

# **Plan to Meet the Continued Listing Criteria for the New Market Segments**

**November 12, 2021**



**OKADA AIYON CORPORATION**

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# 1. Status of Conformity to the Continued Listing Criteria for the New Market Segments



## (1) Status of conformity to the Prime Market (as of July 9, 2021 TSE primary determination) 2

	Continued listing	Our Company's figures	Items mentioned in our plan
No. of tradable shares	20,000 units	60,807 units	
Market capitalization of tradable shares	10.0 billion yen	7.59 billion yen	○
Tradable share ratio	35.0 %	72.5 %	
Trading value (avg. per day)	20.0 million yen	28.1 million yen	

## (2) Number of tradable shares, tradable share ratio and market capitalization of tradable shares following revisions

In the plan, the number of tradable shares, tradable share ratio and market capitalization of tradable shares will be based on revised figures in view of the following situations. (As for the stock price, 1248.9 yen will be applied which is the stock price at the time of the TSE primary determination.)

(1) Recalculate based on the share statistics as of September 30, 2021.

(2) Consider equities of special stakeholders, etc. other than executives.

	Before revision	After revision	Items mentioned in our plan
No. of tradable shares	60,807 units	57,168 units	
Market capitalization of tradable shares	7.59 billion yen	7.13 billion yen	○
Tradable share ratio	72.5 %	68.2 %	

## 2. Basic Policy toward Increase in Market Capitalization of Tradable Shares



3

### (1) Basic policy

We are planning to meet the continued listing criteria for the Prime Market at the **'end of March 2024'** which is the final year of the **'Medium-Term Management Plan Rolling Plan FY2021 - FY2023'** and we will improve corporate value by realizing **4 priority issues** toward increasing market capitalization of tradable shares.

### (2) 4 priority issues

#### ① Increase in actual amount of net income (P 6)

We will **'increase the actual amount of net income'** by achieving the medium-term management plan.

#### ② Productivity improvement of invested capital (P 7 – 8)

We will **'improve productivity of invested capital'** by achieving the medium-term management plan.

#### ③ Progressive and flexible shareholder returns (P 9)

We will **'return profit to shareholders flexibly'** considering the changes in stock price and the progress of profit and investment plans as well as adopting a **'progressive dividend policy'** based on stable growth as a basic return policy.

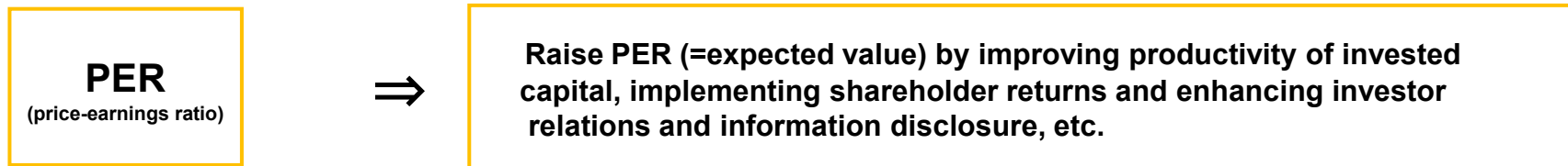
#### ④ Enhancement of investor relations and information disclosure (P 10)

We will **'enhance investor relations and information disclosure'** that can contribute to the investment decisions of shareholders and investors.

## 2. Basic Policy toward Increase in Market Capitalization of Tradable Shares

### (3) Basic idea of increasing market capitalization of tradable shares

$$\boxed{\text{Market capitalization of tradable shares}} = \boxed{\text{Net income}} \times \boxed{\text{PER (price-earnings ratio)}} \times \boxed{\text{Tradable share ratio}}$$



### 3. Review of Planned Figures of the Medium-Term Management Plan

- ◆ Revised the planned figures of the ‘**Medium-Term Management Plan Rolling Plan FY2021 – FY2023**’ in the plan as **5** follows according to the revised business forecasts for FY3/22 (November 12). (The figures in **red** in the table below are the changes. The figures in brackets represent initial comparisons.)
- ◆ As we are planning to review the medium-term management plan every year and disclose the new rolling plan (3-year plan) following the FY3/22 financial results, when revising the FY3/22 business forecasts, we left the sales plan for FY3/23 and FY3/24 unchanged and only revised the profit plan for FY3/23 considering the actual profit margin in the plan.

#### Medium-Term Management Plan **Rolling Plan FY2021 – FY2023**

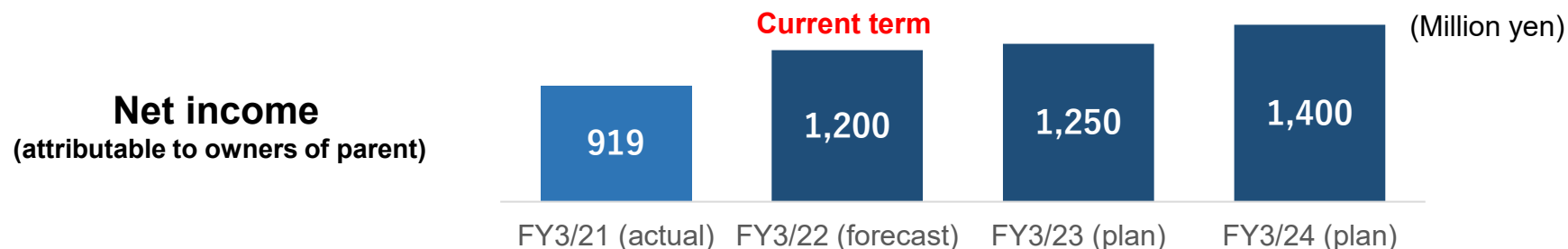
**Current period**

(Million yen)

	Initial plan			Revised plan		
	FY3/22	FY3/23	FY3/24	FY3/22	FY3/23	FY3/24
<b>Net sales</b>	18,500	20,000	22,000	<b>19,656</b> (+1,156)	<b>20,000</b>	<b>22,000</b>
<b>Operating income</b>	1,600	1,800	2,100	<b>1,852</b> (+252)	<b>1,900</b> (+100)	<b>2,100</b>
Operating margin (%)	8.6	9.0	9.5	<b>9.4</b> (+0.8)	<b>9.5</b> (+0.5)	<b>9.5</b>
<b>Ordinary income</b>	1,600	1,800	2,100	<b>1,856</b> (+256)	<b>1,900</b> (+100)	<b>2,100</b>
<b>Net income attributable to owners of parent</b>	1,060	1,200	1,400	<b>1,200</b> (+140)	<b>1,250</b> (+50)	<b>1,400</b>

## 4. Increase in Actual Amount of Net Income

### (1) Net income plan of the medium-term management plan (after revision)



### (2) Expected value of market capitalization of tradable shares from PER (price-earnings ratio)

- ◆ Calculate the expected value of market capitalization of tradable shares from PER based on net income plan of the medium-term management plan (after revision)

**Market capitalization of tradable shares = net income × PER (times) × tradable share ratio (estimated value 68.2%)**

(*) Projected PER		FY3/22 forecast-based expected value of market capitalization of tradable shares		FY3/23 plan-based expected value of market capitalization of tradable shares		FY3/24 plan-based expected value of market capitalization of tradable shares	
3-month average	11.2	9.1 billion yen	×	9.5 billion yen	×	10.6 billion yen	○
Recent 1-year average	11.9	9.7 billion yen	×	10.1 billion yen	○	11.3 billion yen	○
Recent 5-year average	13.0	10.6 billion yen	○	11 billion yen	○	12.4 billion yen	○

Necessary PER=12.3

Necessary PER=11.8

Necessary PER=10.5

(\*) Expected PER

3-month average: daily average from April to June 2021, recent 1-year average: monthly average from October 2020 to September 2021, recent 5-year average: monthly average from October 2016 to September 2021

# 5. Productivity Improvement of Invested Capital

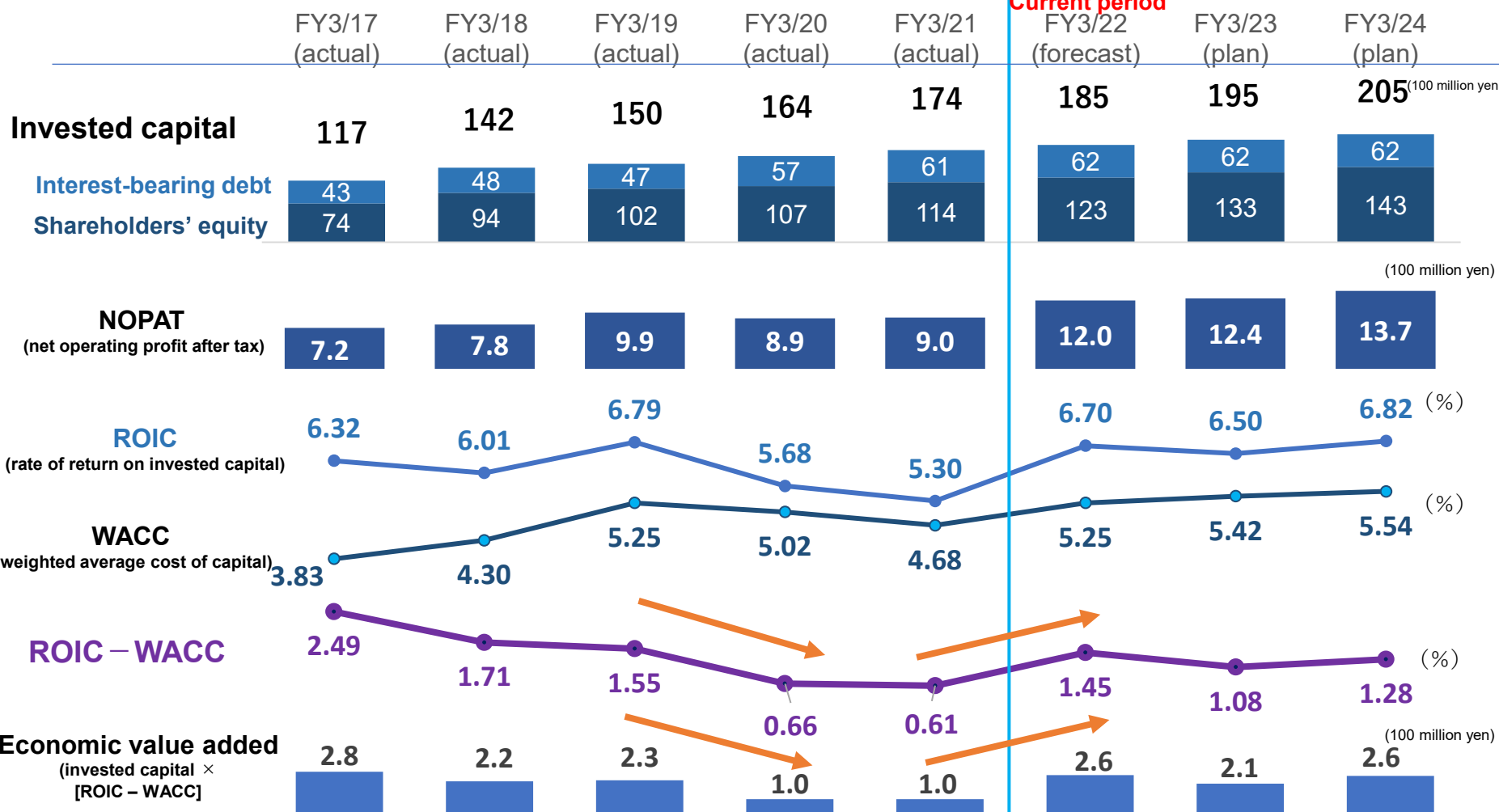
## (1) Invested capital productivity improvement Actual and Plan

7

- ROIC-WACC, economic value added from the bottom to recovery -

Medium-Term Management Plan **Rolling Plan**

**Current period**



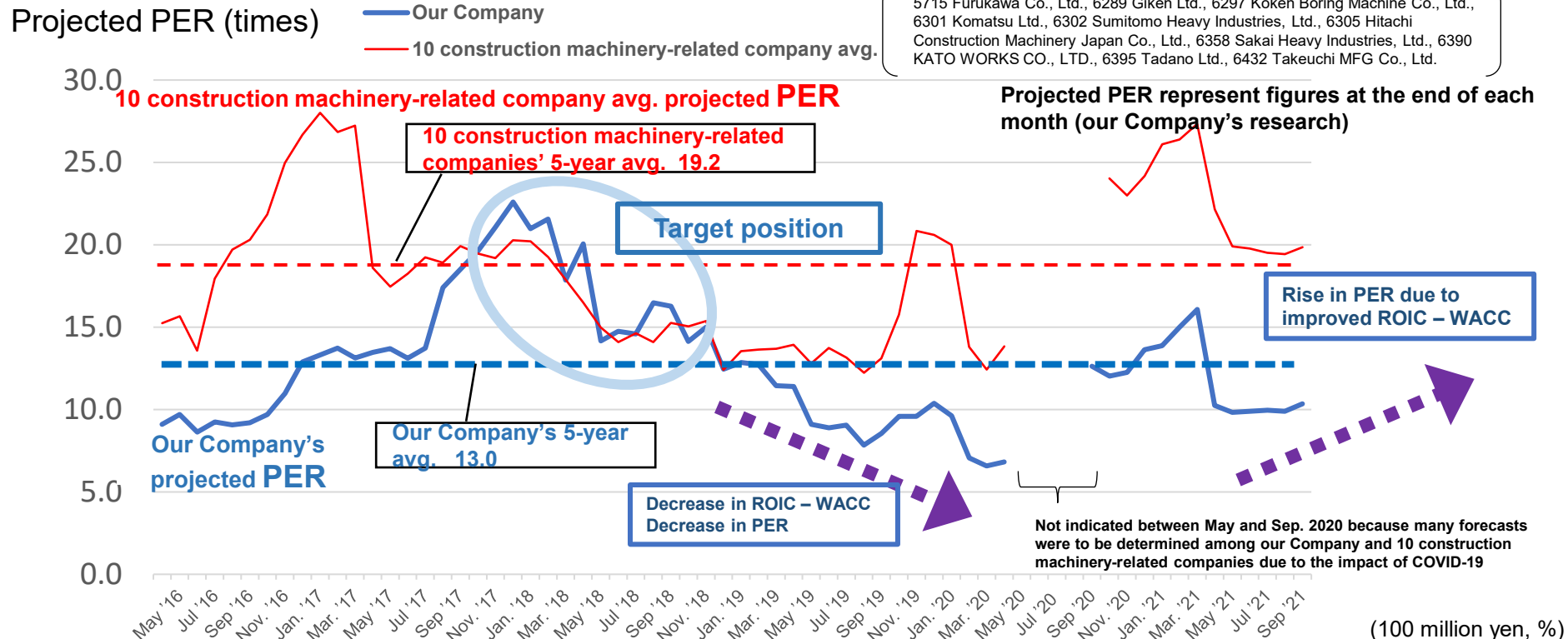
\*Based on our Company's calculation ((For the assumptions of calculation of each figure, please refer to (Reference 3) Reference Information.))



# 5. Productivity Improvement of Invested Capital



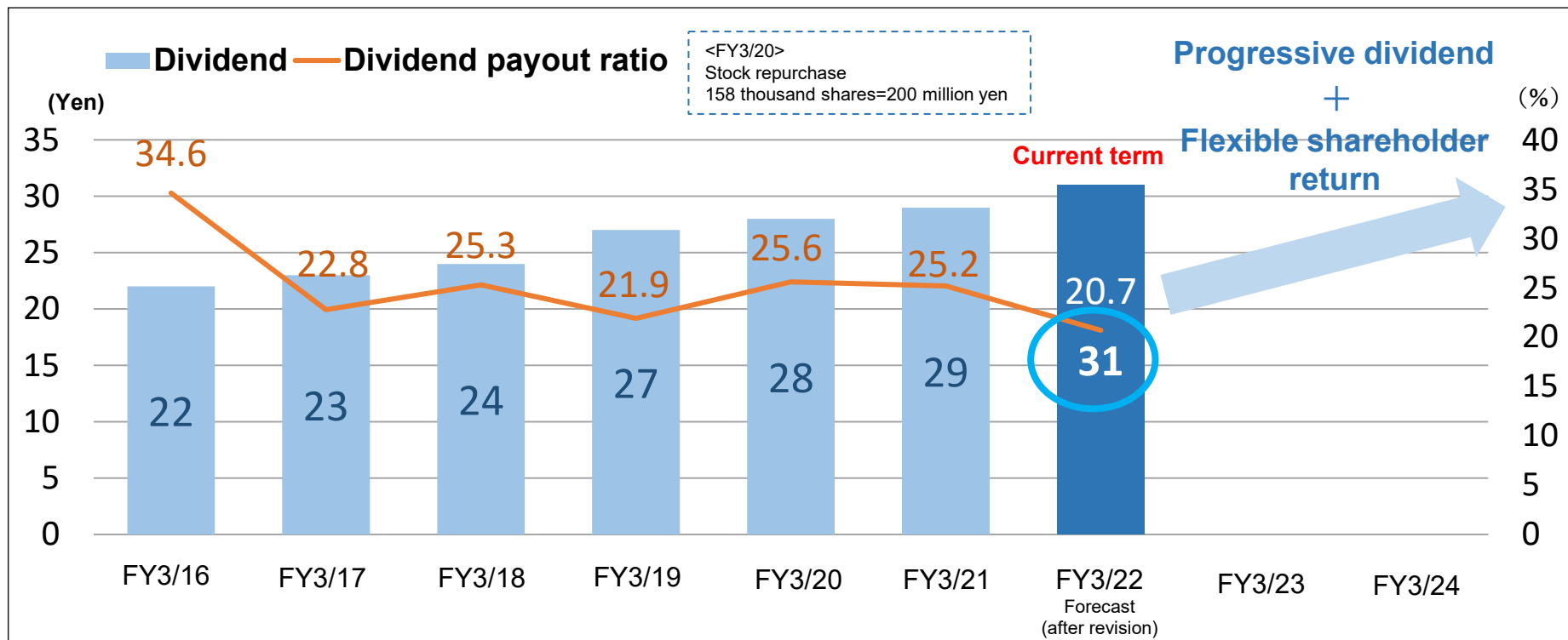
## (2) Correlation between PER and capital productivity - Expected to raise PER through improvement in capital productivity-<sup>8</sup>



	FY3/17 actual	FY3/18 actual	FY3/19 actual	FY3/20 actual	FY3/21 actual	FY3/22 forecast	FY3/23 plan	FY3/24 plan
Net sales	131	153	178	179	175	196	200	220
Ordinary income	10.9	12.7	15.6	13.4	14.3	18.5	19.0	21.0
Net income	6.9	6.6	10.0	8.8	9.1	12.0	12.5	14.0
Invested capital	117	142	150	164	174	185	195	205
ROIC-WACC	2.49	1.71	1.55	0.66	0.61	1.45	1.08	1.28

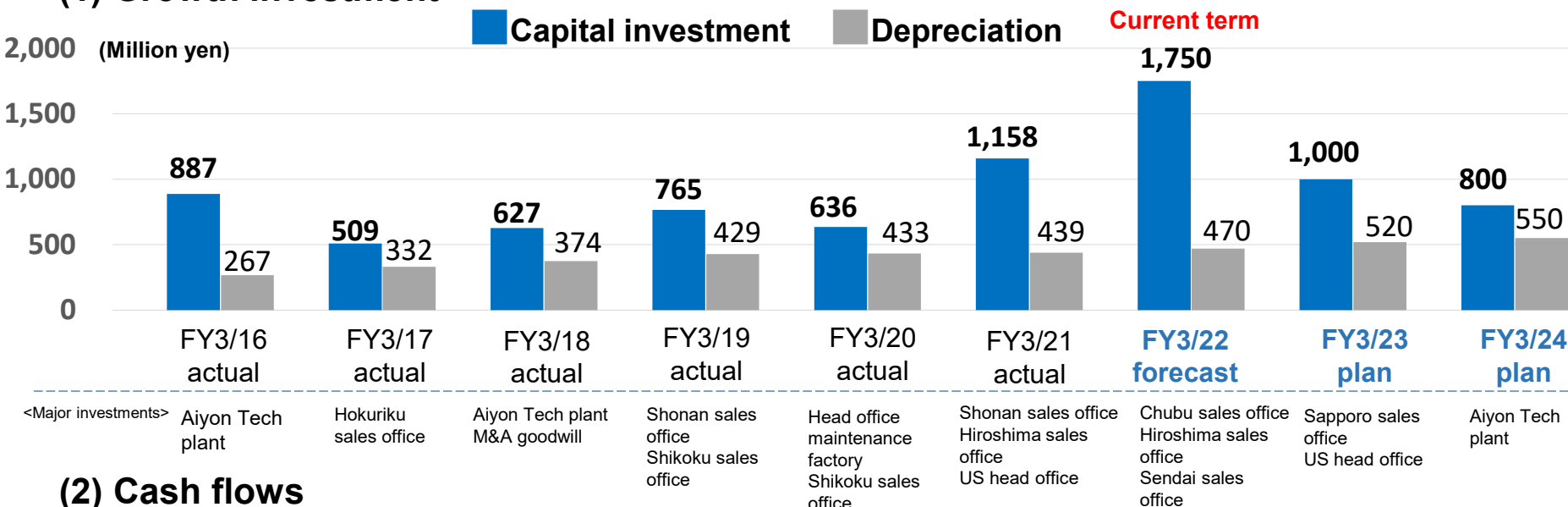
### Shareholder return policy

- ① **Progressive dividend policy** continuing with dividend increase while considering a dividend payout ratio of 30% and growth investment allocation based on medium-to long-term stable growth.  
⇒ Expected to **increase dividend for 12 consecutive years** in FY3/22
- ② Also, we will implement **a flexible shareholder return** considering the changes in stock price and progress of profit and investment plans.
- ③ Regard **shareholder special benefit plan** as a necessary measure to raise our company recognition and to expand medium-to long-term investor base.

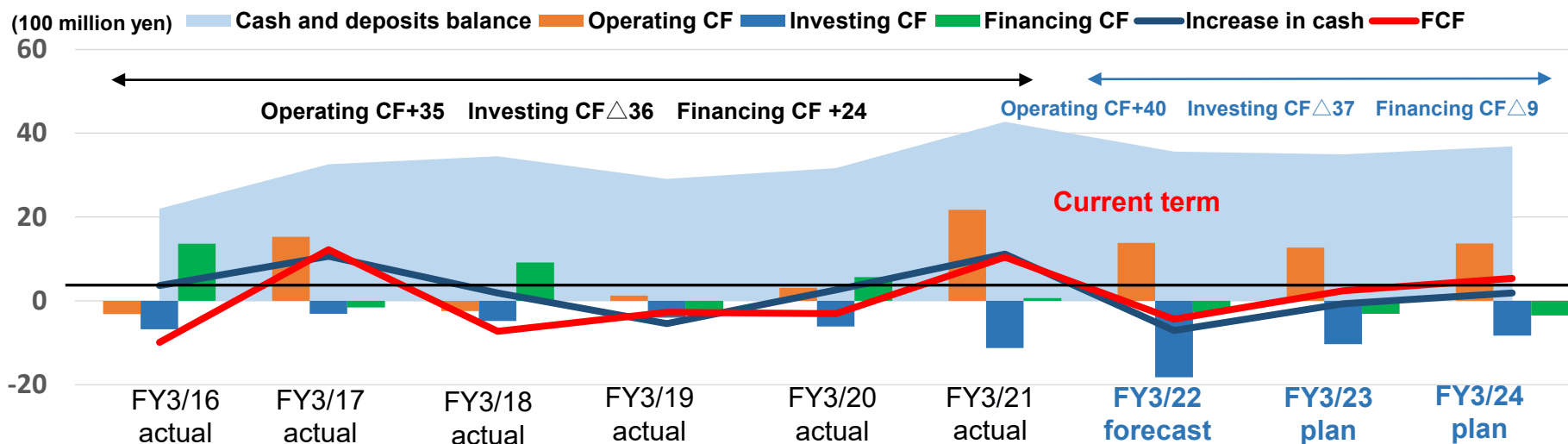


# (Reference 1) Growth Investment and Cash Flows

## (1) Growth investment



## (2) Cash flows



# (Reference 2) Framework of the Medium-to Long-Term Management Plan

Long-term vision **VISION30** & medium-term management plan **rolling plan FY2021 – FY2023** <sup>1 2</sup>

## VISION30 statement

### Slogan

People create **environment**

### Values

[Corporate culture] Corporate culture which respects individuals, with freewheeling and sense of unity

[Business] Provision of products & services for users

[Sociality] Business expansion which leads to solving social agendas including environmental problems

Develop human resources capable of creating environment unaffected by the environment and contribute to the realization of eco-friendly society through business.

## VISION30 key performance indicator (KPI)

Triple

3

Net sales: 30 billion yen or more

Operating income: 3 billion yen or more

Market cap: 30 billion yen or more

Triple

10

Sales growth: 10% or more

Operating income margin: 10% or more

ROE: 10% or more



Practice of ESG management



Achievement of VISION30

Goal to reach for

Go To The Next Stage

**ONE**

Best in Japan

No. **1**

Global Tier

**1**

ONLY

**1**

**1**  
TEAM

ALL FOR

**1**  
GOAL

# (Reference 2) Framework of the Medium-to Long-Term Management Plan

Long-term vision **VISION30** & medium-term management plan **rolling plan FY2021 – FY2023**

## ● VISION30 3 strategies

Human resource strategy	<ul style="list-style-type: none"> <li>① Human development</li> <li>② Personnel system</li> <li>③ Work-style reform</li> </ul>	<p>Recruitment, development and utilization of human resources</p> <p>Fair assessment and reward systems reflecting performance and contributions</p> <p>Create a workplace which is pleasant and meaningful</p>
Market strategy	<ul style="list-style-type: none"> <li>① Domestic strategy</li> <li>② Overseas strategy</li> <li>③ New business</li> </ul>	<p>Strengthening of one-stop value chain corresponding to expanding demand</p> <p>Market cultivation through investment of merchandise and workforce to 3 locations which are US, Europe and Asia</p> <p>Application of new technology (new dismantling method, DX, etc.) and promotion of strategic M&amp;As</p>
Reinforcement of business infrastructure	<ul style="list-style-type: none"> <li>① CG system</li> <li>② Hardware</li> <li>③ Software</li> </ul>	<p>Building of a governance system to support sustainable growth</p> <p>Improvement of domestic &amp; overseas plants and sales offices (expansion &amp; new construction)</p> <p>Development of work restructuring and ability to respond to customers due to system infrastructure improvement and DX</p>

## ● Medium-term management plan **Rolling plan FY2021 – FY2023**

FY2023 managerial goal	Business plan (FY3/24)		Investment plan (FY3/22 – FY3/24 total)	
	Net sales	22,000 million yen	Capital investment	3,550 million yen
	Operating income	2,100 million yen	R&D expenses	660 million yen
	Sales growth (YoY)	10.0%	<b>&lt;Major capital investments (scheduled)&gt;</b> Hiroshima sales office, Chubu sales office, Sendai sales office, Sapporo sales office, Morioka sales office, Okada America, Aiyon Tech plant	
	Operating income margin	9.5%		
	ROE	10.2%		

## (1) Invested capital productivity performance and assumption of formulation of the plan

1 4

### ① Shareholders' equity cost

Shareholders' equity cost = risk-free rate + risk premium  $\times$   $\beta$ (beta) [collection period = risk premium: after 1960,  $\beta$ : 2 years]

	End-FY3/17	End-FY3/18	End-FY3/19	End-FY3/20	End-FY3/21	After FY3/22 (*)
Shareholders' equity cost	5.9%	6.1%	7.3%	7.7%	7.5%	7.7%
Risk-free rate	0.23%	0.09%	0.07%	0.04%	0.04%	—
Risk premium	5.97%	6.25%	5.87%	6.08%	6.10%	—
$\beta$ (beta)	0.95	0.97	1.24	1.26	1.22	—

(\*) Apply the highest capital cost in the past 5 years after FY3/22

### ② NOPAT (net operating profit after tax)

NOPAT = operating income  $\times$  (1- effective tax rate) [effective tax rate = fixed at 35%]

### ③ ROIC (rate of return on invested capital)

ROIC = NOPAT/invested capital (debt + equity) [debt = book value basis, equity = book value basis]

### ④ WACC (weighted average cost of capital)

WACC = debt cost  $\times$  (1- effective tax rate)  $\times$  debt/ (debt + equity) + shareholders' equity cost  $\times$  equity/ (debt + equity)

[debt = book value basis, equity = market cap basis, stock prices after FY3/22 are estimated base on 3-month average projected PER =11.2]

## (2) Medium-to long-term management plan See materials

Long-term vision **VISION30** & Medium-term management plan **Rolling plan FY2021 – FY2023**

Japanese <https://www.aiyon.co.jp/assets/pdf/medium-and-long-term-management-plan.pdf>

English <https://www.aiyon.co.jp/wp-content/uploads/2021/08/cbbf03897f1ae17f1e37062281fb7c12.pdf>

The plans and forecasts in these materials have been prepared based on the information currently available to the Company and certain assumptions that the Company deems to be reasonable, and embody risks and uncertainties.

Therefore, the Company gives no assurances or guarantees regarding future planned figures and realization of measures.

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