

VISION 30
- Go To The Next Stage -

Rolling Plan

FY2023—FY2025

May 11, 2023

OKADA AIYON CORPORATION
(TSE Prime Market 6294)

VISION 30

- Go To The Next Stage -

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Review of FY2022 (Ended March, 2023) Consolidated Numbers Results 3

- The Company responded to increased demand in Japan and overseas, and achieved record-high sales and profits for the second consecutive year. For sales, it achieved the previous year's medium-term rolling plan one year ahead of schedule.
- Profits fell short of the revised forecast due to increased burden of the ongoing cost increases and a one-time increase in M&A expenses (¥130 million). Due to a gain on the sale of real estate (¥114 million), net income fell only slightly short of the revised forecast.

(Millions of yen)

	Results	Year-on-year	Change rates (%)	Vs initial forecast (May 12, 2022)		Vs revised forecast (November 11, 2022)	
				Achievement rate (%)	Achievement rate (%)		
Net sales	23,575	+3,268	16.1	+2,075	109.7	+1,075	104.8
Operating profit	1,965	+193	10.9	(34)	98.3	(99)	95.2
Ordinary profit	1,961	+152	8.4	(38)	98.1	(166)	92.2
Profit attributable to owners of the parent	1,414	+223	18.8	+74	105.5	(10)	99.3

*Actual exchange rates (average): 1USD = 135JPY, 1EUR = 141JPY

Review of FY2022 (Ended March, 2023) Sales Results by Segment 4

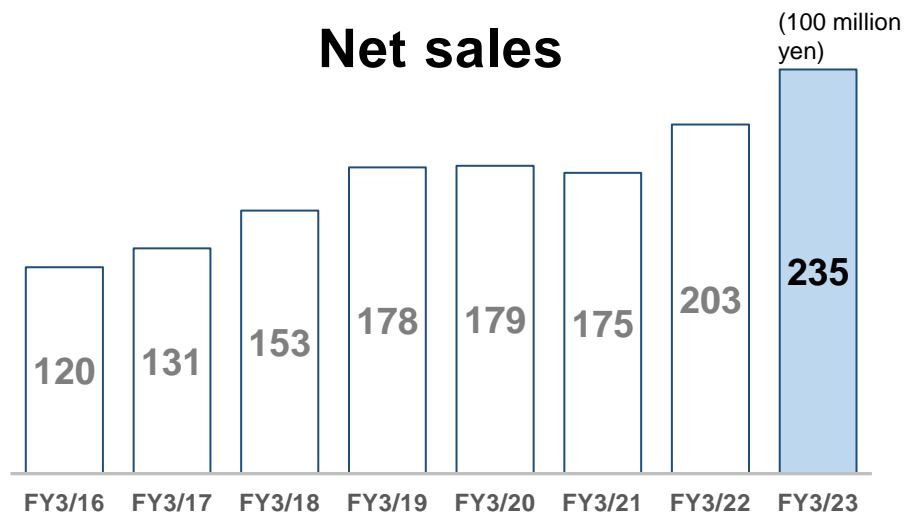
	Results for FY3/23 (Millions of yen)	Year-on- year (Millions of yen)	Change rates (%)	Comments
Demolition environment attachment	11,804	1,096	10.2	<ul style="list-style-type: none"> ○ Sales of mainstay crushers were strong, supported by robust demand for demolition equipment. ○ In-house production of crushers and other equipment was up 16% year-on-year. △ The price of raw materials continues to rise, and efforts are being made to pass this on to the pricing.
Forestry, large-scale environment, cable crane, etc.	4,094	737	22.0	<ul style="list-style-type: none"> ○ Forestry machinery: Sales increased steadily due to the launch of high-performance forestry machinery Okada Hybrid Bucket, among other factors. × Large-scale environment machinery: Sales decreased due to prolonged delivery time for imports. ○ Cable cranes: Sales increased significantly due to demand for large dam construction and hydroelectric power plant refurbishment.
Repair and replacement materials	2,875	279	10.8	<ul style="list-style-type: none"> ○ Strengthening of the systems through renewal of the sales offices (and maintenance shops) has been successful (see p. 9). ○ In addition to our own sales offices, the Company has designated service maintenance shops throughout Japan to complement its after-sales service system.
Domestic Segment	18,774	2,112	12.7	<ul style="list-style-type: none"> ○ Demand is strong and backlogs are expanding. Production is being increased to cope with the situation. △ The company is currently working on issues related to cost control, inventory control, and product price shift to further secure commercial materials, as well as in response to increased raw material prices, and longer procurement and delivery times.
Overseas Segment	4,801	1,155	31.7	<ul style="list-style-type: none"> ○ Sales increased in all three regions due to strong demand and system development. ○ US: Sales reached an all-time high as the sales system was developed. Going forward, the Company will focus on maximizing the M&A effects. ○ Europe: Gained market share steadily thanks to the successful development of distributors. ○ Asia: Gradually recovering thanks to the introduction of new products at affordable prices.

Results Trends

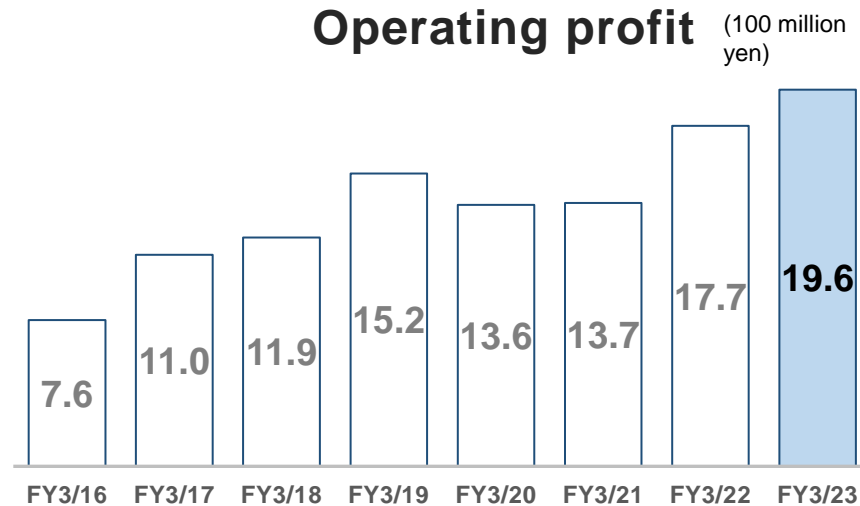
* "Arch 2020" was the medium- to long-term management plan from FY2015 (ended March, 2016) to FY2020 (ended March, 2021).

"VISION30" is the medium- to long-term management plan launched in FY2021 (ended March, 2022).

Net sales



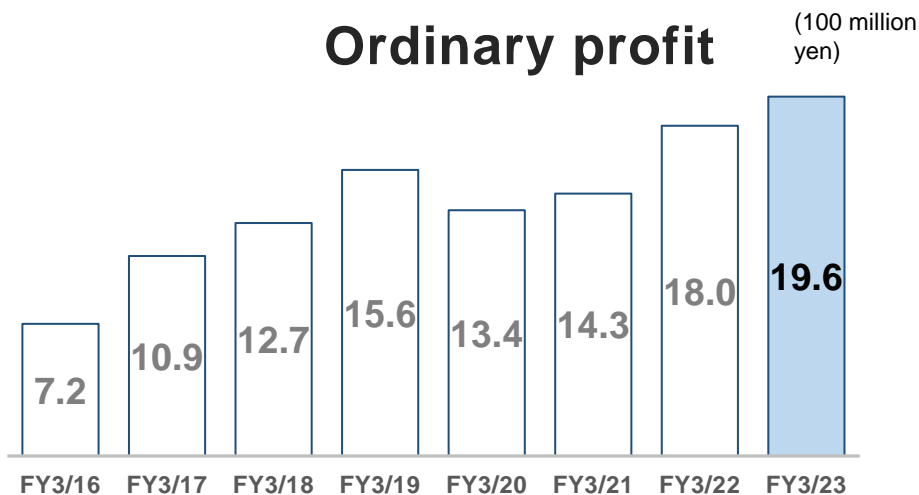
Operating profit



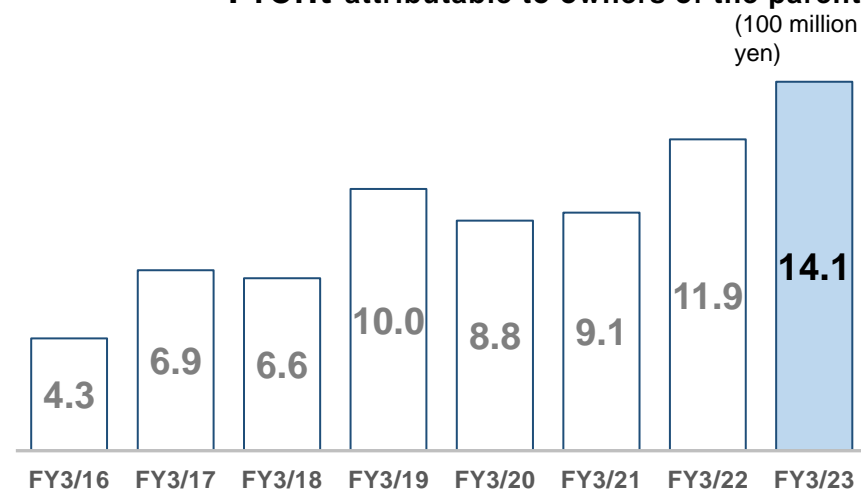
Arch 2020

VISION30

Ordinary profit



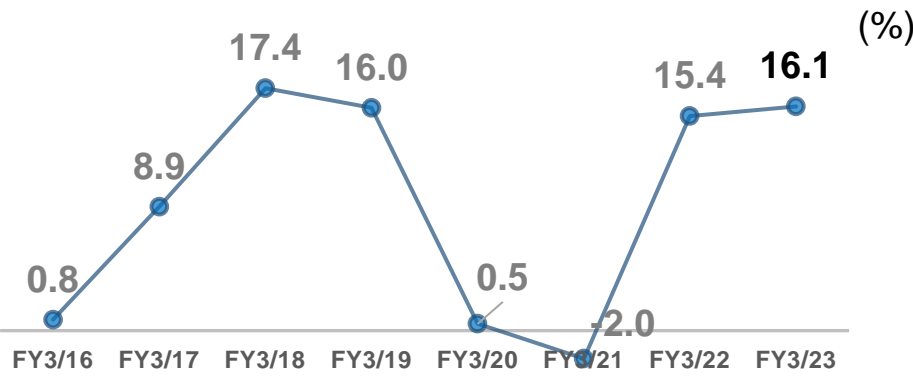
Profit attributable to owners of the parent



Results Trends

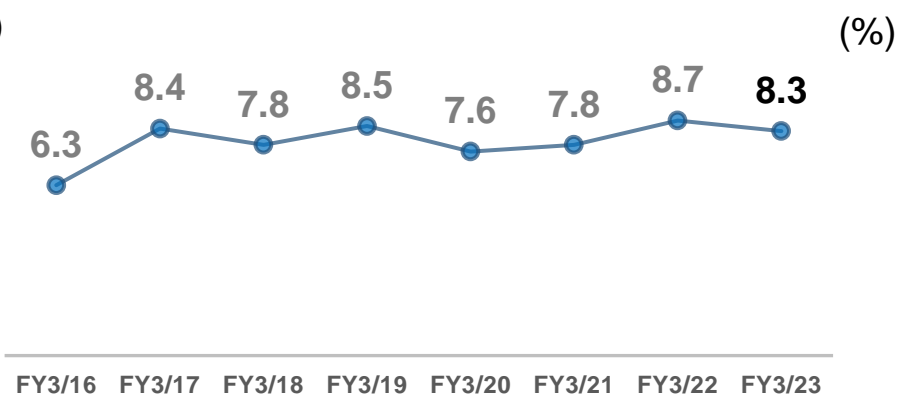
Net sales growth rate

VISION30
Targets
10%+



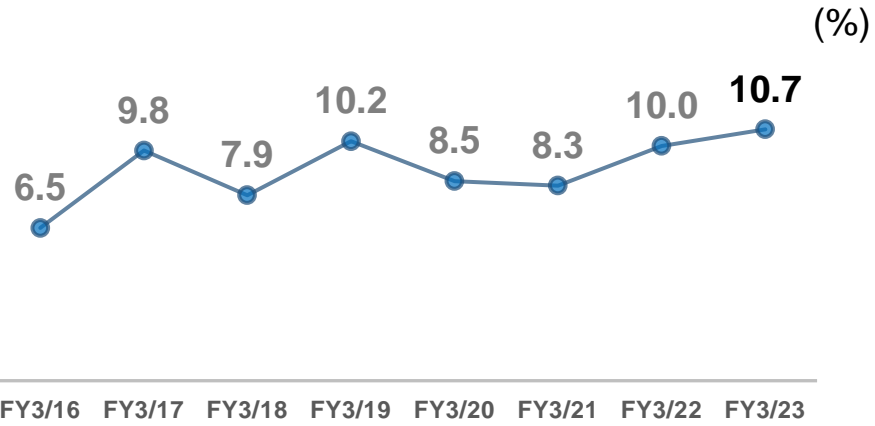
Operating profit to net sales ratio

VISION30
Targets
10%+



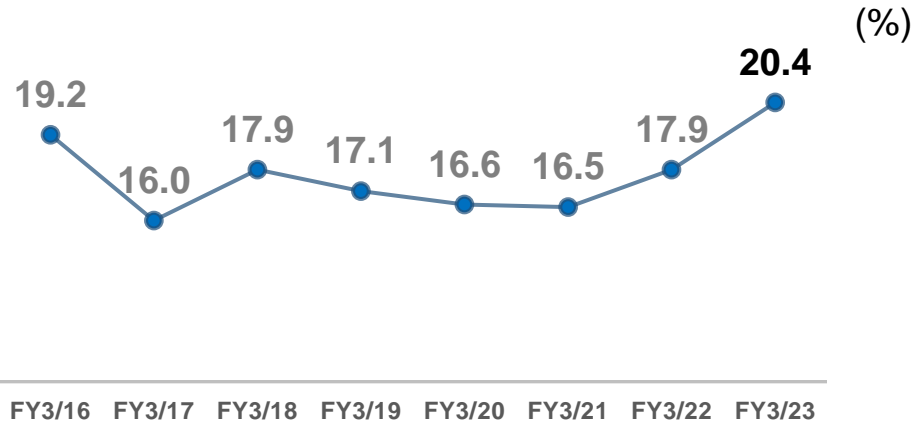
ROE

VISION30
Targets
10%+



Overseas sales ratio

VISION30
Targets
30%



Medium-Term Management Plan Rolling Plan (FY2023-FY2025)

7

Basic policy: In Japan, we will further strengthen the value chain centered on productivity improvement, while overseas, we will steadily bring M&A (Chicago) and facility expansion (Portland) in the US to fruition and take on the challenge of early achievement of the medium- to long-term management plan VISION30 in the final year of this three-year plan.

Numerical plan

(Millions of yen)

	FY2022		FY2023		FY2024		FY2025	VISION30 Targets
	Results (ended March, 2023)	Previous year (FY2022) VS rolling plan	Plan (ending March, 2024)	Previous year (FY2022) VS rolling plan	Plan (ending March, 2025)	Previous year (FY2022) VS rolling plan	Plan (ending March, 2026)	
Net sales	23,575	+2,075	25,500	+2,500	27,500	+2,500	30,000	30,000
Operating profit	1,965	(34)	2,300	+100	2,600	+100	3,000	3,000
Ordinary profit	1,961	(38)	2,250	+50	2,550	+50	3,000	3,000
Profit attributable to owners of the parent	1,414	+74	1,500	+30	1,710	+40	2,000	2,000
Operating profit to net sales ratio (%)	8.3	(1.0)	9.0	(0.6)	9.5	(0.5)	10.0	10.0
ROE (%)	10.7	+0.4	10.4	0	11.0	+0.1	11.8	10.0

*Assumed exchange rates for planning purposes: 1USD = 130JPY, 1EUR = 140JPY

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Medium-Term Management Plan Rolling Plan (FY2023-FY2025): Priority Measures 8

VISION30 Three Strategies		Measures	Content
Human resources strategy (Human capital management)		Engagement measures to create a comfortable, motivating, and rewarding workplace	<ul style="list-style-type: none"> ◇ Diversification of human resources and human resource development ◇ Work-life balance and health support ◇ Improvement of the work environment and operational environment ◇ Fostering an open corporate culture
Market strategy	Domestic sales and production	Strengthening the value chain centered on productivity improvement	<ul style="list-style-type: none"> ◇ Renewal of domestic sales offices and maintenance shops ◇ Establishment of increased production system through expansion of suppliers and plant expansion ◇ Vietnam: Breaker plant begins mass production ◇ Expand productivity and improve profitability in the forestry sector
	Overseas sales	Global expansion through a three-region system (US, Europe, Asia)	<ul style="list-style-type: none"> ◇ Deployment of manpower and commercial products to Europe and other bases ◇ Expansion of warehousing and repair functions with the completion of the new US headquarters ◇ Expansion in Asia with the Thai subsidiary at the core
	New businesses & M&A	Maximizing M&A synergies in the US	<ul style="list-style-type: none"> ◇ Establishment of repair and maintenance systems in the US ◇ Customer acquisition in the Chicago area, US
Strengthening of management foundation		Strengthening governance system to support sustainable growth	<ul style="list-style-type: none"> ◇ Strengthening sustainability initiatives (Disclosure regarding TCFD recommendations is expected in June 2023)
		Development of domestic and overseas plants, sales offices, etc.	<ul style="list-style-type: none"> ◇ Expansion of Aiyon Tech Asaka Plant ◇ Expansion of facilities in the Tokyo and Kansai areas ◇ Development of technical training facilities
		Development of system infrastructure and DX initiatives	<ul style="list-style-type: none"> ◇ Review of operational systems and enhancement of security ◇ Practical application of GPS attachment monitoring system

Market Strategy: Renewal of Domestic Sales Offices

The plant (Aiyon Tech) and sales office facilities are being systematically expanded to accommodate increased production and enhanced maintenance.

2016
Aiyon
Tech



2019
Shikoku
Sales
Office



2021
Hiroshima
Sales
Office



2022
Sendai
Sales
Office



2023
Sapporo
Sales
Office
(Scheduled for
May)



2022
Chubu
Sales
Office



2020
Shonan
Sales
Office



2016
Hokuriku
Sales
Office



Market Strategy: Global Expansion

We are strengthening our three-region system (US, Europe, and Asia) and focusing on acquiring a share of the global market.

Europe

Asia

US



Okada Europe (Netherlands)

2020 Establishment as a sales subsidiary
[Aim] (1) Develop the European market, the world's largest market
(2) Set up distributors in 31 countries in Europe

Creotech Vina (OEM plant in Vietnam)

2024 Mass production of hydraulic breakers scheduled to start
[Aim] (1) Produce products of Japanese quality at reasonable prices
(2) Sold to Japan, US and Europe under the common global model



Okada Thailand (equity method affiliate)

2021 Establishment of sales company jointly with local capital
[Aim] (1) Strengthening of domestic business development in Thailand
(2) Roll out products sold in Thailand to Asia and the Middle East



Okada Midwest (formerly Thoesen)

2022 Made into a group company through M&A
[Aim] (1) Strengthen repair and maintenance system in the US
(2) Customer acquisition in the Chicago area



Okada America Headquarters

2023 Relocated and built new headquarters in suburban Portland
[Aim] (1) Strengthen warehouse and repair and maintenance functions
(2) Expansion of hub functionality to meet growing demand



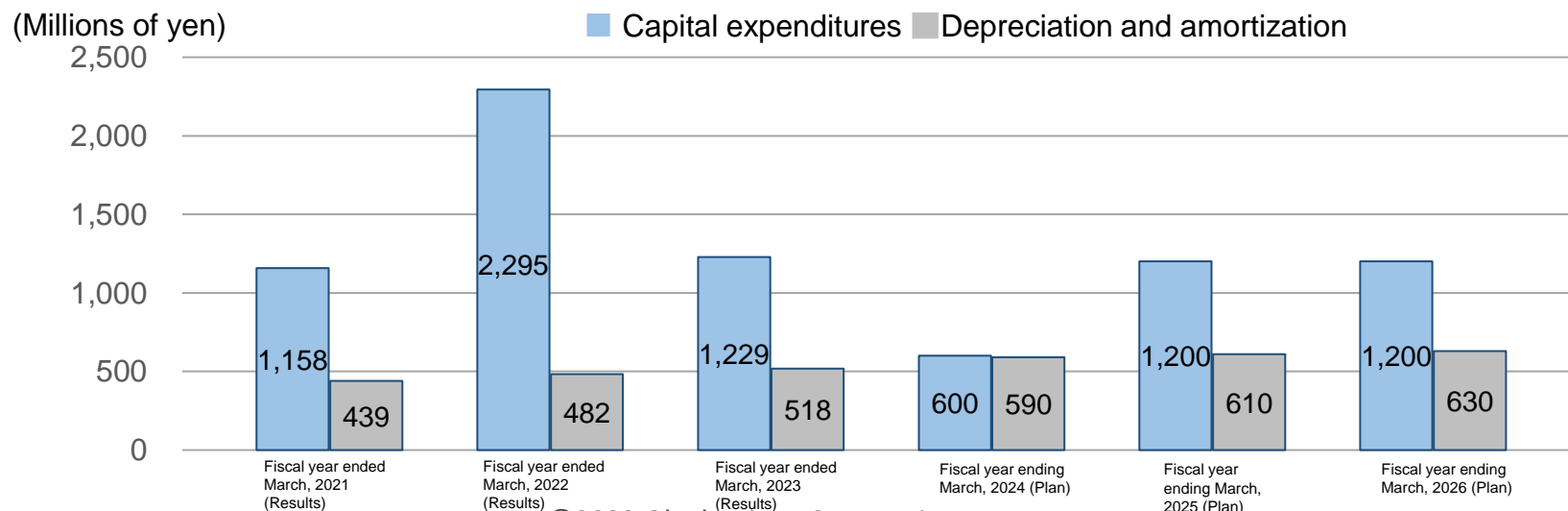
Capital Expenditures: Results / Plan

We are on track to expand facilities at our sales offices and maintenance shops in Japan to accommodate larger attachments.

The Company will focus on expanding its manufacturing plants and facilities in Tokyo and Kansai, where demand is growing.

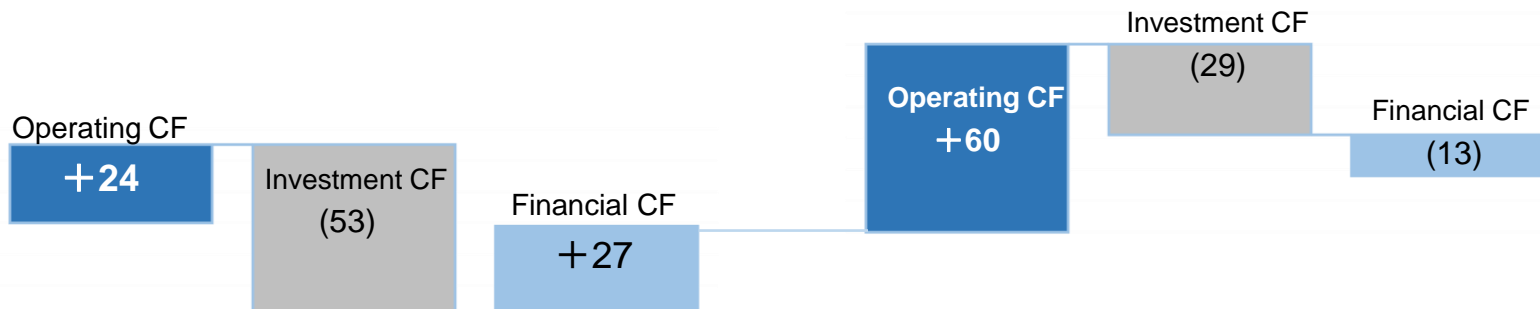
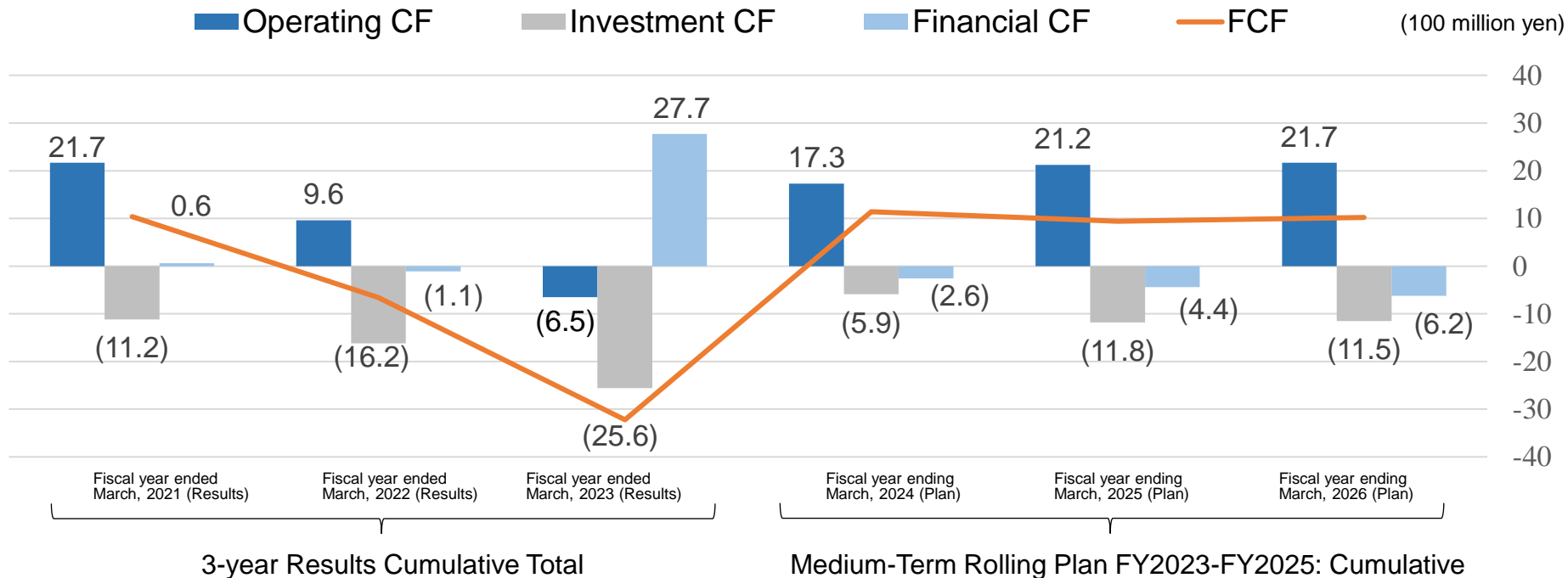
(Millions of yen)

	Results			Rolling Plan FY2023-FY2025		
	FY3/21	FY3/22	FY3/23	FY3/24	FY3/25	FY3/26
Capital Investment	1,158	2,295	1,229	600	1,200	1,200
Main Facilities	Shonan Sales Office Hiroshima Sales Office	Hiroshima Sales Office Chubu Sales Office Sendai Sales Office Sapporo Sales Office	Aiyon Tech Land US Headquarters Sapporo Sales Office Okada Midwest Real Estate	US Headquarters Sapporo Sales Office	Plans to focus on facility expansion at Aiyon Tech's Asaka Plant, Tokyo Head Office, Headquarters, Kansai Branch, and technical training facilities.	
Depreciation and amortization	439	482	518	590	610	630



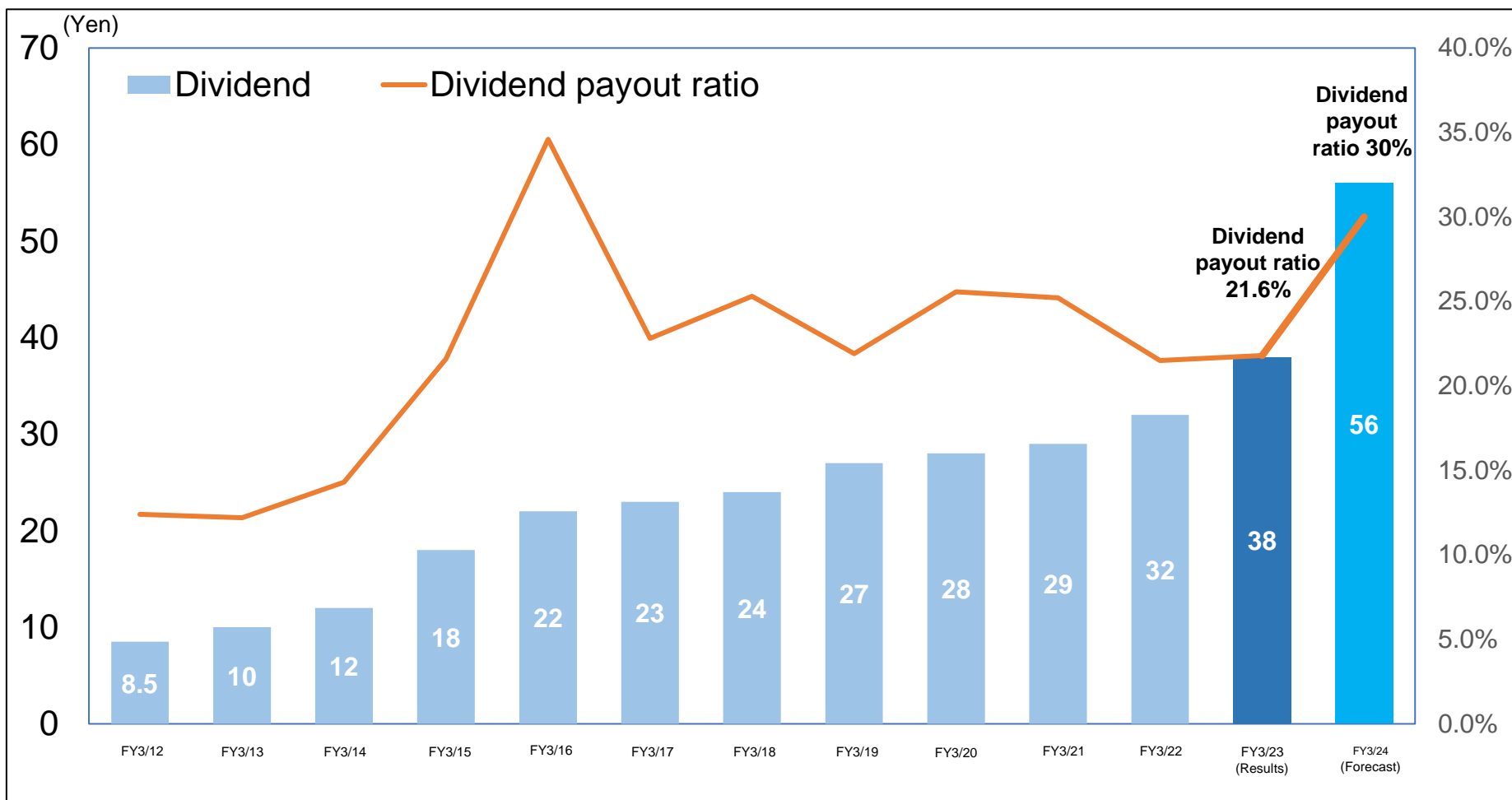
Cash Flow: Results / Plan

In the previous three years, the Company aggressively invested in facilities and M&A in preparation for business expansion. In the three years from fiscal year ending March, 2024, the Company will continue to invest in growth while securing cash flow to recover the investment.



Shareholder Returns and Dividend Policy

- The company plans to pay an annual dividend of ¥56 per share (+¥18 YoY) in fiscal year ending March, 2024, which would result in a dividend payout ratio of 30%, three years ahead of the schedule of dividend increases announced last year.
- The company will continue to increase dividends under its progressive dividend policy based on stable business growth (dividends have increased for 14 consecutive years as of this fiscal year).



Productivity of Invested Capital: Results / Plan

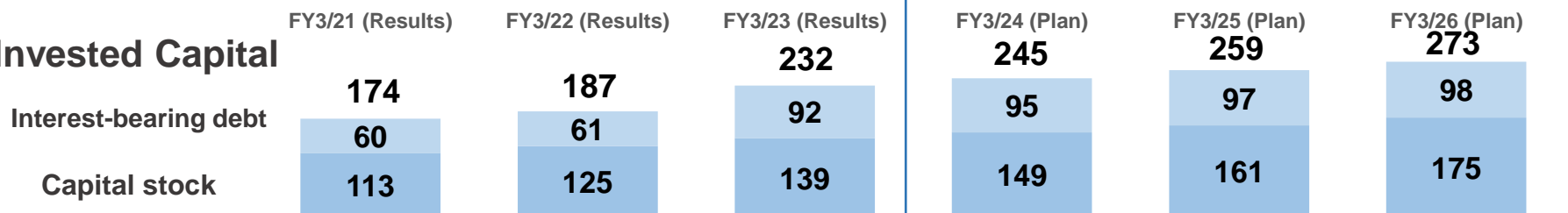
***Based on our calculations**

Figures are calculated based on simplified calculations for the purpose of understanding trends. Please refer to Reference 2 on page 17 for the assumptions used in calculating the figures.

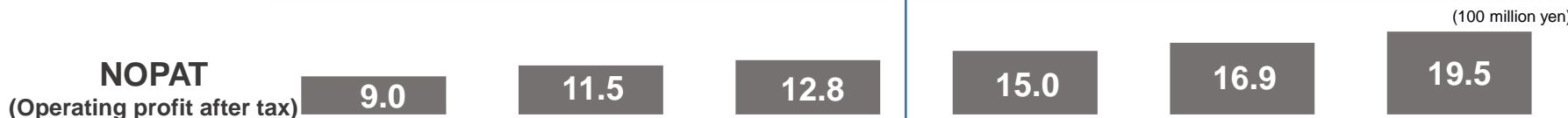
Rolling Plan FY2023-FY2025

(100 million yen)

Invested Capital

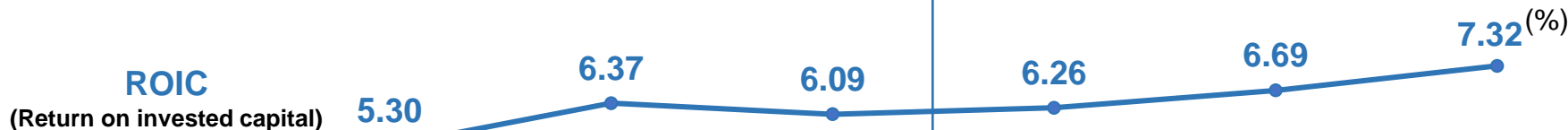


NOPAT (Operating profit after tax)



(100 million yen)

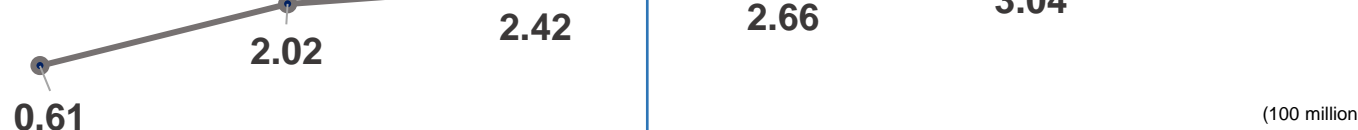
ROIC (Return on invested capital)



WACC (Weighted average cost of capital)



ROIC - WACC



(100 million yen)

Economic added value (Invested capital x [ROIC-WACC])

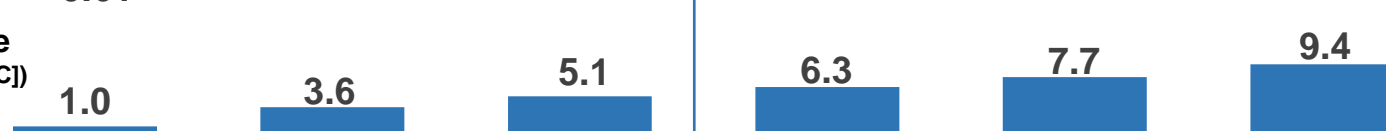
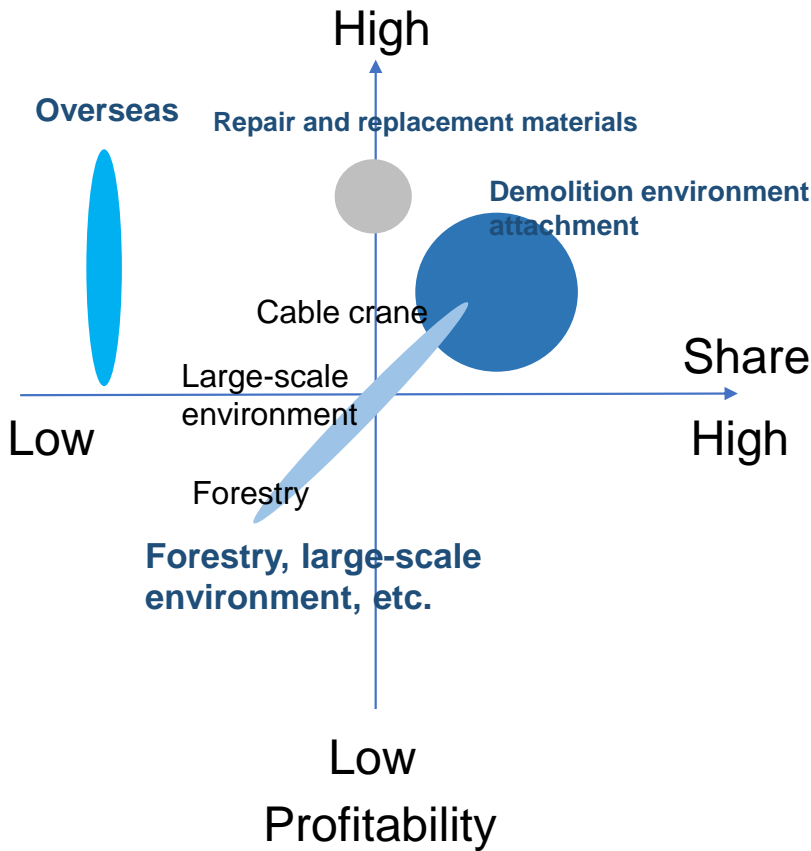


Image of Business Portfolio Growth Through Execution of VISION30

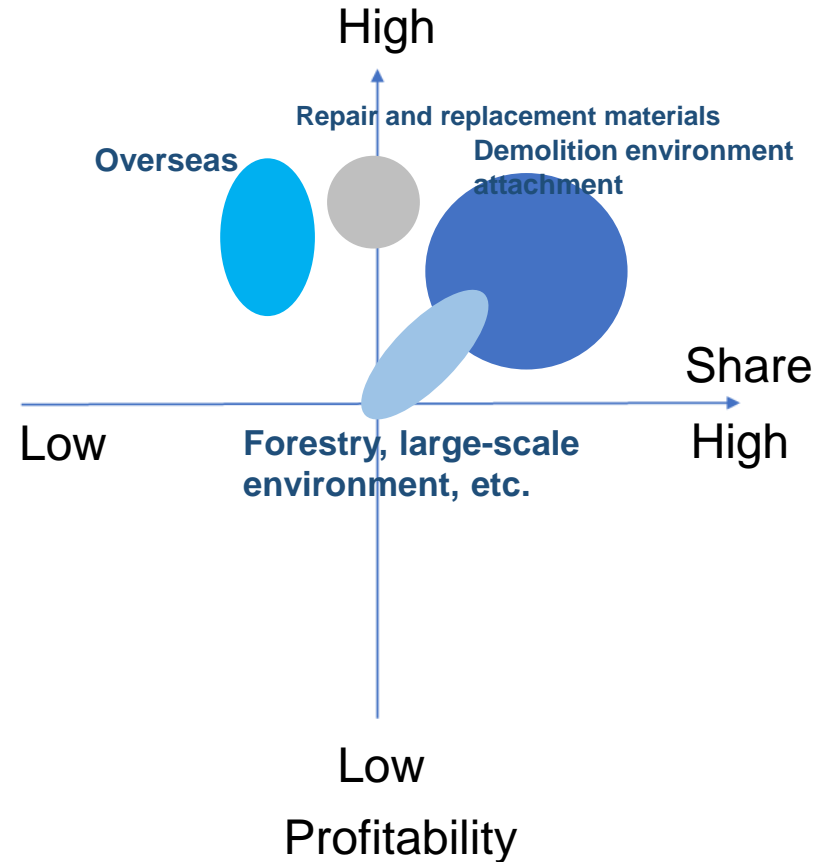
Demolition environment attachments and repair and replacement materials expanded while maintaining current business positions.

We will strengthen competitiveness in overseas and in the forestry and large-scale environment machinery sectors.

FY2022



FY2030



Framework of VISION30

VISION30 Statement

Slogan

People create an **environment**

Values

[Corporate culture] Respect for the individual, free-spiritedness, and a sense of unity

[Business] Provision of user-friendly products and services

[Social] Expansion of business that leads to solutions to social issues such as environmental problems

To develop human resources capable of creating the **environment** without being carried away by the **environment**, and to contribute to the realization of an **environmentally** friendly society through our businesses.

VISION30 Performance Indicators (KPI)

Triple

3

Net sales ¥30 billion+

Operating profit ¥3 billion+

Market capitalization ¥30 billion+

Triple

10

Net sales growth rate 10%+

Operating profit to net sales 10%+

ROE 10%+

VISION30 Three Strategies

<p>Human resources strategy</p>	<p>(1) Human resource development (2) Personnel system (3) Work style reform</p>	<p>Recruitment, training and utilization of human resources Fair evaluation and compensation system that reflects performance and contributions Creating a comfortable, motivating, and rewarding workplace</p>
<p>Market strategy</p>	<p>(1) Domestic strategy (2) Overseas strategy (3) New businesses</p>	<p>Strengthening the integrated value chain to meet growing demand Market development by introducing products and capabilities to three bases in the US, Europe, and Asia Promoting new technology applications (new demolition methods, DX, etc.) and strategic M&A</p>
<p>Strengthening of management foundation</p>	<p>(1) CG System (2) Hardware (3) Software</p>	<p>Establish a governance system that supports sustainable growth Development of domestic and overseas plants, sales offices, etc. (expansion and new construction) Improvement of system infrastructure and DX to reform operations and enhance customer responsiveness</p>

(1) Cost of Shareholders' Equity

Cost of shareholders' equity = Risk-free rate + Risk premium x β (beta) [Collection period = Risk premium: since 1960, β : weekly for the past 2 years]

	FY3/21	FY3/2	FY3/23	FY3/24 (*)
Cost of shareholders' equity	7.5%	6.4%	5.5%	5.5%
Risk-free rate	0.04%	0.04%	0.14%	—
Risk premium	6.10%	6.20%	6.08%	—
β (beta)	1.22	1.03	0.88	—

(*) For fiscal year ending March 2024 and onwards, cost of capital as of the end of fiscal year ended March 2023 will be used.

(2) NOPAT (Net Operating Profit After Tax)

NOPAT = operating profit x (1 - effective tax rate) [effective tax rate = fixed at 35%]

(3) ROIC (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 = cost of debt x (1 - effective tax rate) x debt / (debt + equity) + cost of shareholders' equity x equity / (debt + equity)

[Debt = book value basis, equity = market value basis; share price from fiscal year ending March, 2024 onwards is estimated based on the forecasted PER = 10.1 at the end of fiscal year ended March, 2023]

The plans and forecasts contained in this report are based on information currently available to the Company and certain assumptions deemed reasonable by the Company, and are subject to risks and uncertainties.

As such, the Company does not promise or guarantee the realization of any future plan figures or measures shown in this report.

For inquiries, please contact:

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