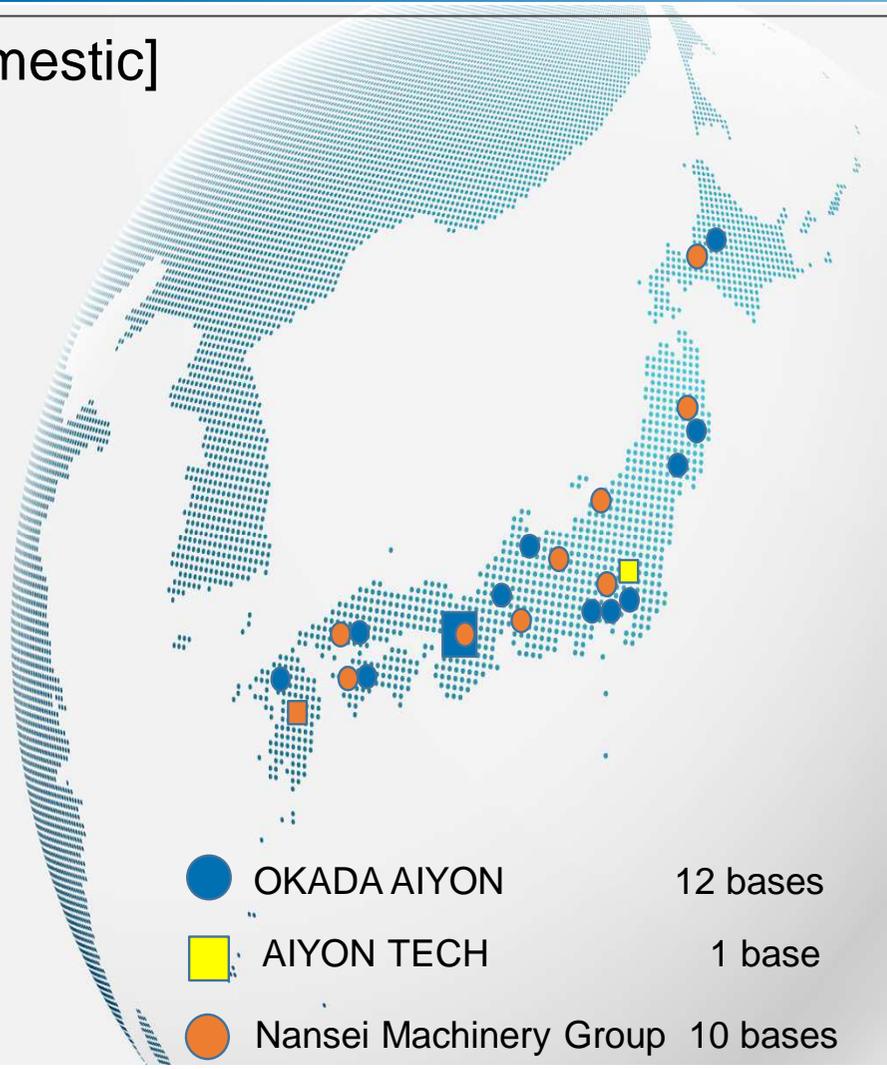
Founded	July 1938 (Established in 1960)
Business content	Manufacture, sale and repair of construction and forestry machinery
Capital stock	2,221 million yen
Number of employees	442 (Consolidated)
Net sales	17,957 million yen
Business bases (Group total)	21 in Japan and 5 overseas



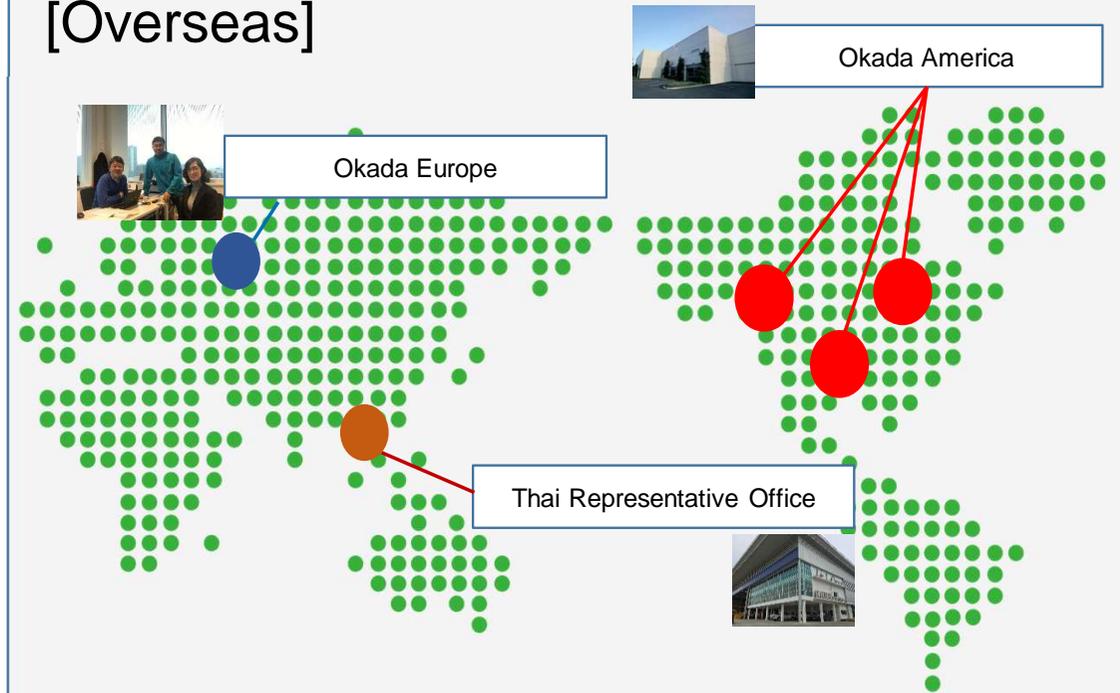
[Ref.] Business Bases



[Domestic]



[Overseas]



Okada America	3 bases (headquarters/Oregon)
Okada Europe	1 base (headquarters/Netherlands)
Thai Representative Office (Ayutthaya)	

【Ref.】 Corporate History



1938
Established

Around 1951
(excavator method)



Around 1960 (appearance of large air breaker)



The latter half of the 1970s (appearance of the crushing method)

1995
(Great Hanshin-Awaji Earthquake)



1992
Listed on the Second Section of the
Osaka Securities Exchange

2011
(Great East Japan Earthquake)

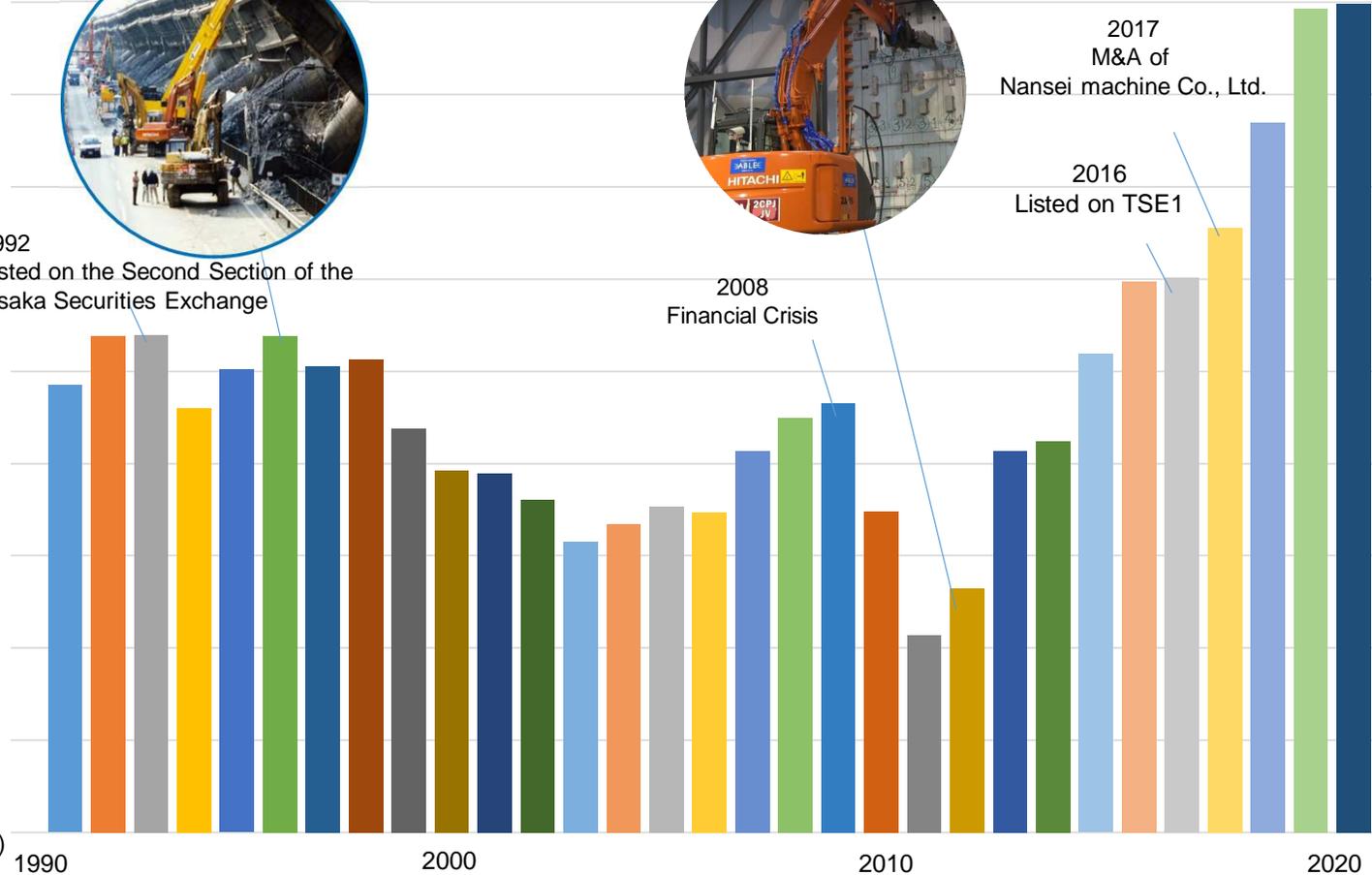


2008
Financial Crisis

Changes in net sales
over the past 30 years

2017
M&A of
Nansei machine Co., Ltd.

2016
Listed on TSE1



【Ref.】 Product application (attachment)



- Able to install in excavators of all domestic and overseas manufacturers

[① Primary crushers]

- Demolition of the main part of the building

[② Pulverizers]

- Crushing the concrete after primary crusher

[③ Cutters]

- Used for cutting rebar and steel frames.

[④ Breaker]

- Excellent crushing power
- However, the noise is loud.

【Ref.】

Product application (Nansei Machine)



[Forestry machinery]



- Logging timber in the forest
- Lumering, pruning and transporting

[Cable crane for dam construction and power plants and dams]



- Conveying concrete, materials, etc. on roadless mountain slopes

【Ref.】 Product customers (Domestic)



About 70%

[Excavator manufacturers]

(Example)



About 20%

[Rental companies]

(Example)



(Other, regional rental companies)

About 10%

Demolition business operator



【Ref.】

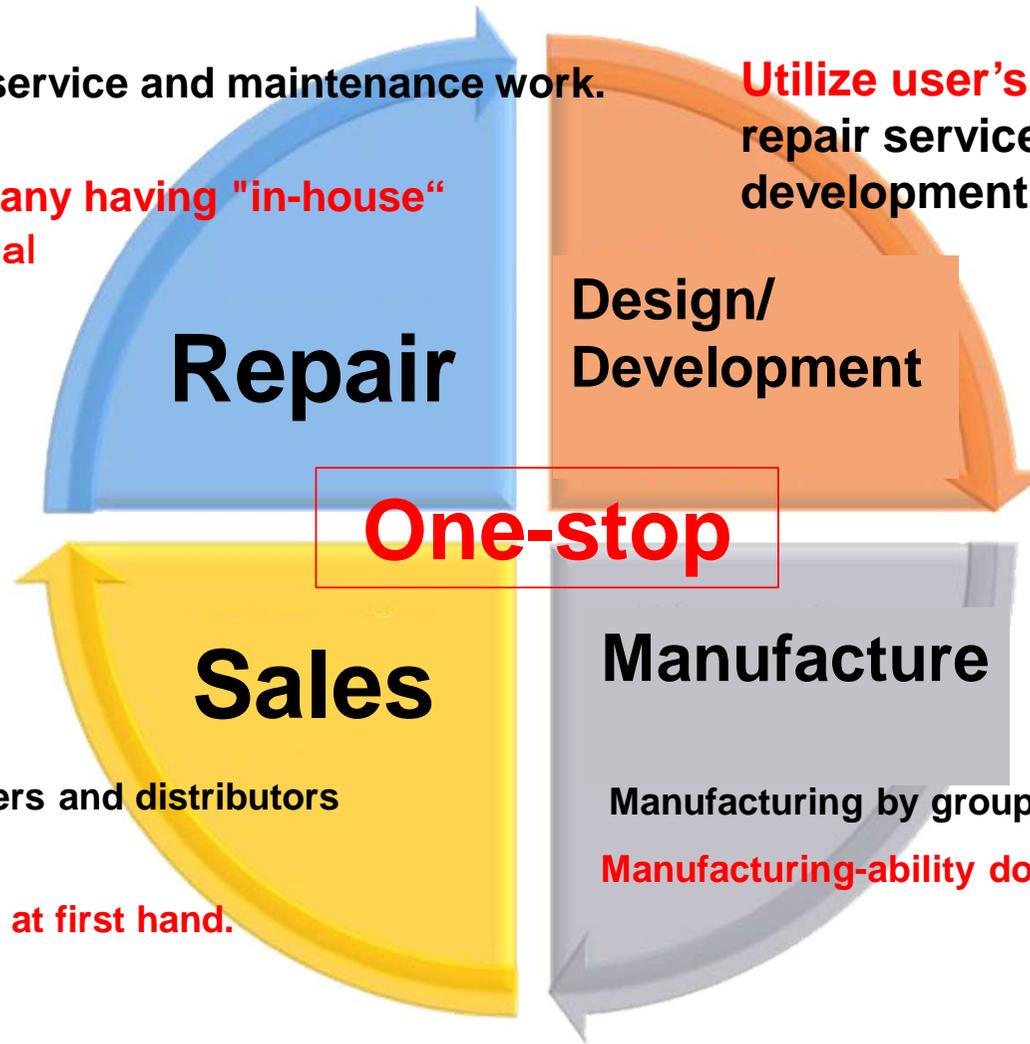
Our strengths



Every products require service and maintenance work.

→ We are the only company having "in-house" repair service profesional

Utilize user's needs obtained through repair service and direct sales in development work.



Sales to excavator manufacturers and distributors

Direct sales to end users

We listen to customer's needs at first hand.

Manufacturing by group companies and subcontractors

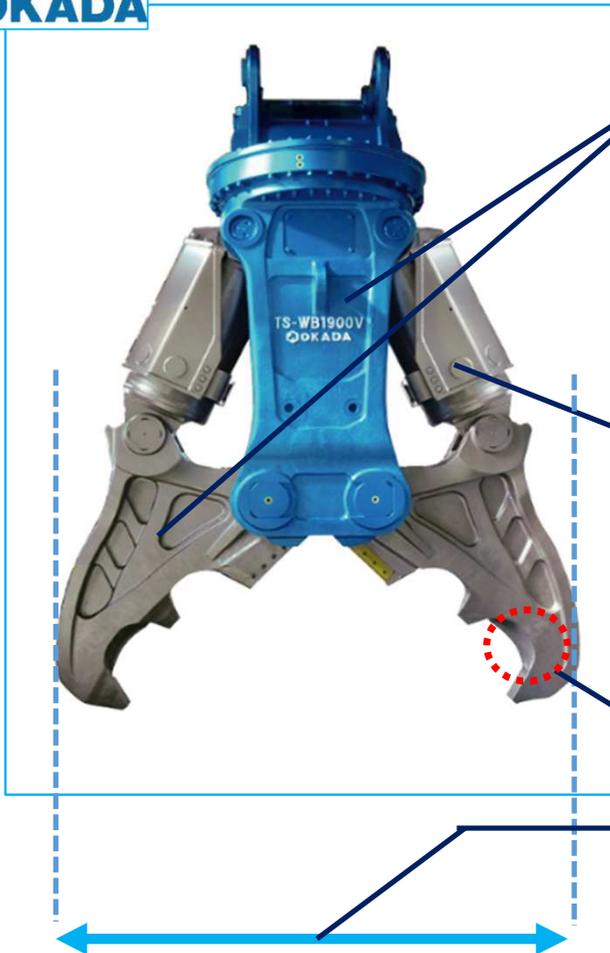
Manufacturing-ability does not constrain novel ideas

【Ref.】

Product characteristics



Our commitment



Casting steels are used for the primary crushers and cutters, which gives unmatched **strength** in demolition work.

*Casting steel : made by melting special steel and pouring it into molds. There are no linkages or joints, and the **strength is higher** than that of fabricated weldment. It can be freely formed and has strength in designing.



Fabrication --- Formed by steel plates welded together



Twin Cylinder and high-capacity speed valve give unmatched force and fastest cycle time.

Use of wedge arms realizes **outstanding crushing power**

Arms do not protrude as they close, and they can be operated in **densely populated residential areas**.