

OKADA AIYON

CORPORATION

Corporate Presentation Materials
(TSE First Section: 6294)



Toshiyuki Kanda, President

Corporate Profile



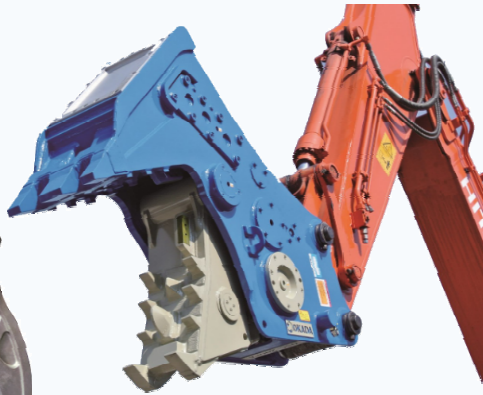
Company name	OKADA AIYON Corporation (As of the end FY3/18)
Founded	July 1938 (incorporated : 1960)
Head office	4-1-18 Kaigan-dori, Minato-ku, Osaka-shi, Osaka
Market Listed	Tokyo Stock Exchange 1st section (6294)
Capital stock	2,221 million yen
Net sales	15,399 million yen
Business content	Manufacture, sale and repair of construction and forestry machinery
Number of employees	430 (As of September 2018)
Fiscal year end	March 31
Total number of shares outstanding	8,378,700 shares

Main products

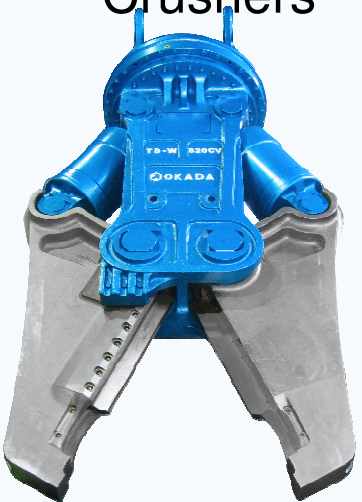
Demolition attachment
(to be on Excavators)



Primary
Crushers



Pulverizers



Cutters



Hydraulic breakers

Environmental machinery

(Wood grinders and
forestry machinery)



Wood Hog



Big-Bass



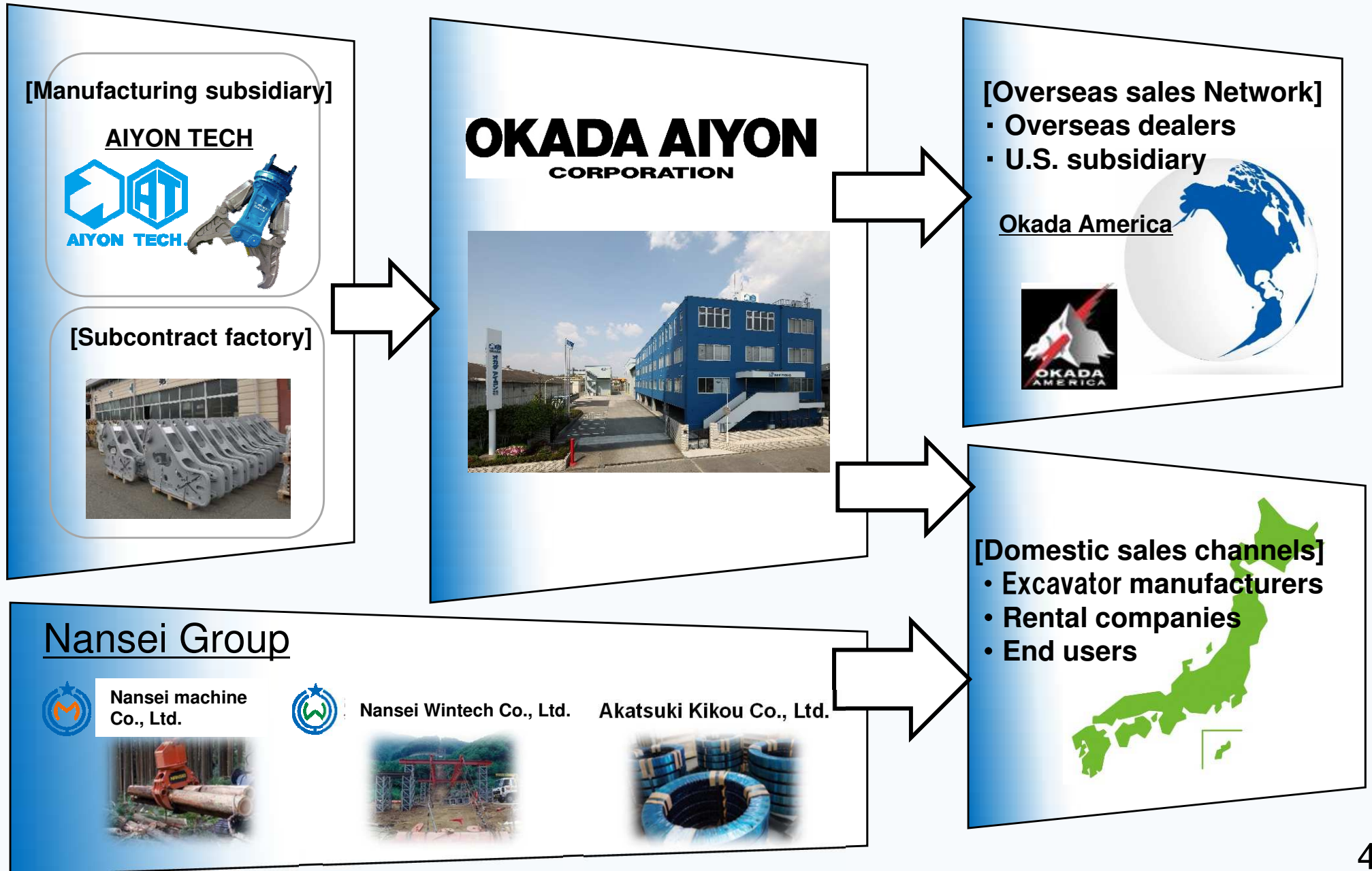
Log
Grapples



Cable crane for
dam construction 3

Business Overview

<Manufacturing and Procurement> <Development, sales, and repair>



Domestic Business Bases



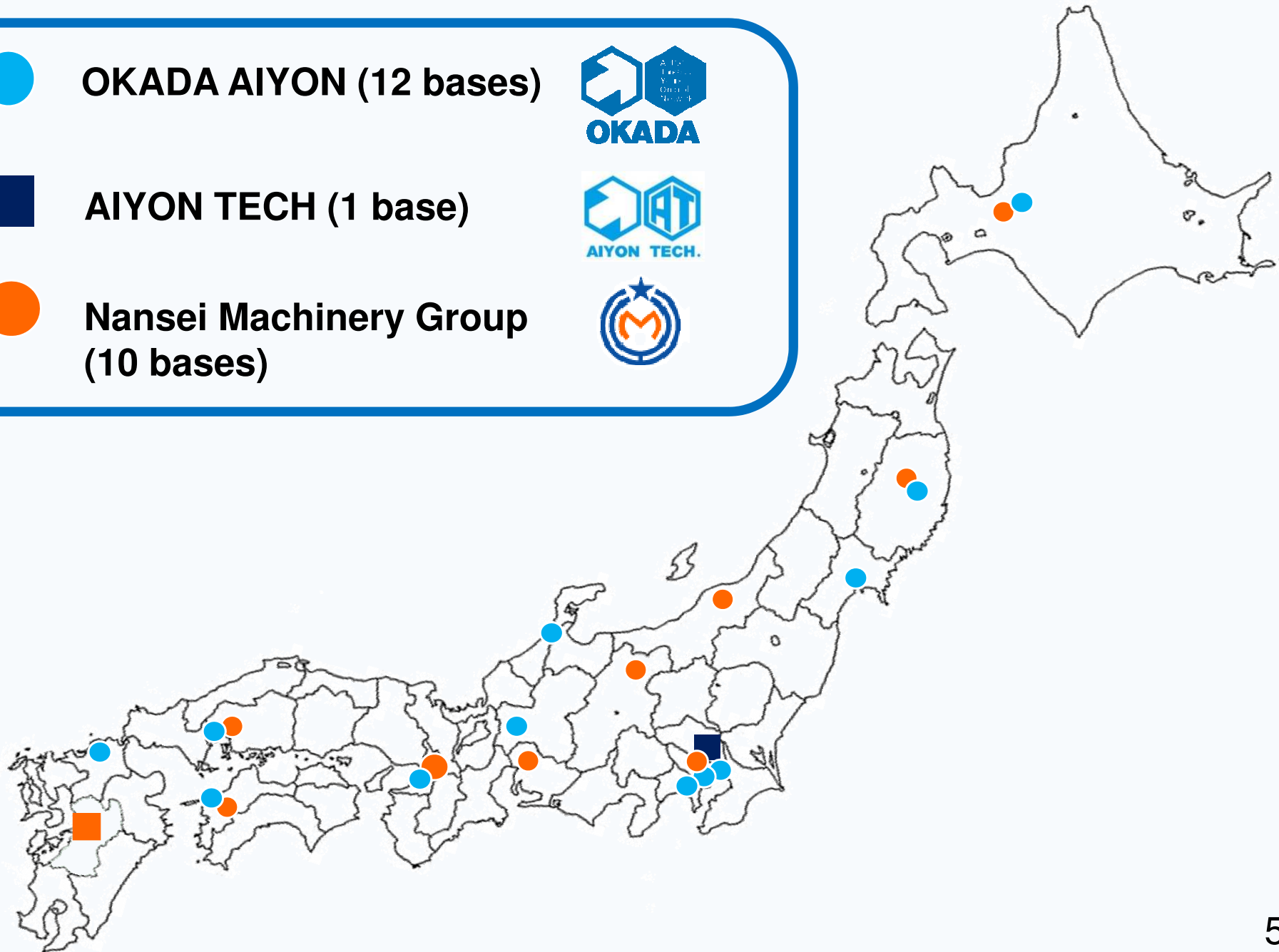
OKADA AIYON (12 bases)



AIYON TECH (1 base)



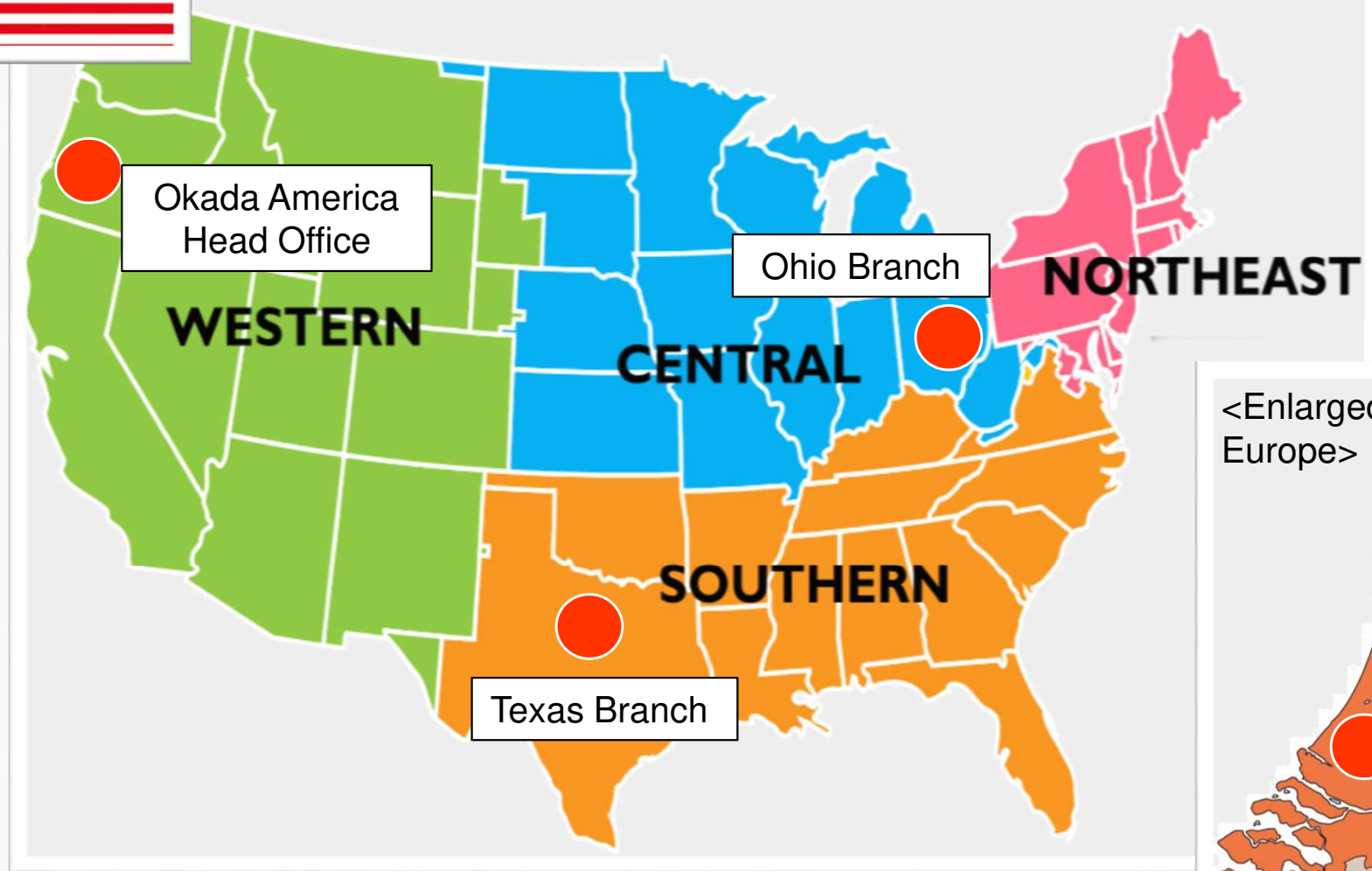
**Nansei Machinery Group
(10 bases)**



Overseas Business Network



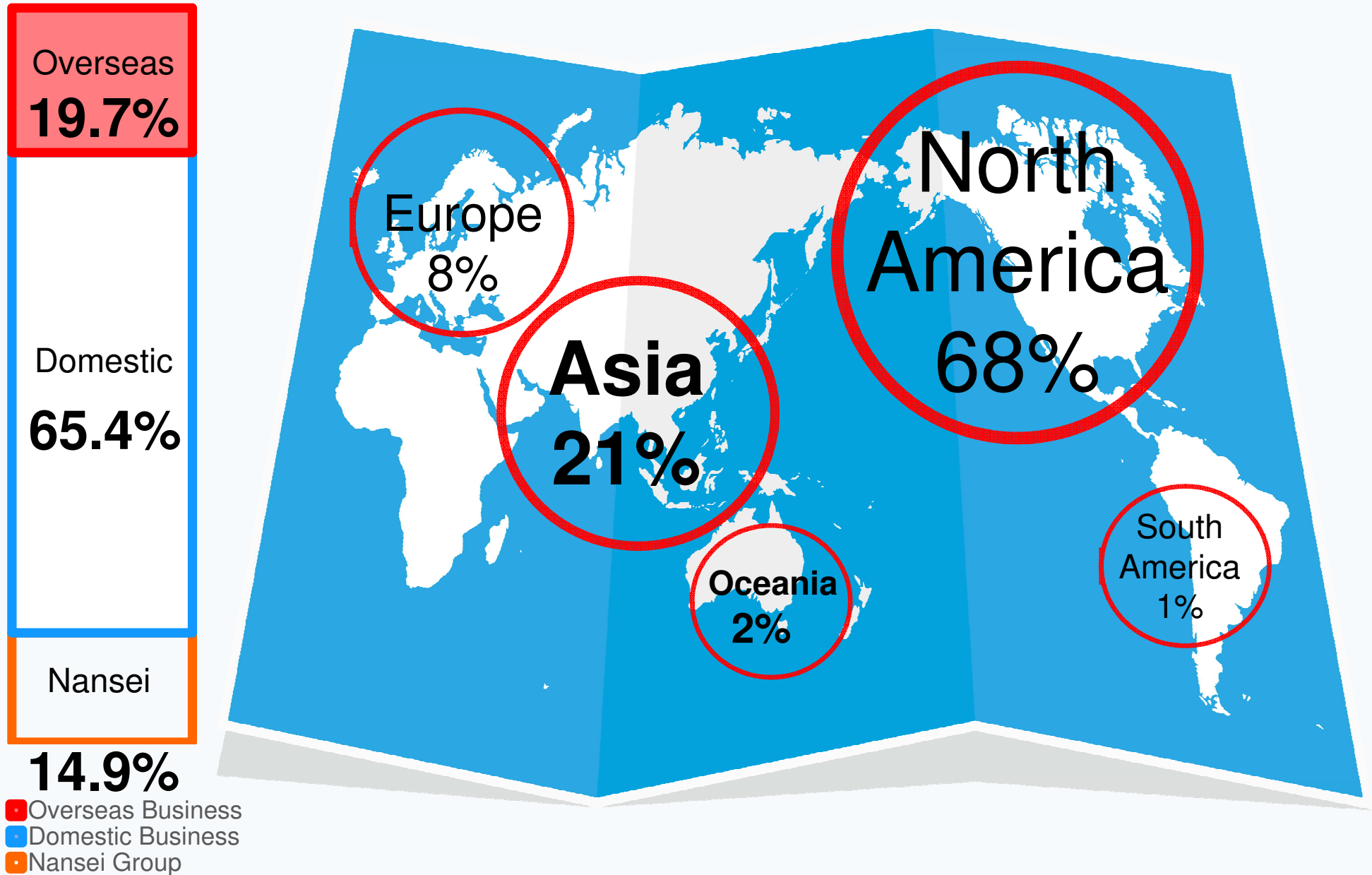
<Map of North America>



<Enlarged view of Europe>



Overseas Sales Ratio (FY3/19 2Q)



Our Strengths

Development

Manufacturing

One-stop handling capability

After Support

Sales



FY3/19 2Q Consolidated Results (Summary)

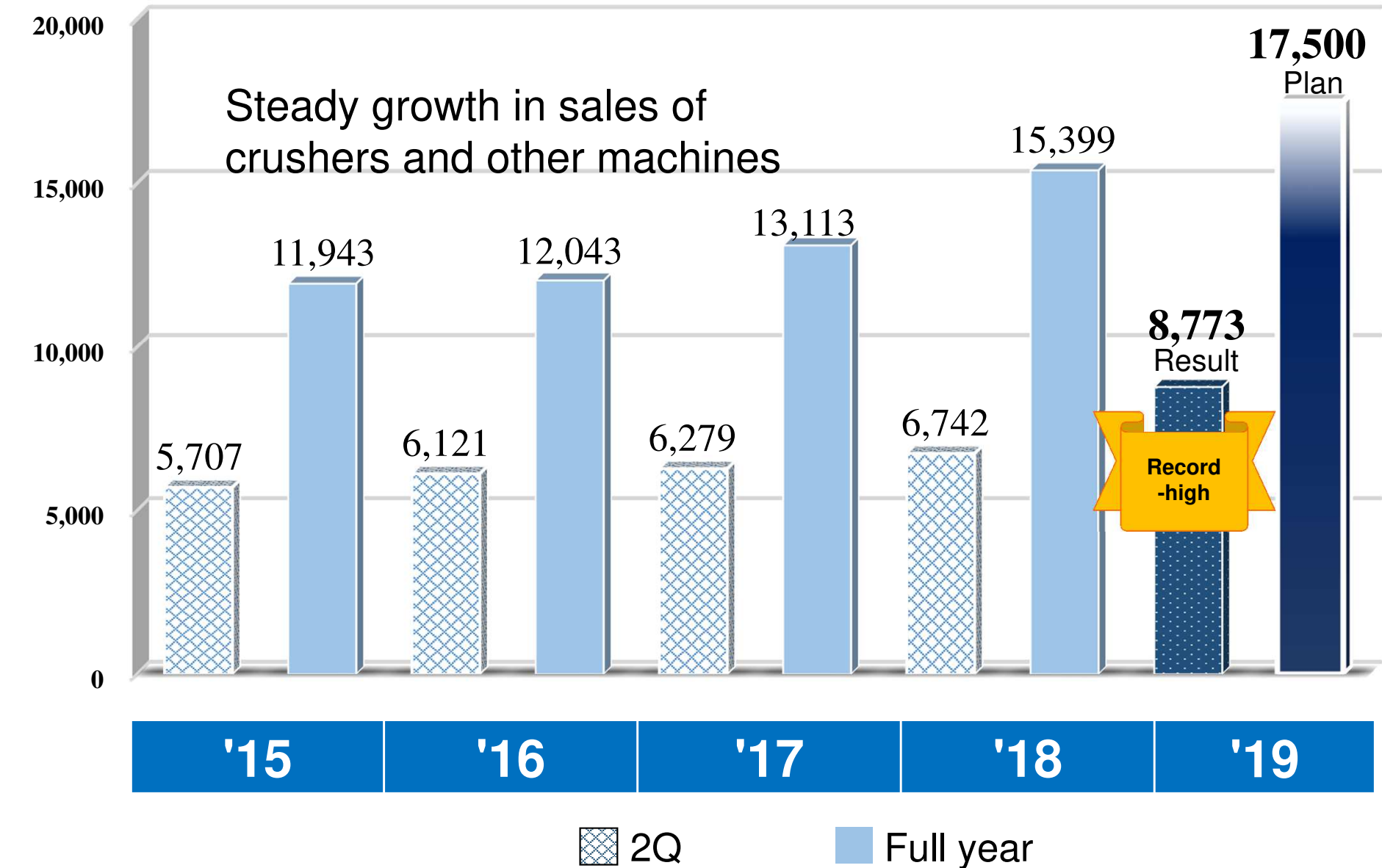
*Figures in parentheses represent YoY comparison

- Consolidated net sales was 8,773 million yen (+30.1%)
- Ordinary income was 917 million (+29.2%)
- [Domestic] Sales of crushers with strong demand for redevelopment and rebuilding, and sales of environment-related machinery, etc., which have had less impact on exhaust gas regulations, increased.
Sales 5,736 million yen (+10.0%)
- [Overseas] Against the backdrop of robust overseas demand, sales in North America, Asia and Europe increased.
Sales 1,728 million yen (+13.3%)
- [Nansei] Mainly sold forestry machines, steel scrap machines and cable cranes
Sales 1,308 million yen

Changes in Net Sales (Past 5 Years)

Sales growth

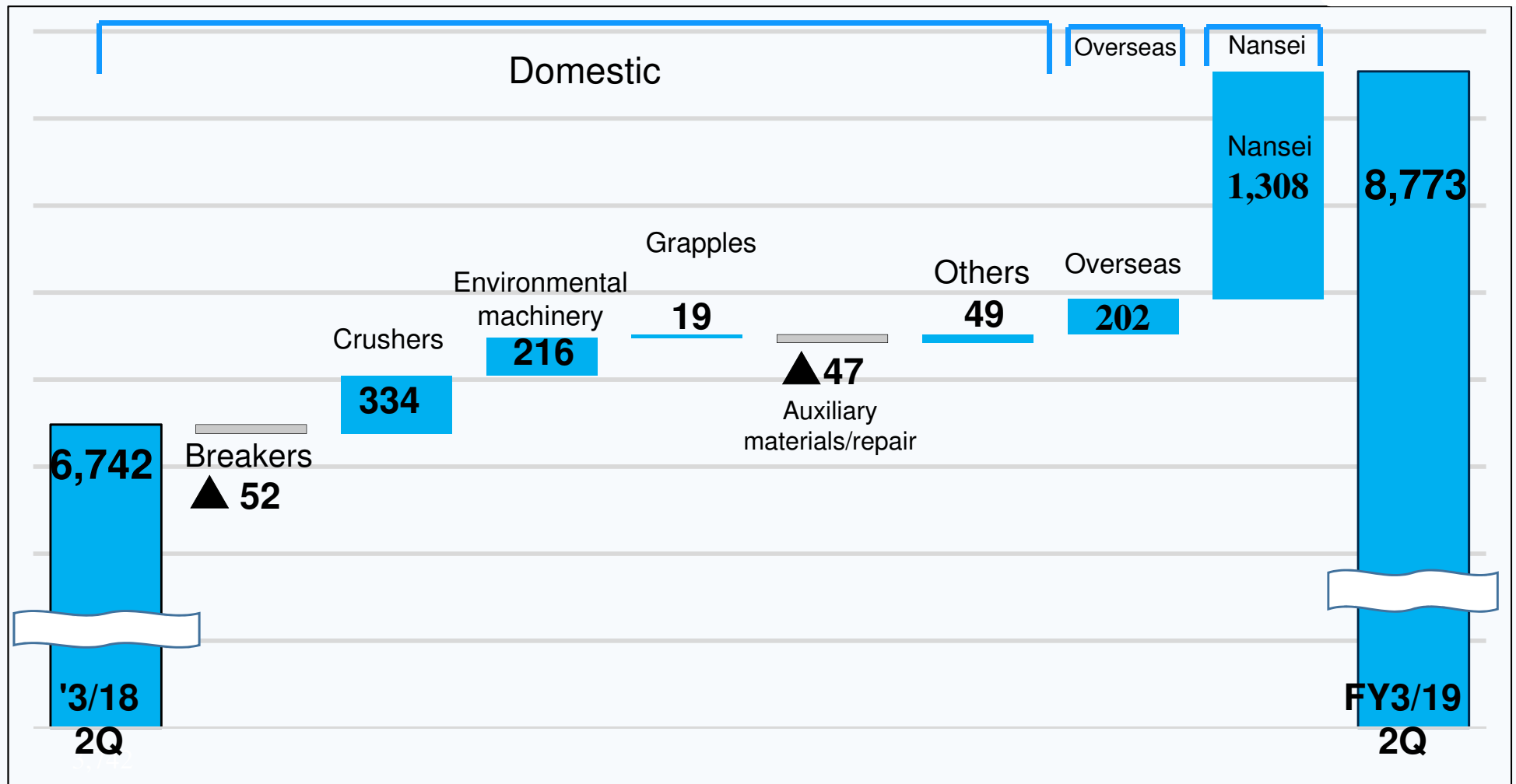
Million yen



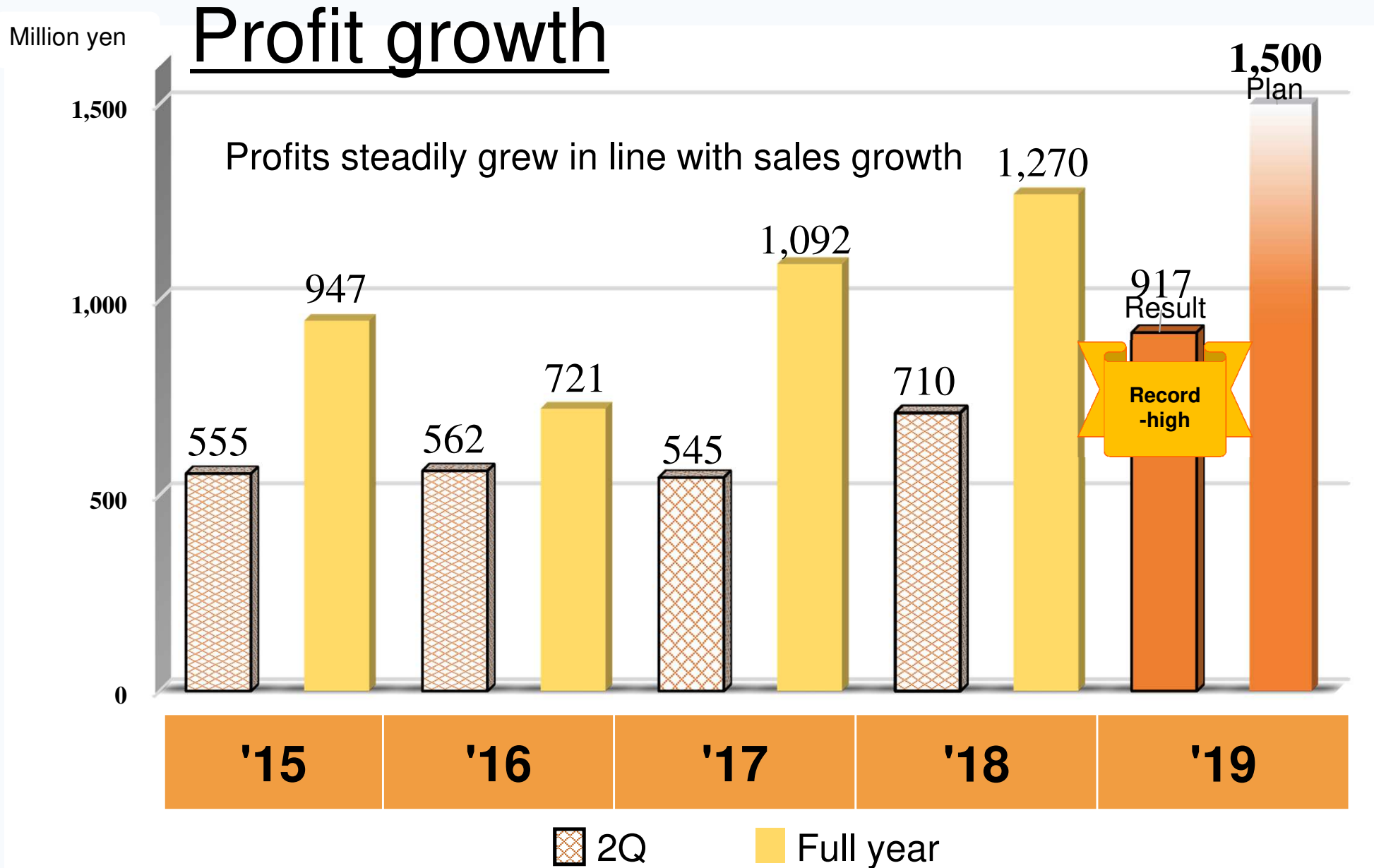
Factors for Changes in Net Sales at FY3/19 2Q

- In Japan, in addition to continued strong sales of mainstay crushers, increased sales of environmental equipment due to the decrease in the impact of exhaust gas regulations, contributed to the sales growth.
- Overseas sales increased as a whole, mainly in North America, Asia and Europe.

(Millions of yen)



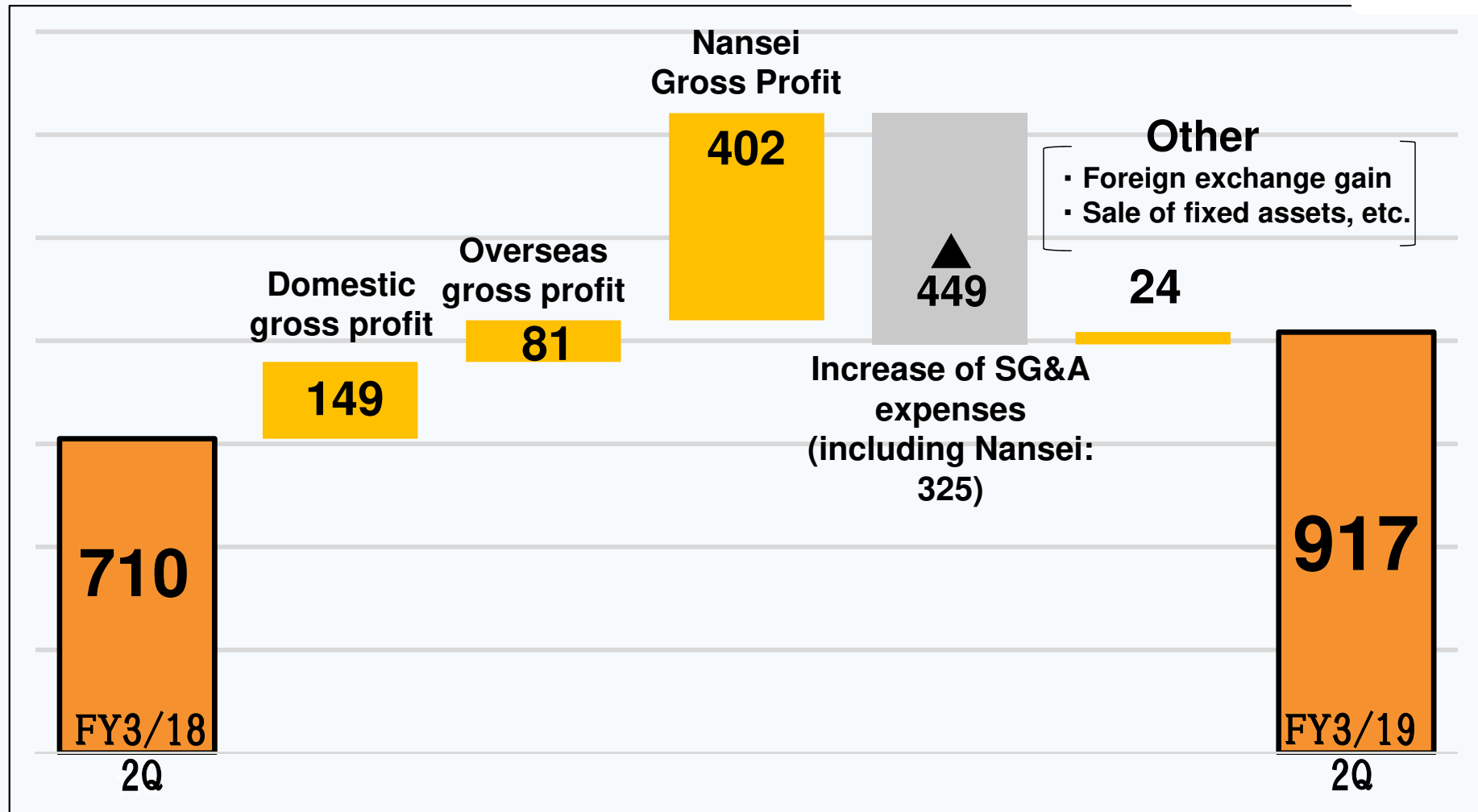
Changes in Ordinary Income (Past 5 Years)



Factors for Changes in Ordinary Income in FY3/19 2Q

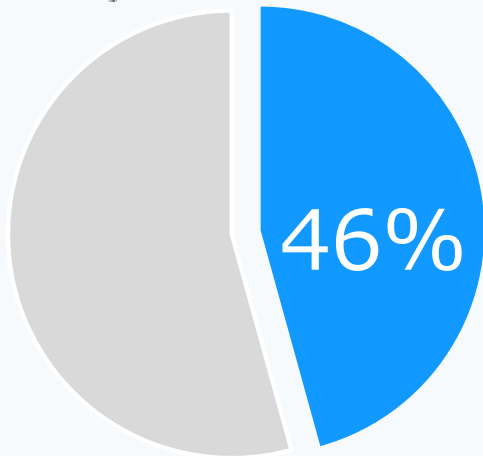
- Gross profit in Japan and overseas increased due to higher sales.
- SG&A expenses increased in Nansei-related business

(Million yen)

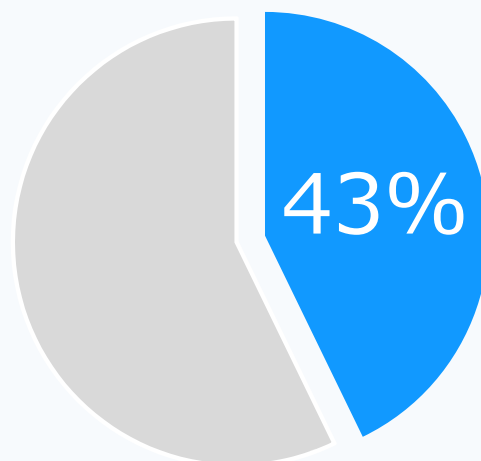
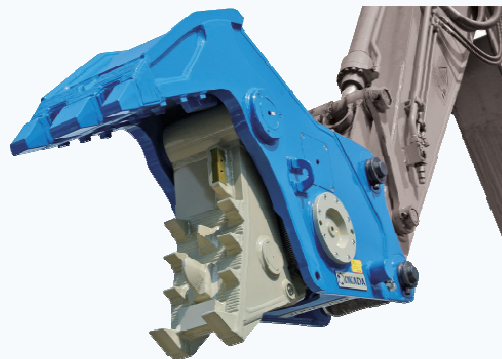


Main Products and Domestic Market Shares (FY3/19 2Q)

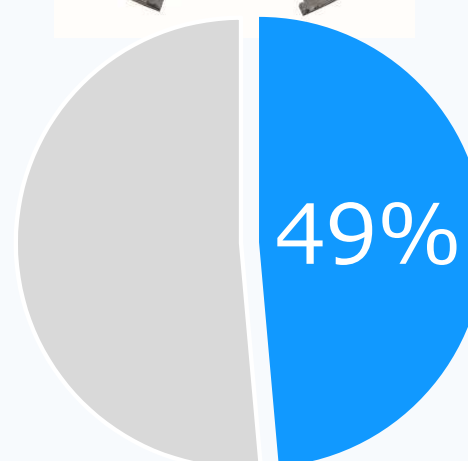
Primary crushers



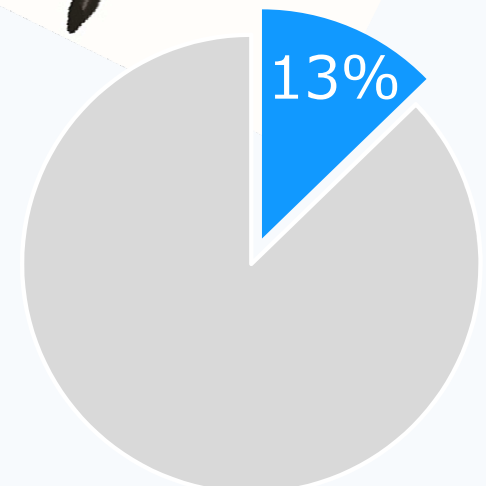
Pulverizers



Cutters



Hydraulic breakers

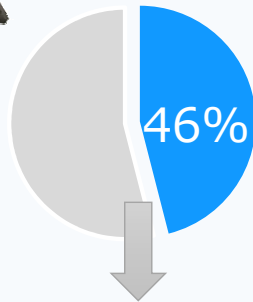


Tokyo Area Main Products and Domestic Market Shares (FY3/19 2Q)

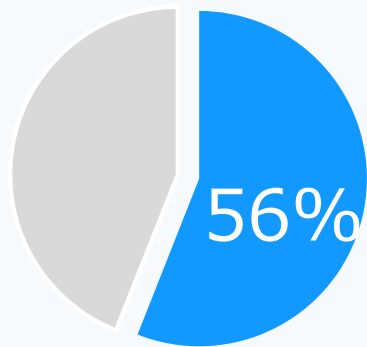
Primary crushers



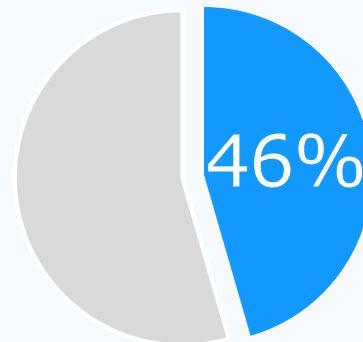
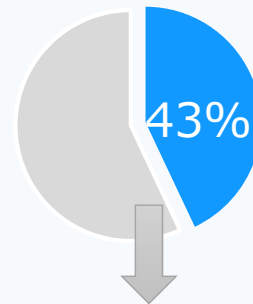
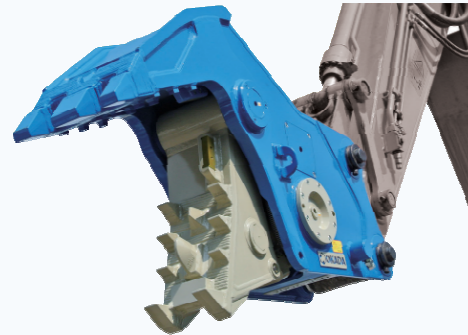
Domestic market
national average



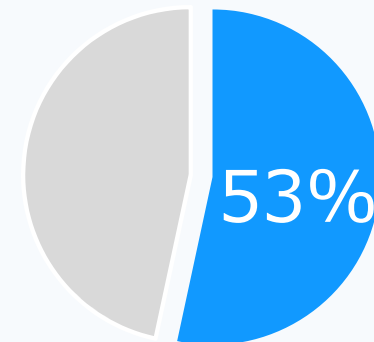
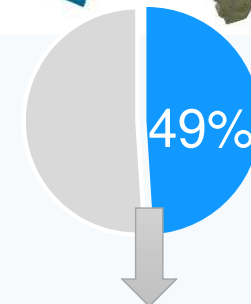
Tokyo area



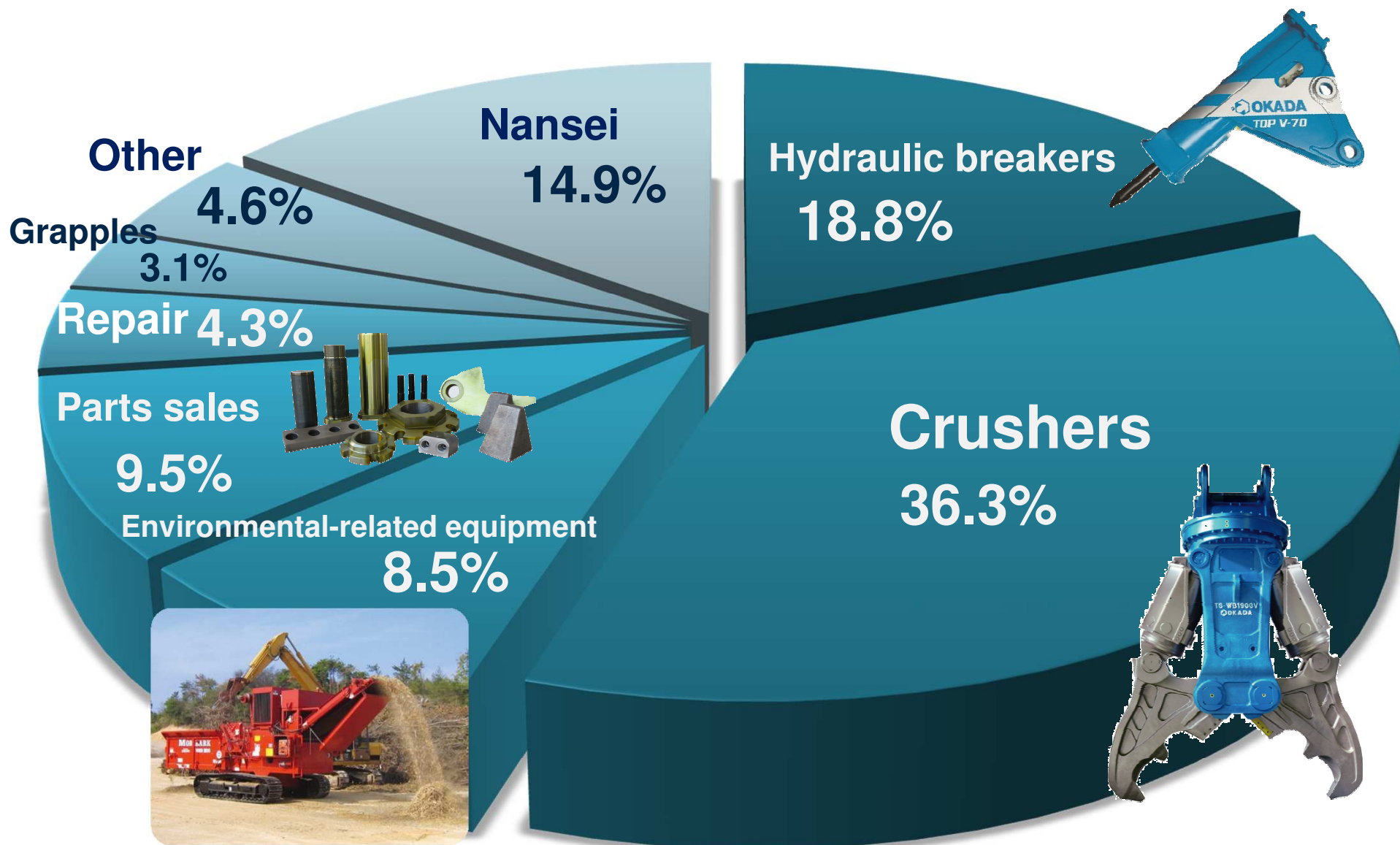
Pulverizers



Cutters

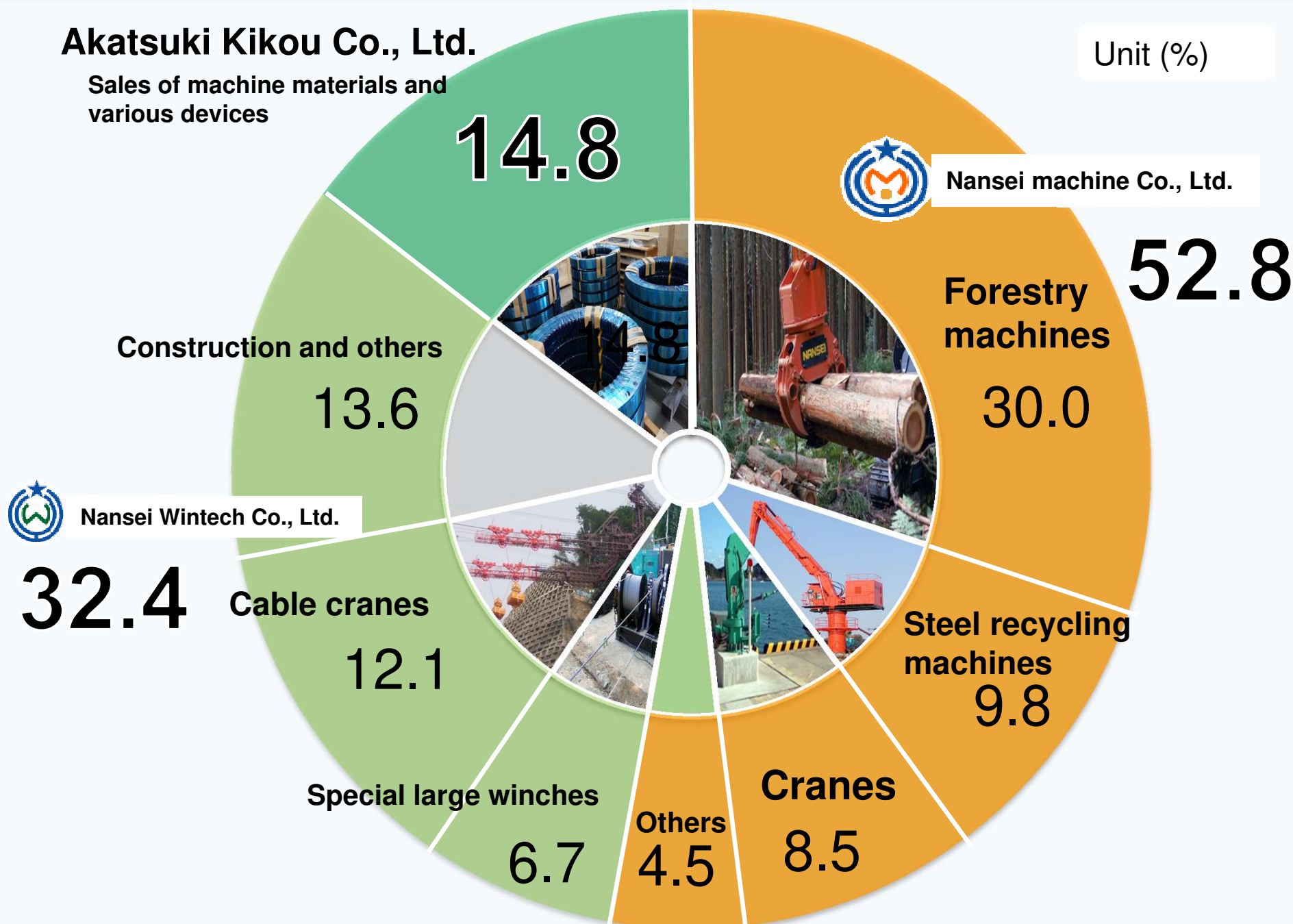


Sales Composition Ratio (FY3/19 2Q)



*Our sales composition from April 2018 to September 2018

Sales Composition Ratio (FY3/19 2Q)



* Nansei Machine Group sales composition from April 2018 to September 2018

Sales by Product Category (by Segment) (2Q)

(Million yen)

		FY3/17 2Q	FY3/18 2Q	FY3/19 2Q	YoY change		Vs. two fiscal years before
					Amount	Change (%)	Change (%)
	Breaker	319	448	396	▲ 52	▲ 11.6	24.1
	Crusher	2,503	2,726	3,060	334	12.3	22.3
	Environmental machinery	847	489	705	216	44.3	▲ 16.8
	Grapple	257	251	270	19	7.6	5.1
	Auxiliary materials/repair	913	1,001	954	▲ 47	▲ 4.7	4.5
	Other	309	301	351	49	16.6	13.6
	Domestic total	5,148	5,216	5,736	519	10.0	11.4
	Overseas total	1,131	1,525	1,728	202	13.3	52.8
	Nansei Total	-	-	1,308	-	-	-
	Consolidated total	6,279	6,742	8,773	2,031	30.1	39.7

Sales of OKADA Demolition Machinery by Region (2Q)

(Millions of yen)

	FY3/17 2Q	FY3/18 2Q	FY3/19 2Q	YoY change		Vs. two fiscal years before (%)
				Amount	%	
Hokkaido	224	211	295	84	39.8	31.7
Tohoku	704	686	671	▲ 15	▲ 2.2	▲ 4.7
Kanto	1,863	1,611	1,793	182	11.3	▲ 3.8
Chubu and Hokuriku	588	603	708	105	17.4	20.4
Kansai	552	635	689	54	8.5	24.8
Chugoku/Shikoku	443	408	565	157	38.5	27.5
Kyushu	638	908	786	▲ 122	▲ 13.4	23.2
Others (Sales Department of the Head Office)	135	153	229	76	49.7	69.6
Japan total	5,148	5,216	5,736	519	10.0	11.4
Overseas total	1,131	1,525	1,728	202	13.3	52.8
Nansei Total			1,308	1,308	-	-
Consolidated total	6,279	6,742	8,773	2,031	30.1	39.7

Transition by Segment

(Million yen)

		FY3/18	FY3/19	YoY	
		2Q	2Q	Change	Ratio
Net sales		6,742	8,773	2,031	30.1
	Domestic	5,216	5,736	519	10.0
	Overseas	1,525	1,728	202	13.3
	Nansei	-	1,308	1,308	-
Ordinary income		710	917	207	29.2
	Domestic	415	540	124	30.0
	Overseas	294	328	34	11.8
	Nansei		75	75	-

Arch 2020



Medium-to Long-Term Management Plan 2nd Stage
Rolling Plan
(FY3/19 – FY3/21)

OKADA AIYON
CORPORATION

Outline of Medium-to Long Term Management Reforms “Arch 2020 Strategy”

Arch 2020 Strategy (FY3/16-FY3/21)

Build a bridge over the Year 2020 aiming for triple “1.”

Sales target triple “2”	Financial target triple “10”
<ul style="list-style-type: none">① Consolidated net sales 2 times (20 billion yen)② Domestic shares of main products Up 20%③ Overseas sales 2 times	<ul style="list-style-type: none">① Sales growth rate (average) 10% or more② Operating income margin 10% or more③ Return on equity (ROE) 10% or more



Company target triple “1”
<p>[Topnotch] Topnotch professionals will offer</p> <p>[First-rate] First-rate products and services</p> <p>[Strength] Aiming for the industry’s No.1 enterprise group</p>

Progress of Medium-to Long-Term Management Reform "Arch 2020 Strategy"

Medium-to long-term management plan Arch 2020

1st stage (FY3/16 – FY3/18) results

Million yen	FY3/16	FY3/17	FY3/18
Net sales	12,043	13,113	15,399
Ordinary income	721	1,092	1,270

Growth + Building a framework

Production system: Expansion of main factory

Domestic operation: Establishment of new locations in Tokyo area

Aftermarket: Improvement of service factory system

Overseas development: Establishment of new locations in North America and Europe

New business development: Management integration with the Nansei Group

Strengthen management base: Listing on the TSE 1st section

2nd stage (FY3/19 – FY3/21) Medium-term management plan

	FY3/19	FY3/20	FY3/21
Net sales	17,500	18,500	20,000
Ordinary income	1,500	1,700	2,000

Further growth + Quality improvement

Domestic

Integration with the Nansei Group → Chemical reaction

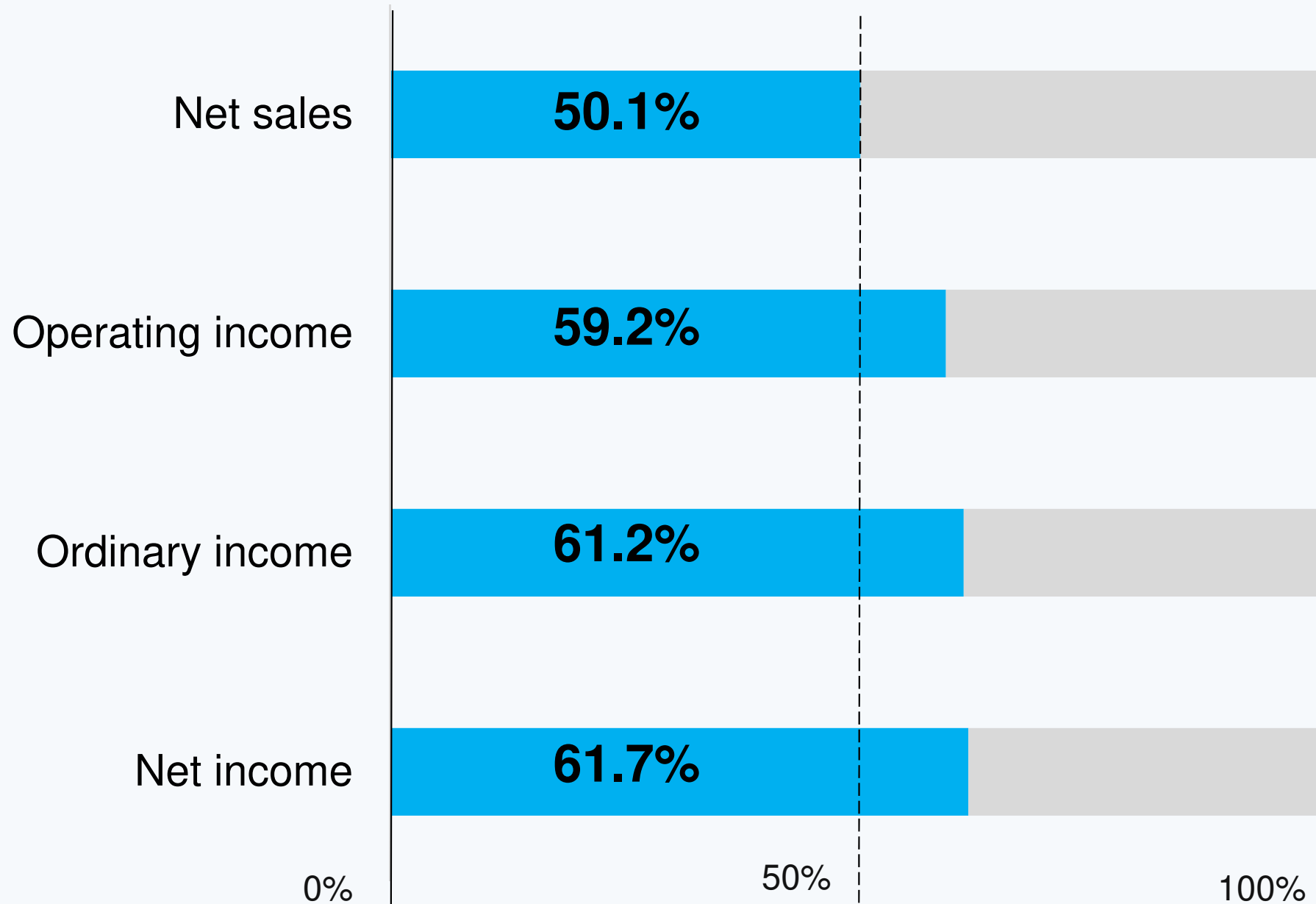
Overseas

Establishment of North America-Europe-Asia trilateral framework

Management base

Efforts toward work-style reforms

Progress Rate (FY3/19 2Q)



Progress of Medium-to Long-Term Management Reform "Arch 2020 Strategy"

2nd Stage (FY3/19-FY3/21) of Medium-term Management Plan

	FY3/19	FY3/20	FY3/21
Million yen			
Net sales	17,500	18,500	20,000
Ordinary income	1,500	1,700	2,000

Further Growth + Quality Improvement

Domestic

Integration with the Nansei Group
→ Chemical reaction

Overseas

Establishment of North America-Europe-Asia
trilateral framework

Management bases

Efforts toward work-style reforms

Keyword

Integration  Chemical reaction

The three C's

- 1. CONNECTED** Further build a new connection to visualize synergy
- 2. CHANGE** Respond to changes (change and make a change)
- 3. CHALLENGE** Have high aspirations and new challenge but
WITH CHECK don't forget to check

The Thee C's and OKADA Eight Plans

CONNECTED

Further build a new connection to visualize synergy

- ① Integration with the Nansei Group and chemical reaction
- ② Increase sales and profits by increasing production capacity including subcontracting company

CHANGE

Respond to changes (change and make a change)

- ③ System reconstruction...Productivity improvement and promotion of efficiency
- ④ Work style reforms.....Improvement in employee satisfaction and securing of personnel

**CHALLENGE
WITH
CHECK**

Have high aspirations and have new challenge but don't forget to check

- ⑤ Further development of foreign market
- ⑥ Securing of stability by promoting aftermarket
- ⑦ Increase employees' level through active recruitment of human resources, OJT and training
- ⑧ Strict compliance and risk management

Domestic

Integration with the Nansei Group

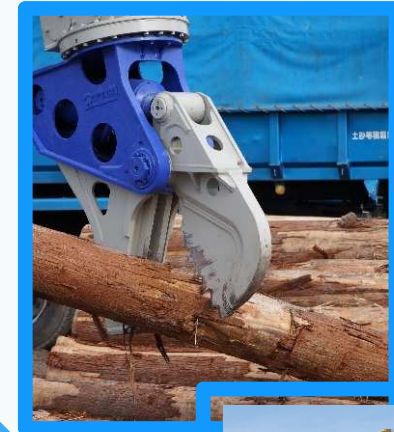
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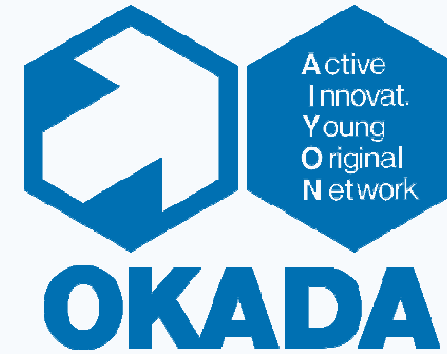
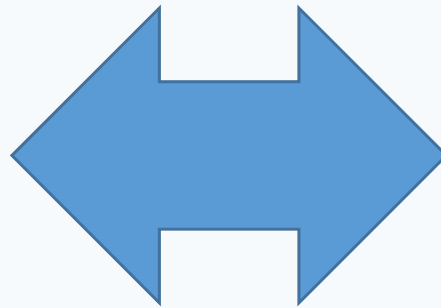


[Chipping]



Domestic

Integration with the Nansei Group



In addition to the manufacturing of forestry machineries, commenced production of OKADA products

Selling Nansei products through OKADA sales office networks

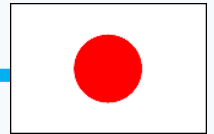


Demand in the Demolition Market

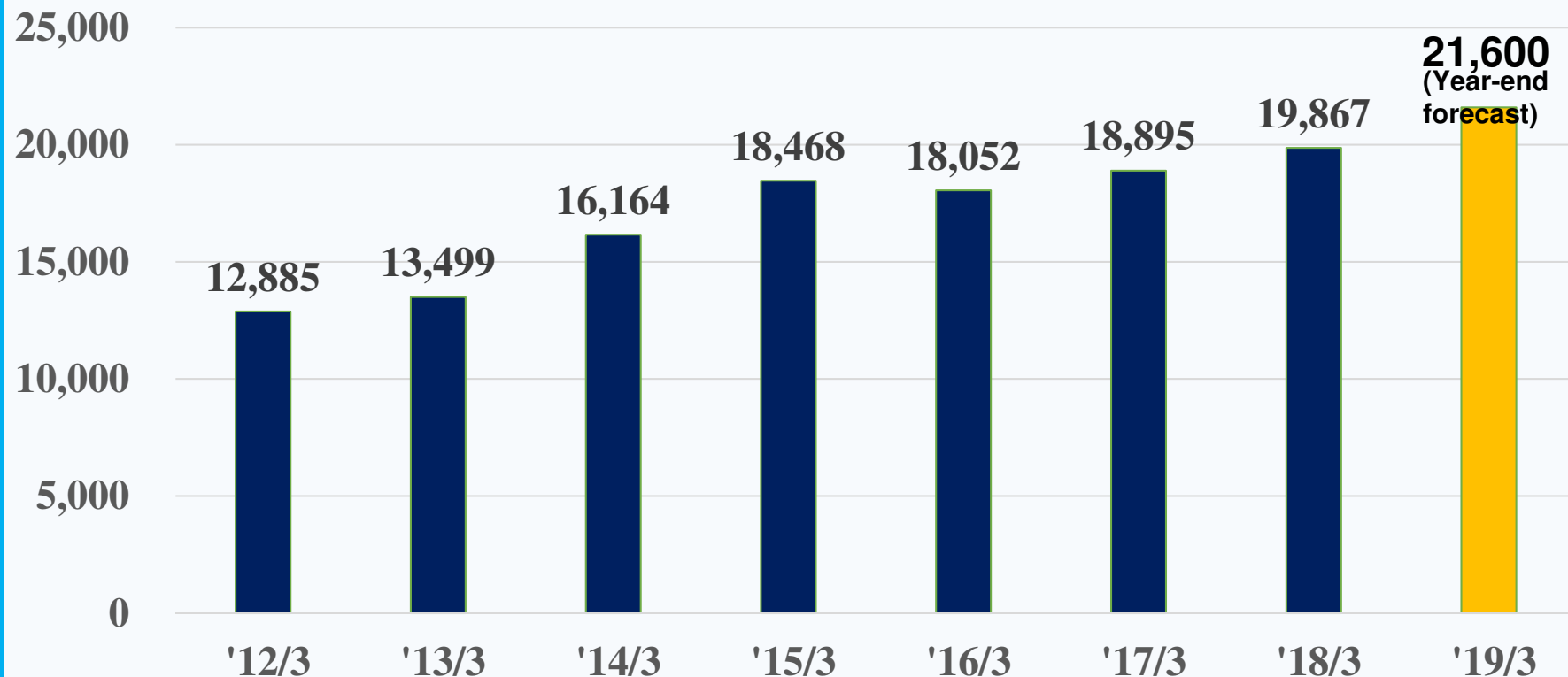
Reference: The "Demand Forecast Matrix" issued by the Japan Construction Machinery Manufacturers Association on August 30

- According to the Forecast of Demand for Construction Machinery by the Japan Construction Machinery Manufacturers Association, domestic demand for construction machinery as a whole in FY3/19 is expected to decrease by 4%.
- However, domestic demand for hydraulic breakers and crushers is expected to increase by 9% in FY3/19.

(Million yen)



Shipment value (hydraulic breakers and crushers)



Domestic

Aging of Concrete Buildings

30% of buildings would be collapsed
with the shaker in the higher 6 level

Approximately 250 of 850 hotels and commercial facilities would be collapsed in Tokyo

(Based on the results of the Tokyo Metropolitan Government Seismic Assessment Disclosure System)

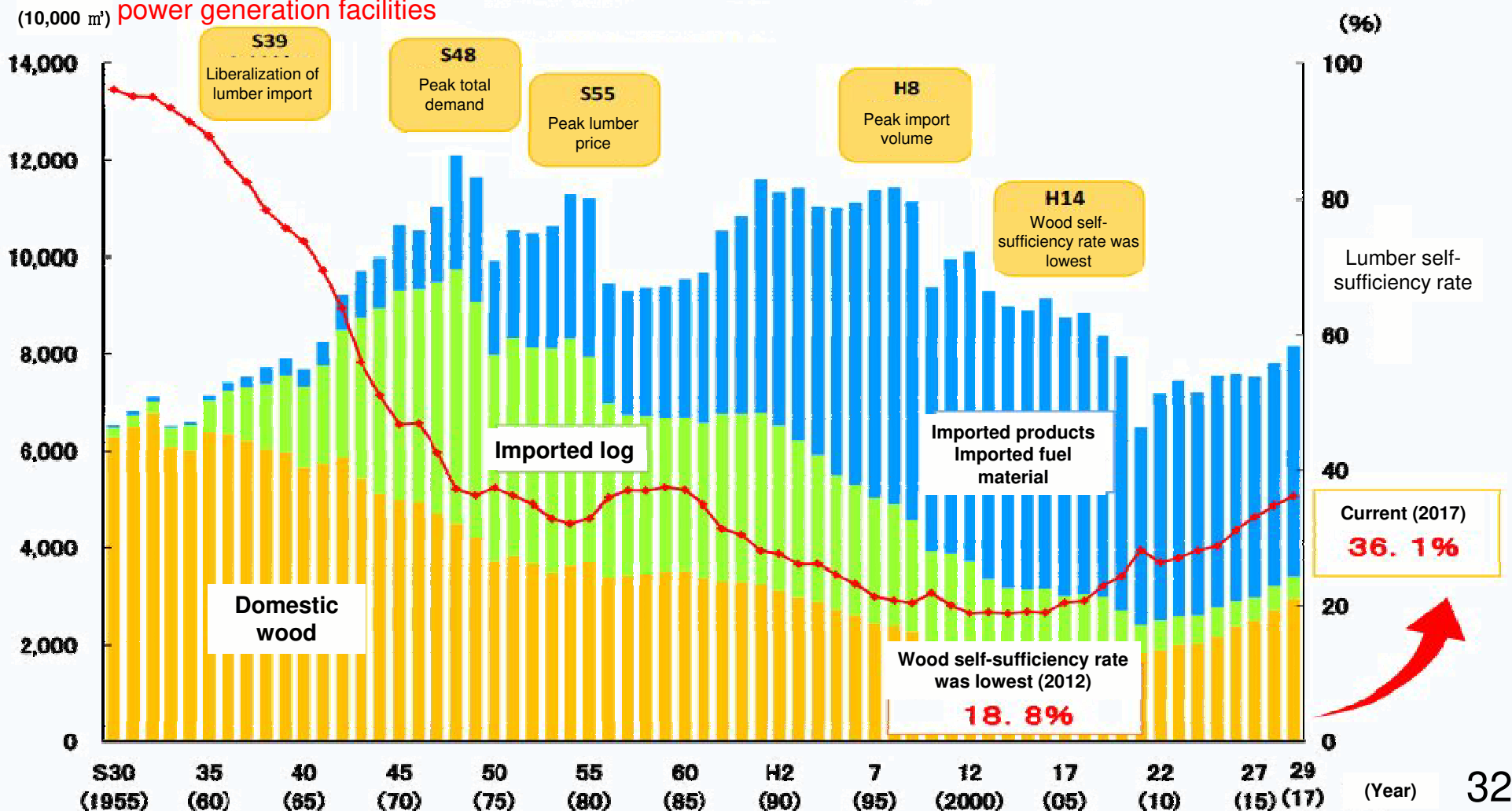


Domestic

Forestry Market Demand

- Total lumber demand in 2017 increased for the **seventh consecutive year** (up 4.7% YoY)
- **Fuel materials** (34.4% in the previous year) accounted for the largest increase

Due to the commencement of operations and an increase in the transaction volume of **wood biomass power generation facilities**



Europe

Aim for localization at an early stage

Netherlands Representative Office
(Opened in August 2017)

Considering the establishment of new facility

Asia

North America

Expand market share with three facilities

Okada America
Headquarters
Oregon

Ohio Branch

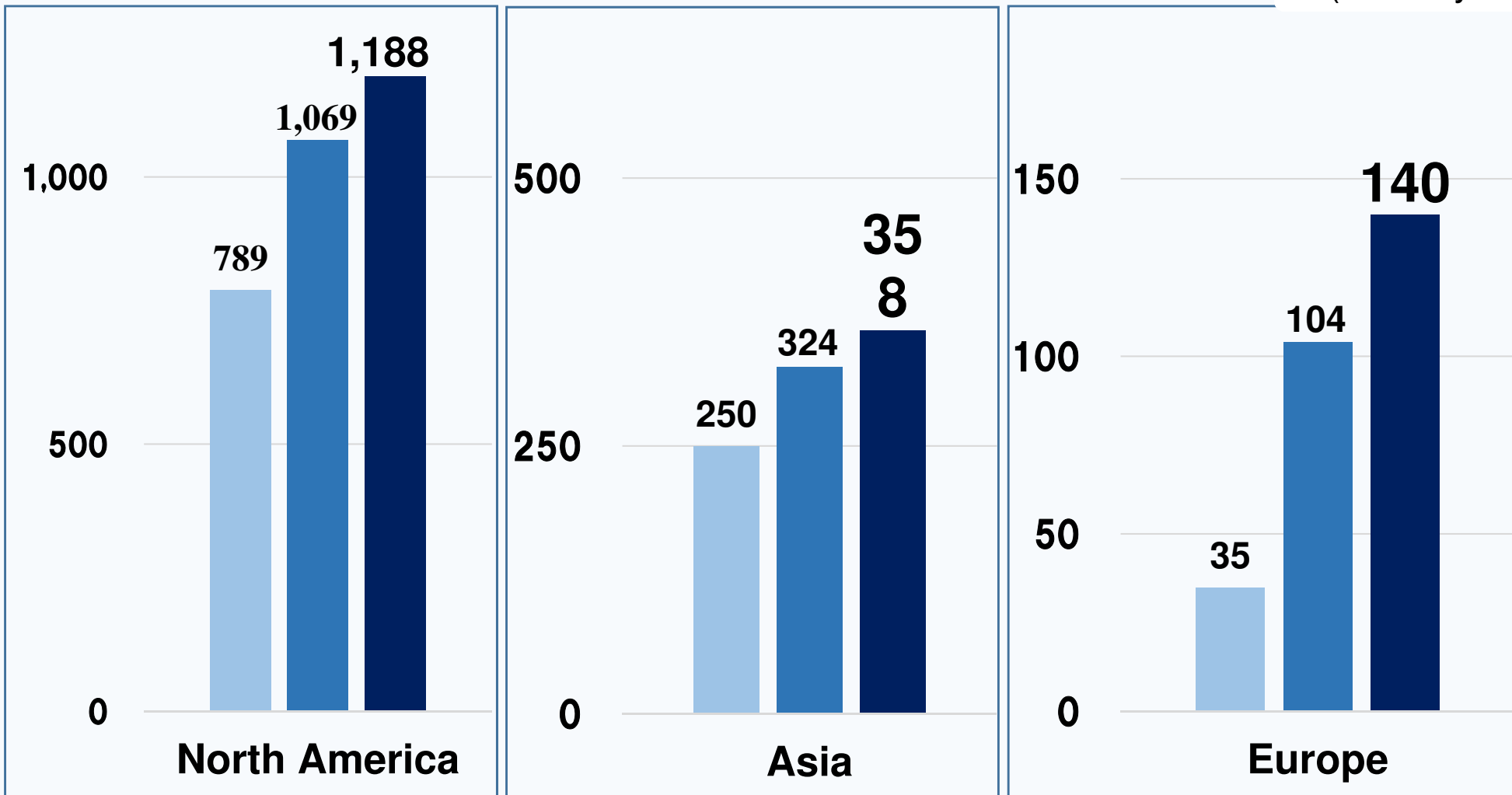
Texas Branch
(Opened in January 2016)

Overseas

Comparison of 2Q Sales in Major Areas ('16/'17/'18)

'16 '17 '18

(Million yen)



Efforts Toward Work-style Reforms



- Improving the treatment of employees over 60 years old



- Improving the operation process



- Securing human resources and improving employee satisfaction

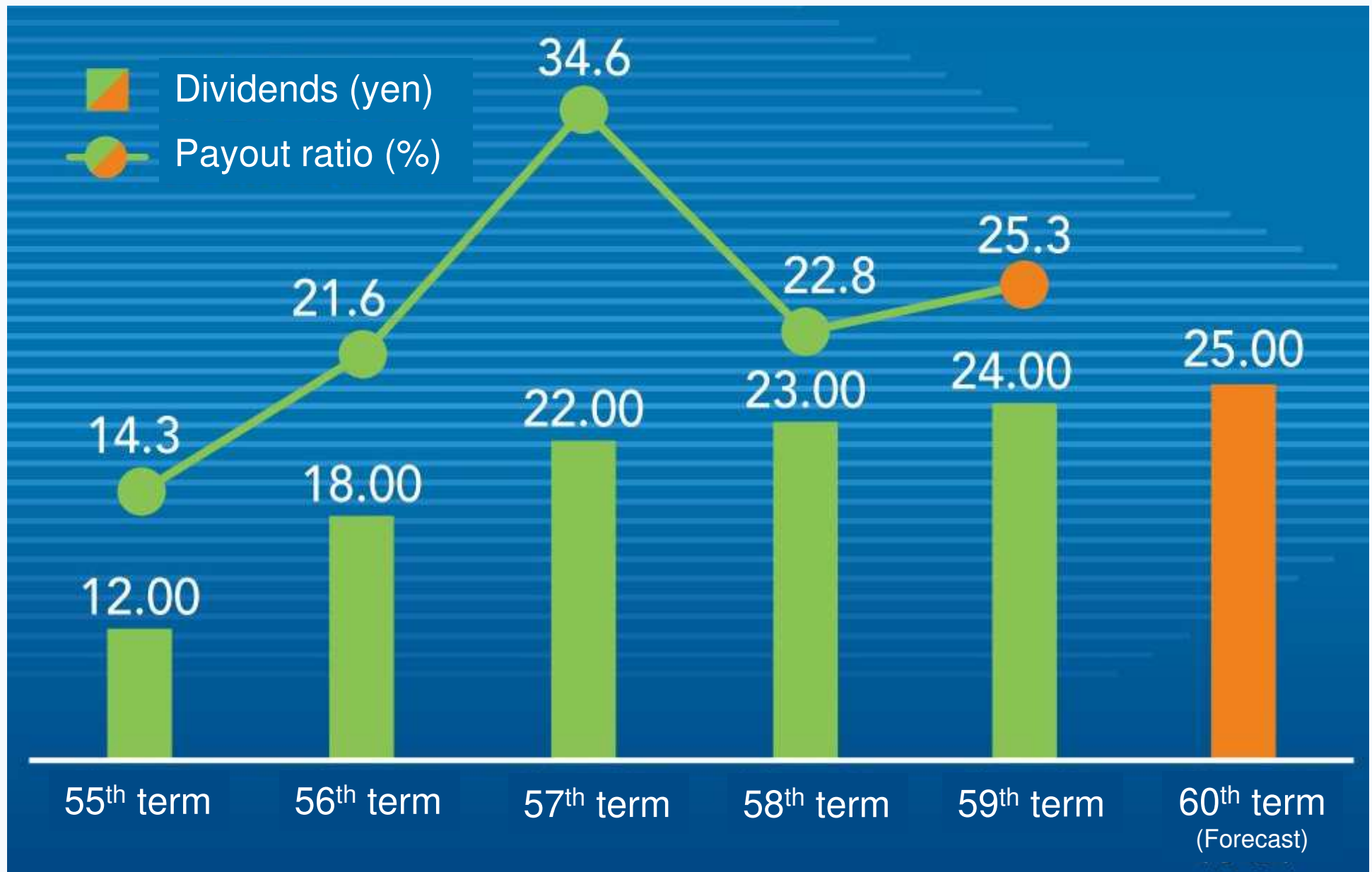
2nd Stage (FY2018-FY2020) Business Plan

Three-Year Business Plan

(Million yen)

	1st Stage Results			2nd Stage Mid-Term Management Plan		
	FY3/16	FY3/17	FY3/18	FY3/19	FY3/20	FY3/21
Net sales	12,043	13,113	15,399	17,500	18,500	20,000
Operating income	760	1,106	1,195	1,500	1,700	2,000
Ordinary income	721	1,092	1,270	1,500	1,700	2,000
Net income attributable to owners of parent	438	696	666	930	1,050	1,250
Overseas sales	2,313	2,095	2,752	3,050	3,500	4,000
Overseas Sales Ratio	19.2%	16.0%	17.9%	17.4%	18.9%	20.0%

Dividends and Payout Ratio



Shareholder Special Benefit Plan

Number of shares held	Benefit
100 shares or more	QUO CARD worth 1,000 yen
200 shares or more	QUO CARD worth 2,000 yen
500 shares or more	QUO CARD worth 3,000 yen

Thank you very much 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.