

Financial Results for FY3/22

(TSE Prime 6294)

OKADA AIYON CORPORATION

Yuji Okada, President and Representative Director

Nobuo Maenishi, Managing Director

1. Corporate Profile/History
2. Business Results for FY3/22
3. Outlook for FY3/23 and
Mid-term Management Plan
"Rolling Plan"
4. Appendix (FY3/22)

Corporate Profile (As of March 31, 2022)



Business content

Manufacture, sale and repair of construction and forestry machinery for dismantling and crushing

Founded

July 1938
(Established in 1960)

Capital stock

2,221
million yen

Net sales

20,306
million yen

Business bases

22 in Japan
5 overseas

Head Office (Minato-ku, Osaka)



Group companies

- AIYON TECH. CO., LTD.
(Main assembly plant)
- Nansei Machine Co., Ltd.
(Manufacturing,
development and sales of
forestry machinery)
- Okada America
- Okada Europe

Number of employees (consolidated)

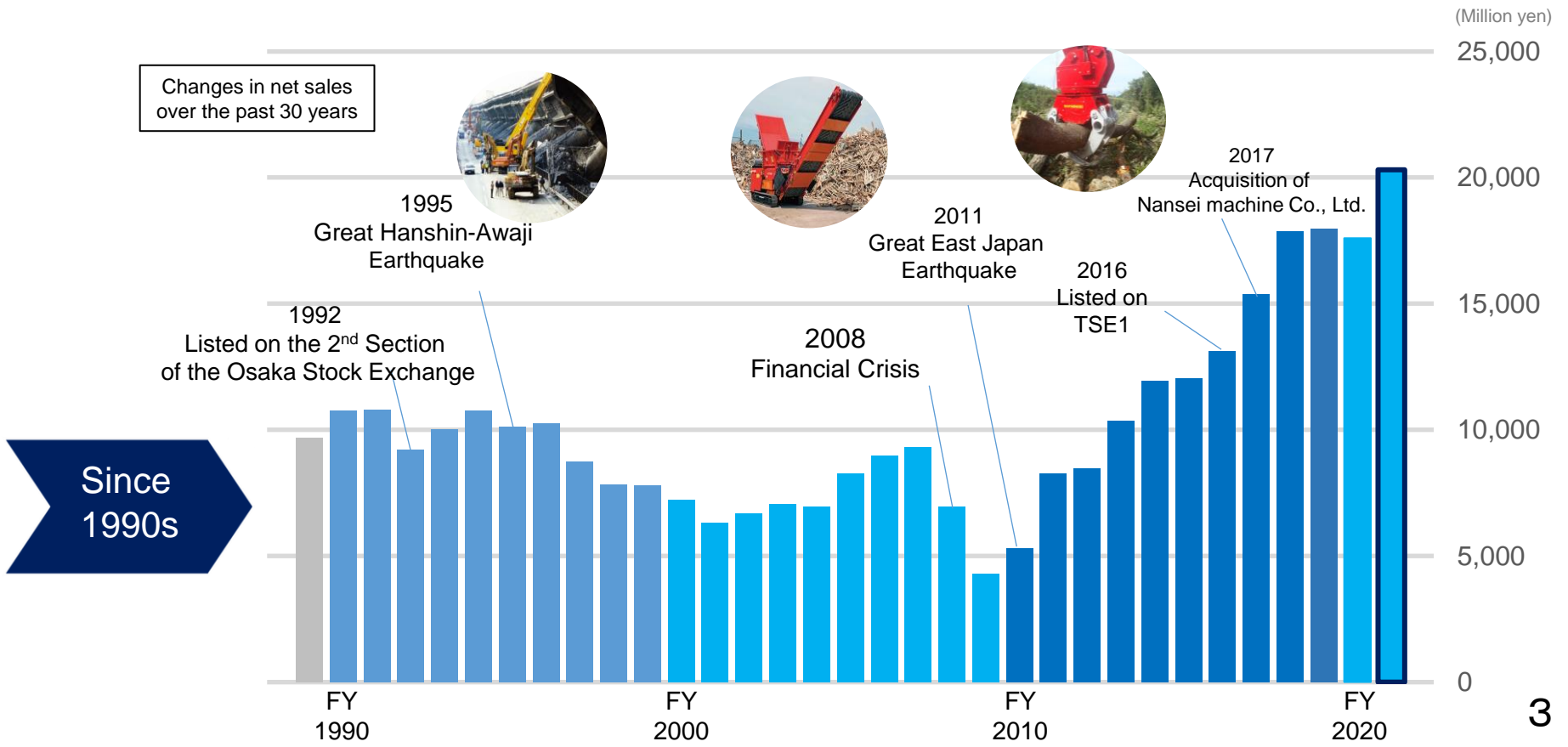
459

Corporate history



We have grown mainly through the development and sale of demolition attachments to meet various demand from rock drills to urban demolition machineries.

Changes in net sales over the past 30 years



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Results summary (FY3/22)

Net sales

20,306 million yen
(+15.4% YoY)

Operating
income

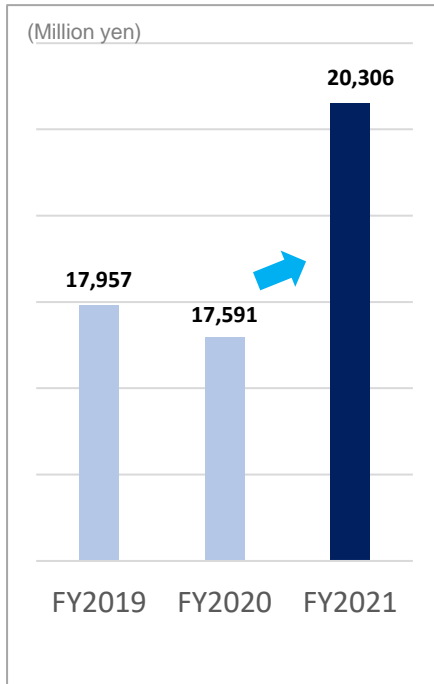
1,771 million yen
(+28.7% YoY)

Ordinary
income

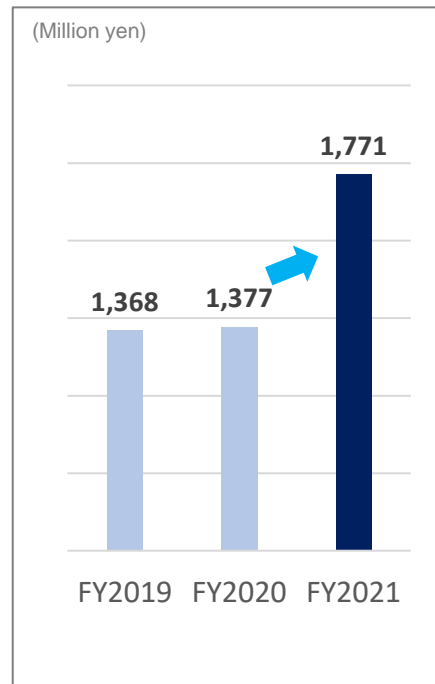
1,808 million yen
(+26.2% YoY)

Net income

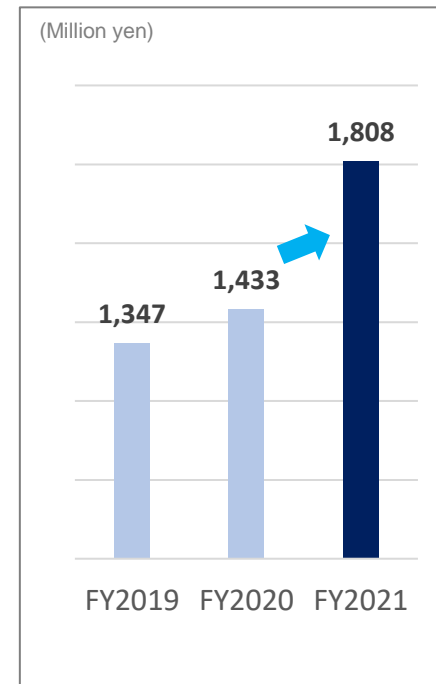
1,190 million yen
(+29.5% YoY)



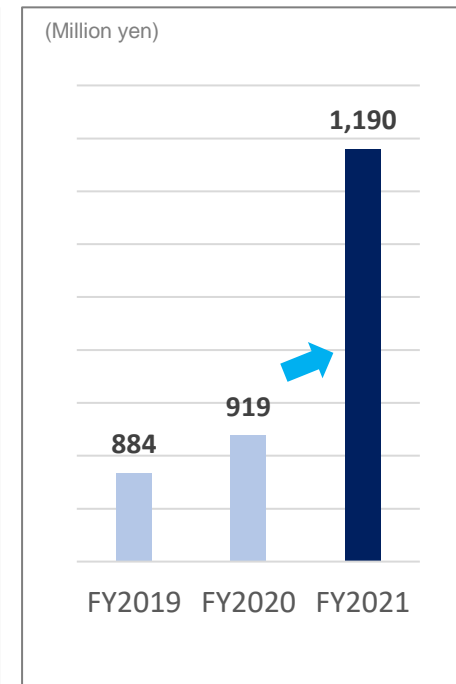
【 Net sales 】



【 Operating
income 】



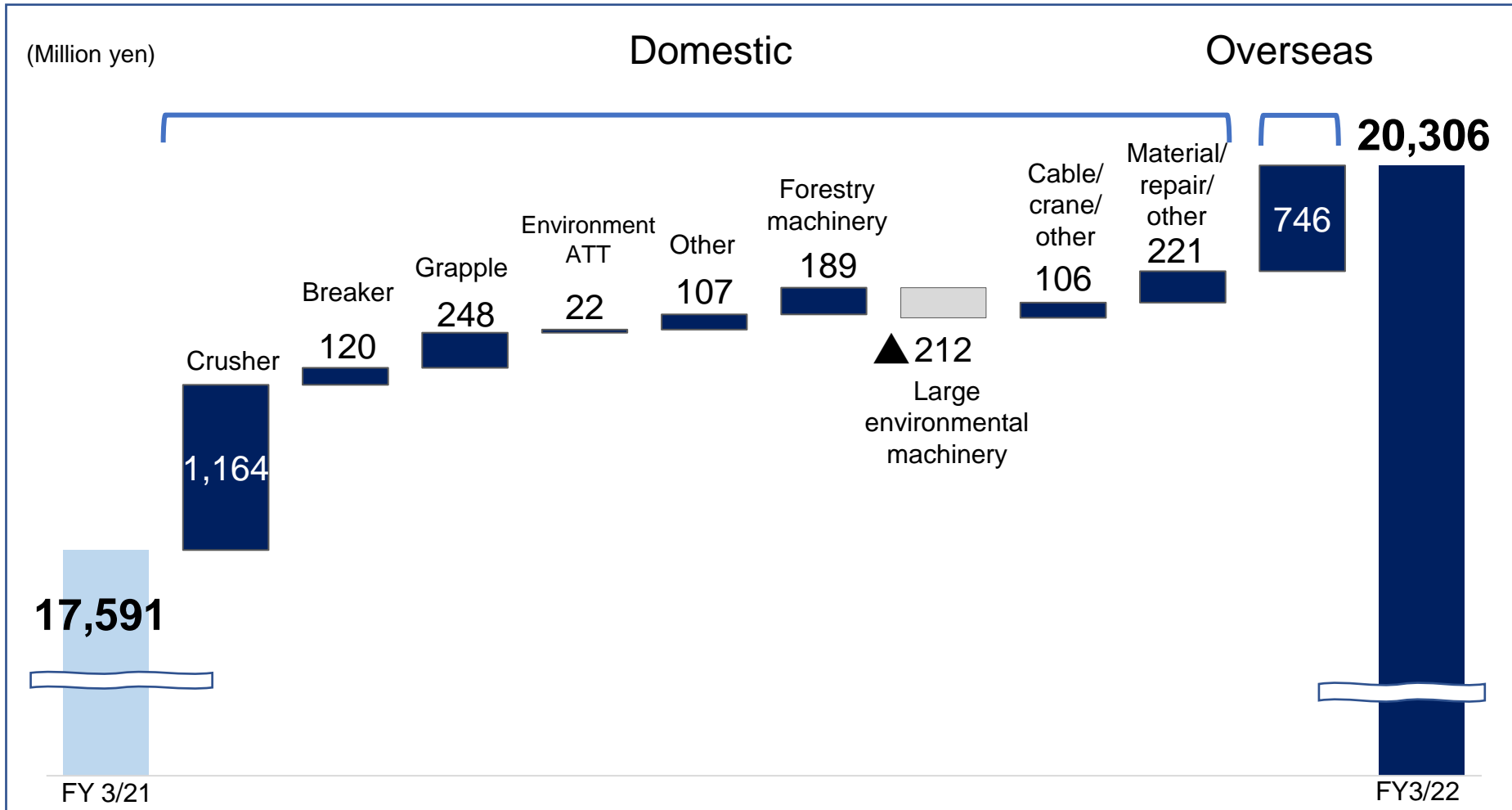
【 Ordinary
income 】



【 Net income 】

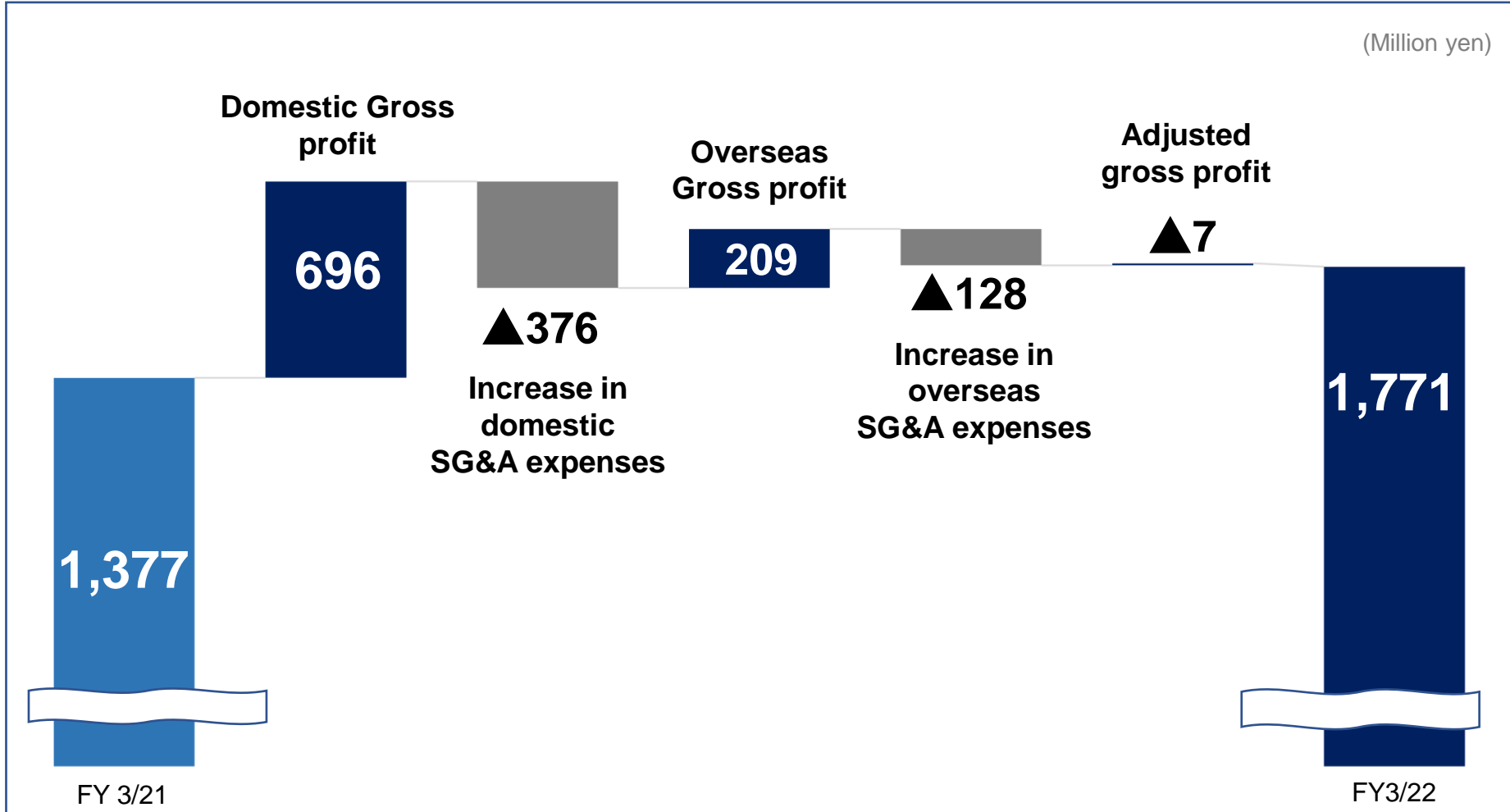
Factors for changes in net sales

- In Japan, sales of crushers increased significantly thanks to the effects of sales promotions at exhibitions and other factors. Other sales were generally steady.
- Overseas, sales were strong in North America, driven by the recovery in economic activity. Sales also increased in Europe, reflecting the enhancement of the distributor network in Europe, and sales in Asia also grew thanks to the success in product introduction.



Factors for changes in operating income

- In Japan, sale increased thanks to a sales growth, despite higher expenses and exhibition costs.
- Overseas, despite the impact of higher ocean freight rates in the 2H, profits increased due to the contribution of new market development in addition to the three major bases.



Sales by Segment and Business

- Strong performance in mainstay demolition environmental attachment and overseas business despite no major change in composition ratio.

*For details of each segment, see "Sales Trends by Model" on page 21.

Net sales (Cumulative)
17,957 million yen

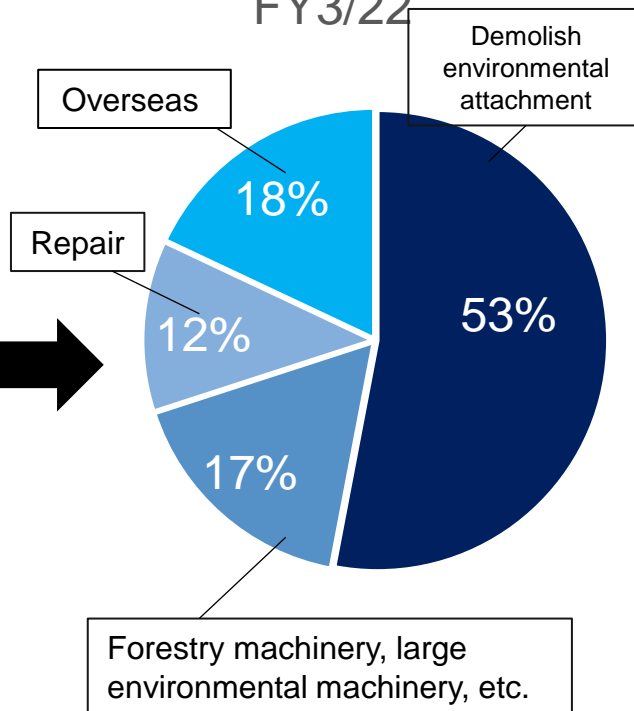
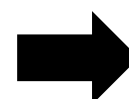
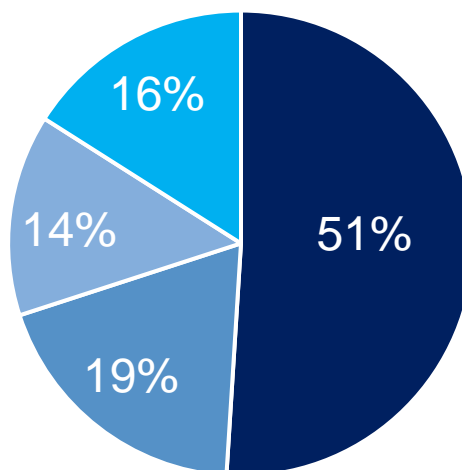
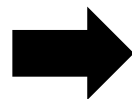
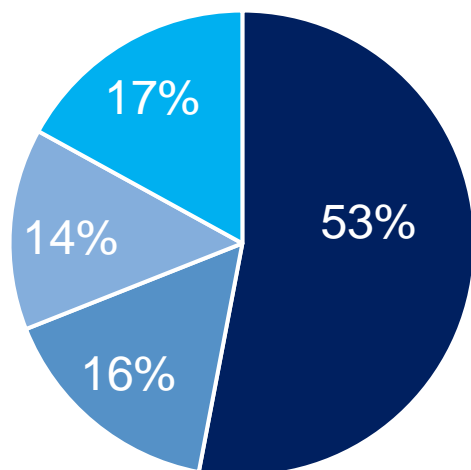
Net sales (Cumulative)
17,591 million yen

Net sales (Cumulative)
20,306 million yen

FY3/20

FY3/21

FY3/22



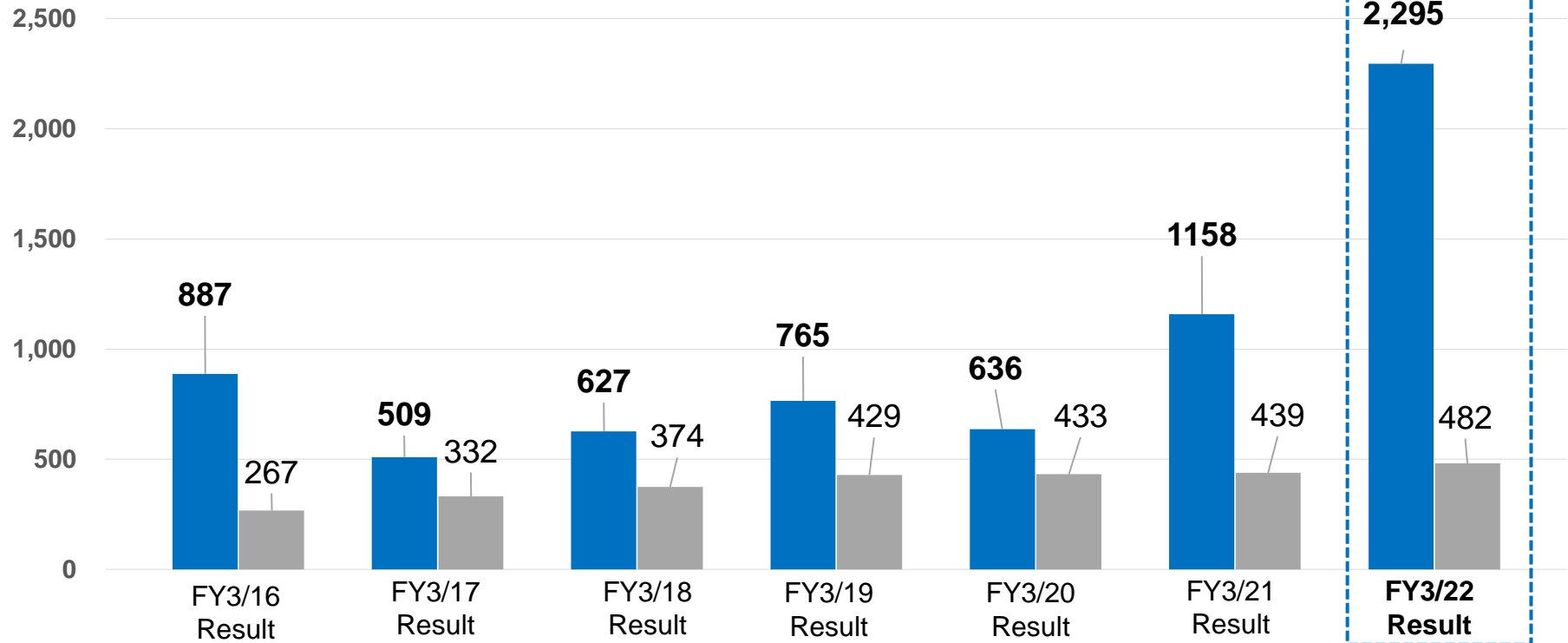
Capital Expenditures and Depreciation

- In FY3/22, capital investment in domestic sales offices and maintenance factories in response to the manufacturing of large-scale attachments was set to a certain extent.

*See page 15 for plans for the current fiscal year and beyond.

■ Capital investments ■ Depreciation and Amortization

(Million yen)



<Investments>

Factory of AIYON TECH

Hokuriku Sales Office

Factory of AIYON TECH
M&A goodwill

Shonan Sales Office Shikoku Sales Office

Head Office Maintenance Factory Shikoku Sales Office

Shonan Sales Office Hiroshima Sales Office Head Office in America

Chubu Sales Office Hiroshima Sales Office Sendai Sales Office Morioka Sales Office Sapporo Sales Office (Land)

Progress in Sales Office Renovation

- Expand factories (AIYON TECH) and sales office facilities in a structured way to increase production and enhance maintenance function.

**2016
AIYON
TECH**



**2019
Shikoku
Sales
Office**



**2021
Hiroshima
Sales
Office**



**2022
Sendai
Sales
Office**



**2023
Sapporo
Sales
Office
(Plan)**

**2022
Chubu
Sales
Office**



**2016
Hokuriku
Sales
Office**



**2020
Shonan
Sales
Office**



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Long-term Vision “VISION 30”

(formulated on May 13, 2021)



Outline of VISION 30

VISION 30 Statement

Slogan

People create an **environment**

Values

[Corporate Culture] Corporate culture that respects individuals and encourages freedom and unity
 [Business] Providing customer-oriented products and services
 [Social] Business expansion leading to the resolution of social issues such as environmental issues

Contribute to create an "environmentally" friendly society through business activities by fostering human resources capable of creating an "environment" without being diverted to the "environment"

VISION 30 Key Performance Indicators (KPIs)

Triple

3

Net sales

30 billion yen or more

Operating income

3 billion yen or more

Market capitalization

30 billion yen or more

Triple

10

Net sales growth rate

10% or more

Operating income to net sales

10% or more

ROE 10% or more

VISION 30 3 Strategies

| | | |
|--------------------------------------|--|---|
| Human Resources Strategy | ① Human Resource Development ② Personnel System ③ Work Style Reform | Recruitment, development and utilization of human resources Fair valuation and compensation system reflecting results and contributions Creating a workplace that is easy to work in, makes people want to work in, and is rewarding to work in |
| Market Strategy | ① Domestic Strategy ② Overseas Strategy ③ New Businesses | Strengthening integrated value chain in response to increased demand Market development through the introduction of products and manpower to three bases in the U.S., Europe and Asia Application of new technologies (new demolition methods, DX, etc.) and promotion of strategic M&A |
| Strengthening Management Base | ① CG System ② Hardware ③ Software | Establishment of governance structure to support sustainable growth Maintenance (expansion and new construction) of plants and sales bases in Japan and overseas Development of system infrastructure and business reform and evolution of customer responsiveness through DX |

3-Year Numerical Targets (FY2022-2024)



Basic Policy: While responding to the recent increase in demand with existing resources, the three-year plan will focus on strengthening production systems to increase production and reduce costs in order to respond to the continuous increase in demand in Japan and overseas.

Numerical plan

(Million yen)

| | FY2021 | Comparison with rolling plan formulated in May 2021 | FY2022 | Comparison with rolling plan formulated in May 2021 | FY2023 | Comparison with rolling plan formulated in May 2021 | FY2024 |
|---|---------------------------|--|-------------------------|--|-------------------------|--|-------------------------|
| | Result (FY3/22) | | Plan (FY3/23) | | Plan (FY3/24) | | Plan (FY3/25) |
| Net sales | 20,306 | +1,806 | 21,500 | +1,500 | 23,000 | +1,000 | 25,000 |
| Operating income | 1,771 | +171 | 2,000 | +200 | 2,200 | +100 | 2,500 |
| Ordinary income | 1,808 | +208 | 2,000 | +200 | 2,200 | +100 | 2,500 |
| Net income attributable to owners of parent | 1,190 | +130 | 1,340 | +140 | 1,470 | +70 | 1,670 |
| Operating income to net sales (%) | 8.7 | +0.1 | 9.3 | +0.3 | 9.6 | +0.1 | 10.0 |
| ROE (%) | 10.0 | +1.0 | 10.3 | +0.8 | 10.4 | +0.2 | 10.9 |

* Assumed exchange rate for planning: 1 dollar = 120 yen, 1 euro = 130 yen

3-Year Plan (FY2022-2024): Measures by Division



Our company will focus on expanding production capacity and supply that will contribute to marketing.

★ represents measures related to the expansion of production capacity and supply.

| Division | Measures | Details |
|-----------------------------|--|---|
| Production | ★Strengthening ties with cooperating suppliers | Stable procurement of products, parts and materials |
| | ★Strengthening production capacity at AIYON TECH Asaka Plant | Securing human resources, increasing the number of partner companies, and expanding production facilities |
| | ★Improving productivity and reviewing cost management at Okada and Nanseikikai | Pursuing higher production capacity and lower costs |
| | ★Shift to mass production at the hydraulic breaker plant in Vietnam | Strengthening the lineup of the global models of hydraulic breakers |
| Domestic sales and services | ★Renovation of the sales offices and maintenance plants | Sendai Sales Office (April 2022) and Sapporo Sales Office (scheduled for May 2023) aim to respond to increase in size of construction machinery |
| | Spread of sales price revisions | Responding to cost increases due to a rise in raw material and transportation costs |
| | Continuation of the attachment insurance system | Improving the user's peace of mind by compensating for damage and repair costs for the first two years after the sale of the "TS Series" demolition attachments |
| | Strengthening the cooperative structure with Okada and Nanseikikai | Strengthening in-group collaboration in sales and maintenance services |
| Overseas | ★Relocation and expansion of Okada America Head Office | Expanding the functions of warehouses and repair factories in the major North America region |
| | Enriching products for overseas markets | Development and release of models with overseas specifications |
| | Enhancement of base functions | Deploying personnel and products at overseas bases |

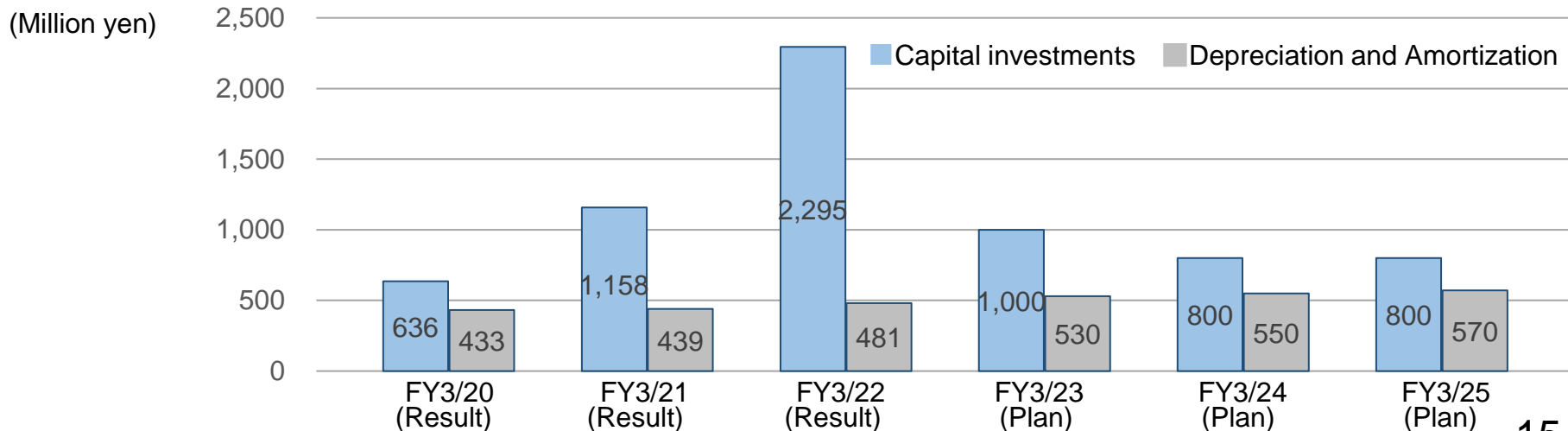
Capital Expenditures and Depreciation and Amortization Plan



In the Rolling Plan FY2022 to FY2024, we will consider further expanding facilities at production bases (AIYON TECH) and expanding major bases (sales offices and maintenance plants).

(Million yen)

| | Results | | | Rolling Plan FY2022 to FY2024 | | |
|-------------------------------|--|---|---|--|--|---|
| | FY3/20 | FY3/21 | FY3/22 | FY3/23 | FY3/24 | FY3/25 |
| Capital investments | 636 | 1,158 | 2,295 | 1,000 | 800 | 800 |
| Major equipment | Shonan Sales Office Shikoku Sales Office Head Office Repair Factory | Shonan Sales Office Hiroshima Sales Office | Hiroshima Sales Office Chubu Sales Office Sendai Sales Office Sapporo Sales Office | AIYON TECH Plant Sapporo Sales Office America Head Office Plant | AIYON TECH Plant Sapporo Sales Office | Consider expanding production and major bases |
| Depreciation and Amortization | 433 | 439 | 482 | 530 | 550 | 570 |



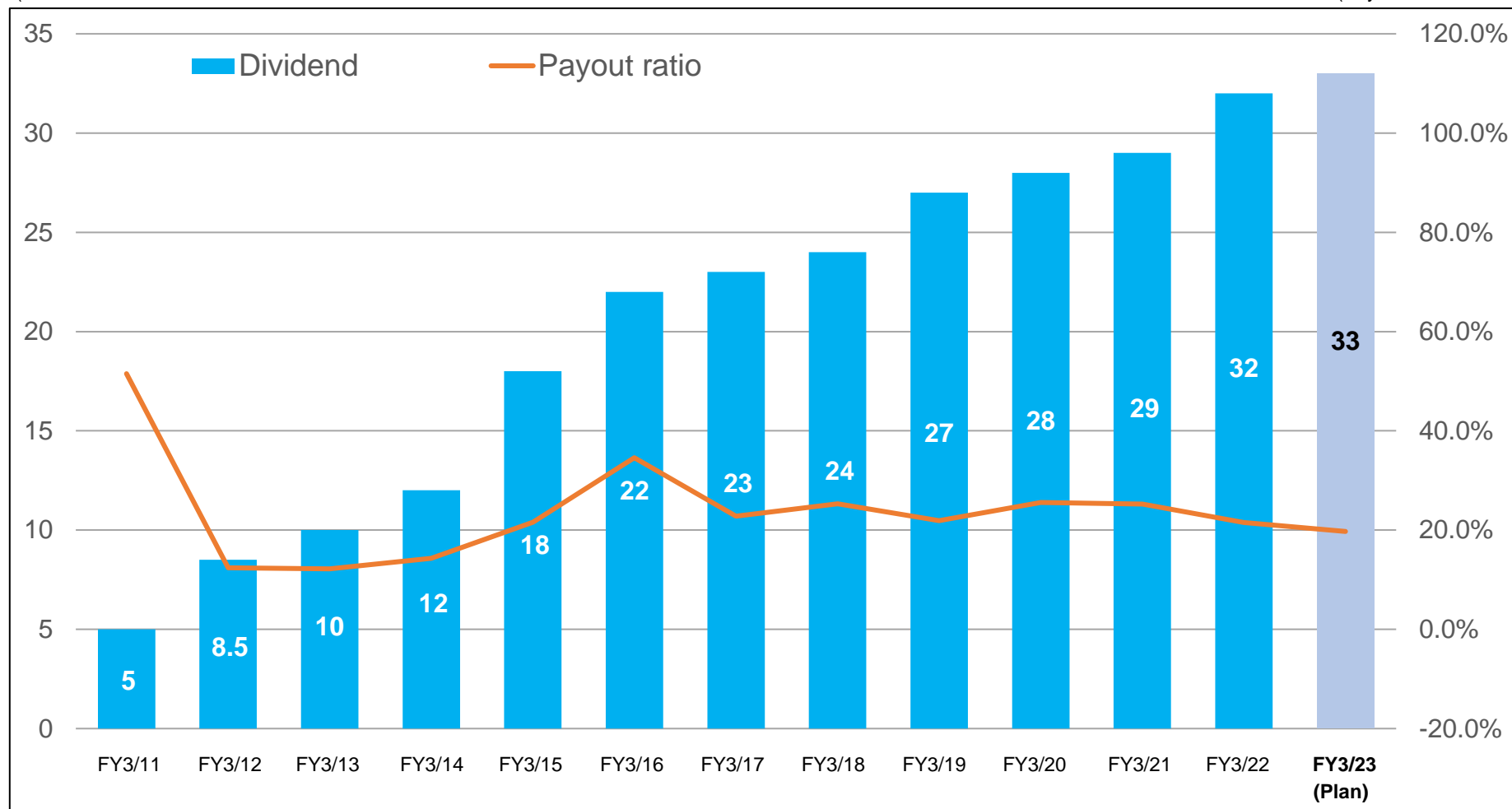
Shareholder Returns / Dividend Results and Plans



- In the previous fiscal year, the annual dividend was increased by 1 yen per share in November from the initial plan of 30 yen, and in February, it was increased by 1 yen to 32 yen.
- For the current fiscal year, we plan to increase the dividend by 1 yen to 33 yen per share (expecting dividend increase for 13 consecutive years).

(Dividend: Yen)









(Payout ratio: %)



Initiatives for Sustainability

- ◆ We are working on materiality issues (important issues) with the aim of becoming a "Valuable company for society" in our management philosophy.

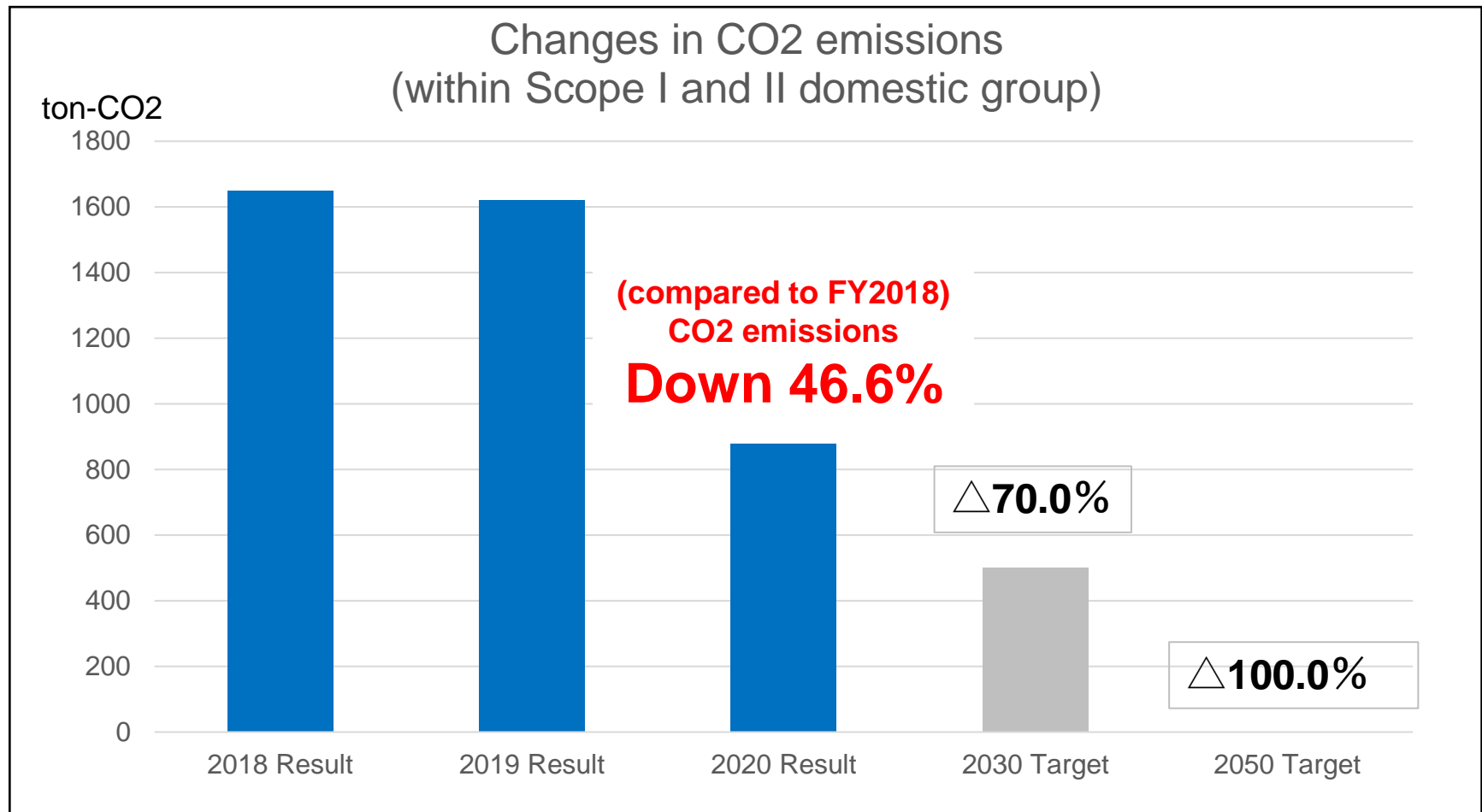
Materiality (Key Issues) and KPIs

| Materiality | SDGs | Commitment | KPI |
|--|--|---|--|
| Achieving carbon neutrality |   | <ul style="list-style-type: none"> ■ Aiming to realize a decarbonized society, our company will make efforts to minimize energy consumption and utilize next-generation renewable energy. ■ Recognizing that CO₂ emissions from the use of our company's products at demolition, forestry and large-scale civil engineering sites are of high significance, our company will promote efforts to develop and improve products for achieving electrification and higher energy efficiency. ■ Our company will reduce CO₂ emissions from indirect departments and production processes. | <ul style="list-style-type: none"> ■ Reducing CO₂ emissions within the group (Scopes I and II) [Excluding overseas sales companies] Net 0 by 2050 70% reduction by 2030 (compared to 2018) ■ Efforts to reduce scope III CO₂ emissions (Establishment of mechanisms and target selection) |
| Supporting recycling systems in society |   | <ul style="list-style-type: none"> ■ Effective use and recycling of resources are important issues in resource-poor countries and contribute to efficient scrap and build. ■ Our company aims to create a recycling-oriented society by contributing to the improvement of the efficiency of demolition sites and by recycling waste materials. | <ul style="list-style-type: none"> ■ Increasing productivity of attachment demolition operations by 10% by 2030 (compared to our company's existing products in 2020) ■ Contributing to maintaining a recycling rate of 98% or more for construction waste such as concrete |
| Conservation and effective use of mountain and forest resources |   | <ul style="list-style-type: none"> ■ Our company will contribute to the efficiency of forestry. ■ Our company will contribute to effective utilization of lumber resources. ■ Our company aims to make effective use of land by providing equipment for moving and transporting materials in difficult construction areas. | <ul style="list-style-type: none"> ■ Increasing productivity of forestry equipment by 10% by 2030 (compared to our company's existing products in 2020) ■ Contributing to the maintenance of hydropower capacity at 250 million kwh/year (by 2030) |
| Realization of work style reform and diversity |   | <ul style="list-style-type: none"> ■ In response to the decline in the Japanese productive population, our company will work on productivity improvement and automation using DX. ■ Our company will provide a place where everyone can work by creating a mechanism and environment for recruitment, human resource development and promotion. ■ Labor and human rights are also taken into consideration at the group's partner companies. ■ Our company will strengthen the corporate governance system to realize work style reform and diversity. | <ul style="list-style-type: none"> ■ Introducing a mechanism to measure employee satisfaction and improve employee satisfaction ■ Female employee ratio: 13% (2021) → 25% (2030) ■ Percentage of female directors: 12.5% (2021) → 25% (2030) ■ Considering labor and human rights when selecting partner companies |

Initiatives for Sustainability

Examples of efforts to realize carbon neutral

Switch electricity from all domestic bases to renewable energy, achieving almost half of CO2 emissions in FY2020



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Quarterly Results



(Million yen)

| | | | FY3/22 | | | | 4Q YoY | | |
|---------|-----------------------------|---|--------|-------|-------|-------|-------------------------|--------|--------------------|
| Segment | | | 1Q | 2Q | 3Q | 4Q | FY3/21 4Q Results | YoY | |
| | | | | | | | | Change | Pct. change (%) |
| Sales | Domestic | Demolish environment machinery | 2,186 | 3,029 | 2,330 | 3,162 | 2,735 | 426 | 15.6 |
| | | Forestry machinery, large environmental machinery, cable cranes, etc. | 897 | 791 | 812 | 857 | 892 | ▲34 | ▲3.9 |
| | | Repair and material | 606 | 610 | 660 | 718 | 614 | 103 | 16.9 |
| | | Domestic segment | 3,690 | 4,431 | 3,802 | 4,737 | 4,241 | 495 | 11.7 |
| | Overseas | Overseas segment | 969 | 965 | 836 | 873 | 878 | ▲5 | ▲0.6 |
| | Total sales | | | 4,660 | 5,396 | 4,639 | 5,610 | 5,120 | 490 |
| Profits | Operating income | | 429 | 593 | 328 | 420 | 389 | 31 | 8.2 |
| | Domestic | | 272 | 487 | 303 | 323 | 263 | 60 | 23.0 |
| | Overseas | | 162 | 117 | 33 | 105 | 134 | ▲29 | ▲21.6 |
| | Adjustments | | ▲4 | ▲10 | ▲9 | ▲8 | ▲9 | 0 | — |
| | Operating income margin (%) | | 9.2 | 11.0 | 7.1 | 7.5 | 7.6 | ▲0.1 | — |

Sales Trends by Model

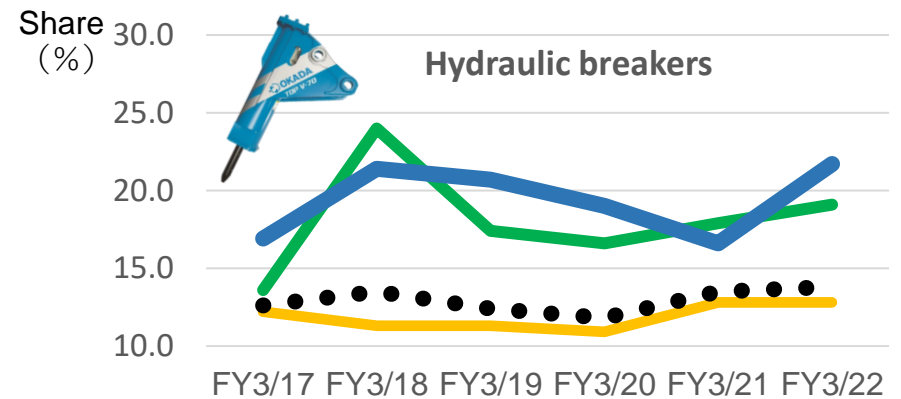
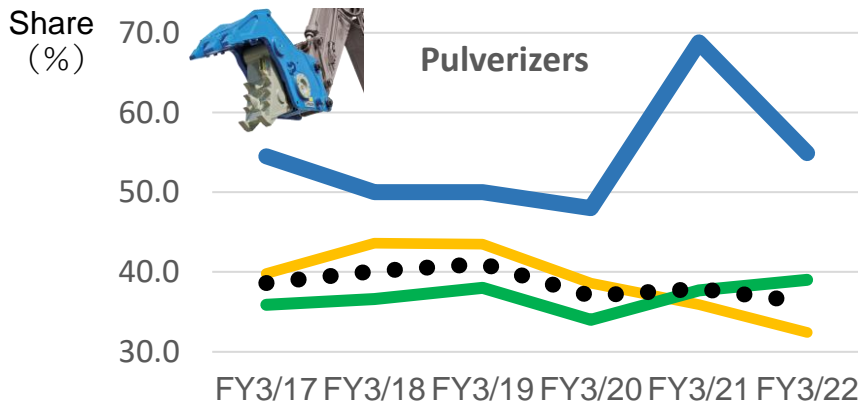
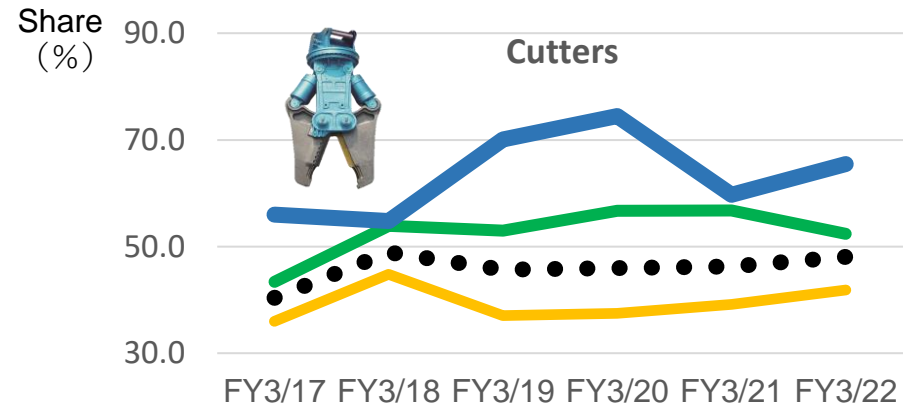
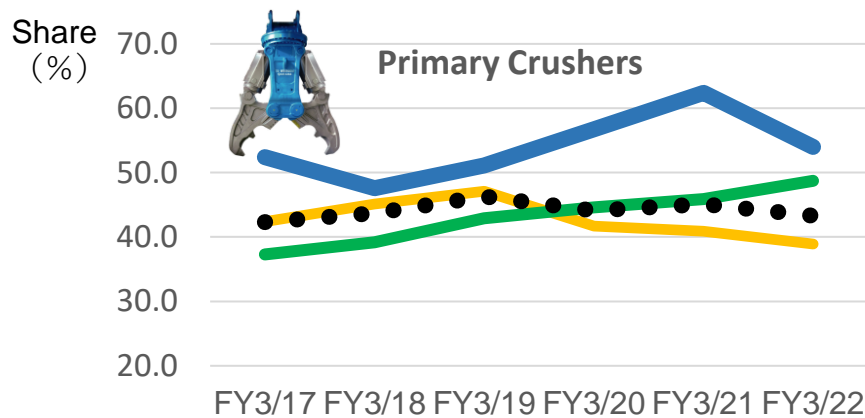


(Million yen)

| | | | FY3/20 | FY3/21 | FY3/22 | YoY | | Yo2Y |
|--------------------|---|-------------------------------|--------|--------|--------|--------|------------|------------|
| | | | | | | Amount | Changes(%) | Changes(%) |
| Domestic | Demolish environmental attachment | Crushers | 6,055 | 5,713 | 6,877 | 1,164 | 20.4 | 13.6 |
| | | Breakers | 870 | 807 | 928 | 120 | 15.0 | 6.7 |
| | | Grapples | 1,085 | 1,113 | 1,362 | 248 | 22.3 | 25.5 |
| | | Environmental attachment | 570 | 585 | 608 | 22 | 3.8 | 6.6 |
| | | Others | 887 | 825 | 932 | 107 | 13.0 | 5.0 |
| | | Total | 9,470 | 9,045 | 10,708 | 1,663 | 18.4 | 13.1 |
| | Forestry machinery, large environmental machinery, cable cranes, etc. | Forestry equipment | 662 | 662 | 852 | 189 | 28.7 | 28.6 |
| | | Large environmental machinery | 978 | 1,054 | 842 | ▲212 | ▲20.1 | ▲13.9 |
| | | Cable crane | 662 | 990 | 1,064 | 74 | 7.5 | 60.7 |
| | | Others | 586 | 566 | 598 | 32 | 5.7 | 2.1 |
| | | Total | 2,889 | 3,273 | 3,357 | 83 | 2.6 | 16.2 |
| | Repair | Material | 1,752 | 1,591 | 1,730 | 138 | 8.7 | ▲1.3 |
| | | Repair | 859 | 782 | 865 | 83 | 10.6 | 0.7 |
| | | Total | 2,612 | 2,373 | 2,595 | 221 | 9.3 | ▲0.6 |
| | Domestic segment | | | 14,972 | 14,692 | 16,661 | 1,969 | 13.4 |
| Overseas | U.S. | 2,153 | 1,839 | 2,158 | 318 | 17.3 | 0.2 | |
| | Europe | 361 | 478 | 717 | 238 | 49.9 | 98.4 | |
| | Asia (excluding China) | 411 | 508 | 552 | 44 | 8.8 | 34.4 | |
| | Others | 58 | 72 | 216 | 143 | 198.5 | 271.4 | |
| Overseas segment | | | 2,985 | 2,899 | 3,645 | 746 | 25.7 | 22.1 |
| Consolidated total | | | 17,957 | 17,591 | 20,306 | 2,715 | 15.4 | 13.1 |

Domestic share of our major products by class

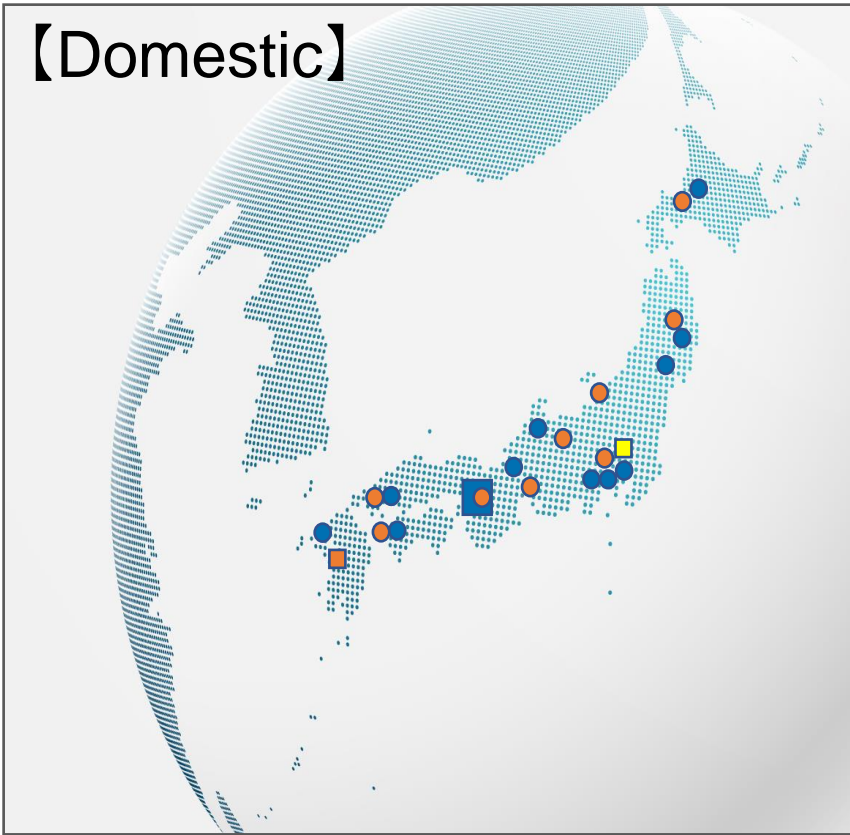
The decline in the market share of primary crushers and pulverizers was affected by the inability of production to keep pace with demand, despite the growth in sales units. However, we continue to dominate the market share for ultra-large class products weighing 100 tons or more.



● ● ● Overall share ■ 30 ton or over ■ 20 to less than 30 ton ■ less than 20 ton

Business bases

【Domestic】



- OKADA AIYON: 12 bases
- AIYON TECH: 1 base
- Nansei Machinery Group: 9 bases

【Overseas】

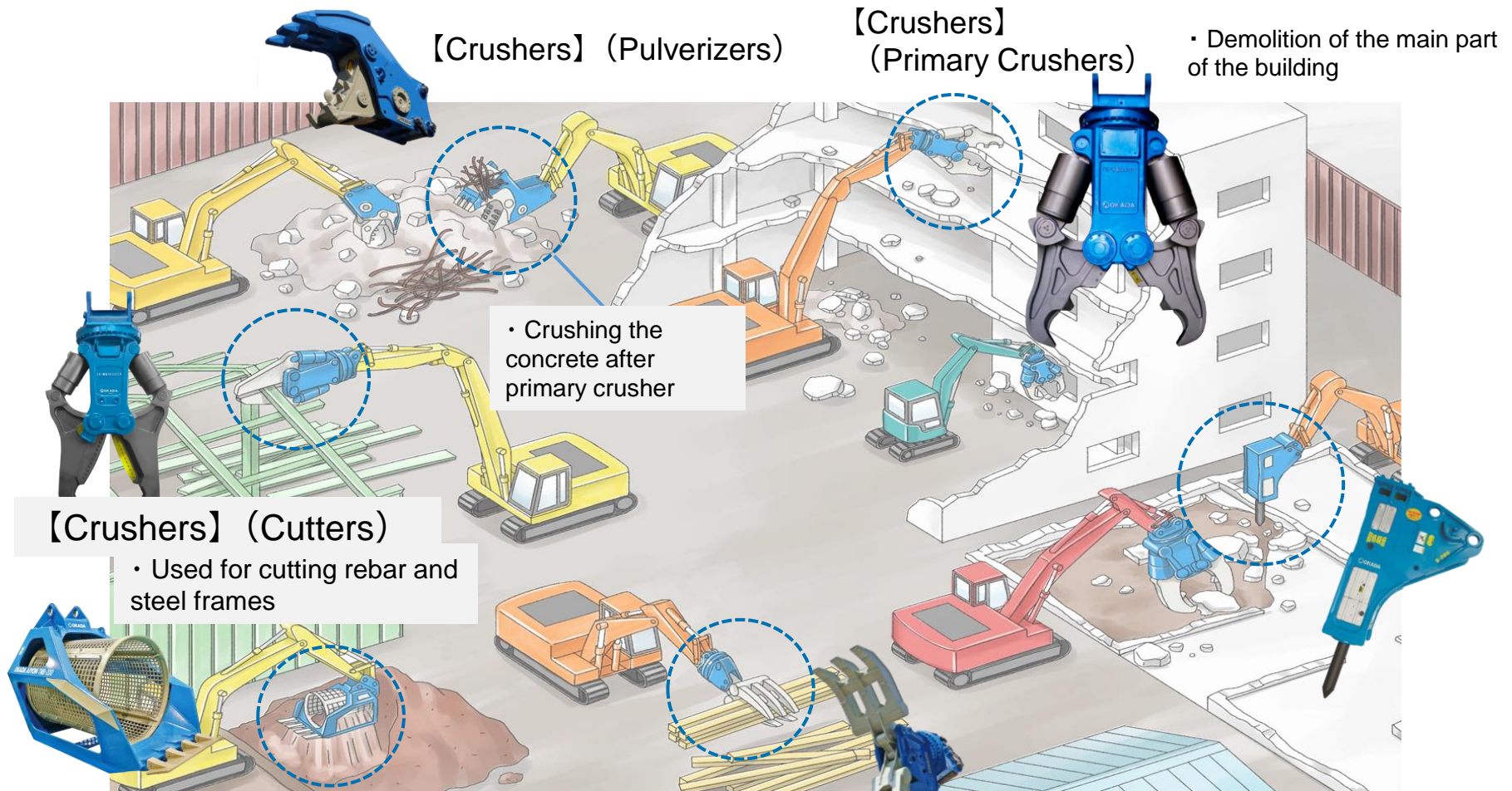


- Okada America: 3 bases (headquarters/Oregon)
- Okada Europe: 1 base (headquarters/Netherlands)
- Okada Thailand: 1 base (headquarters/Ayutthaya)

Product application (Demolish environment attachment)



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



【Crushers】 (Pulverizers)

【Crushers】
(Primary Crushers)

• Demolition of the main part of the building

• Crushing the concrete after primary crusher

【Crushers】 (Cutters)

• Used for cutting rebar and steel frames

【Environmental Attachment (Amidas)】

• Select/screen various mixtures without straining the excavator

【Grapples】

• Versatile equipment for demolition of wooden houses, scrap lumber collection, and disaster relief breakers

【Breakers】

• Major equipment in overseas, with outstanding crushing power
• However, the noise is loud.

Product application (Large environmental machinery)



[Middle and low speed rotary machine]



- Processes large logs
- Played active role in disposing of debris after the Great East Japan Earthquake

[High-speed rotary machine]



- Cutting wood into wood chips
- Chips are used in biomass power generation, etc.

Product application

(Forestry machines and cable cranes)



[Forestry machinery]



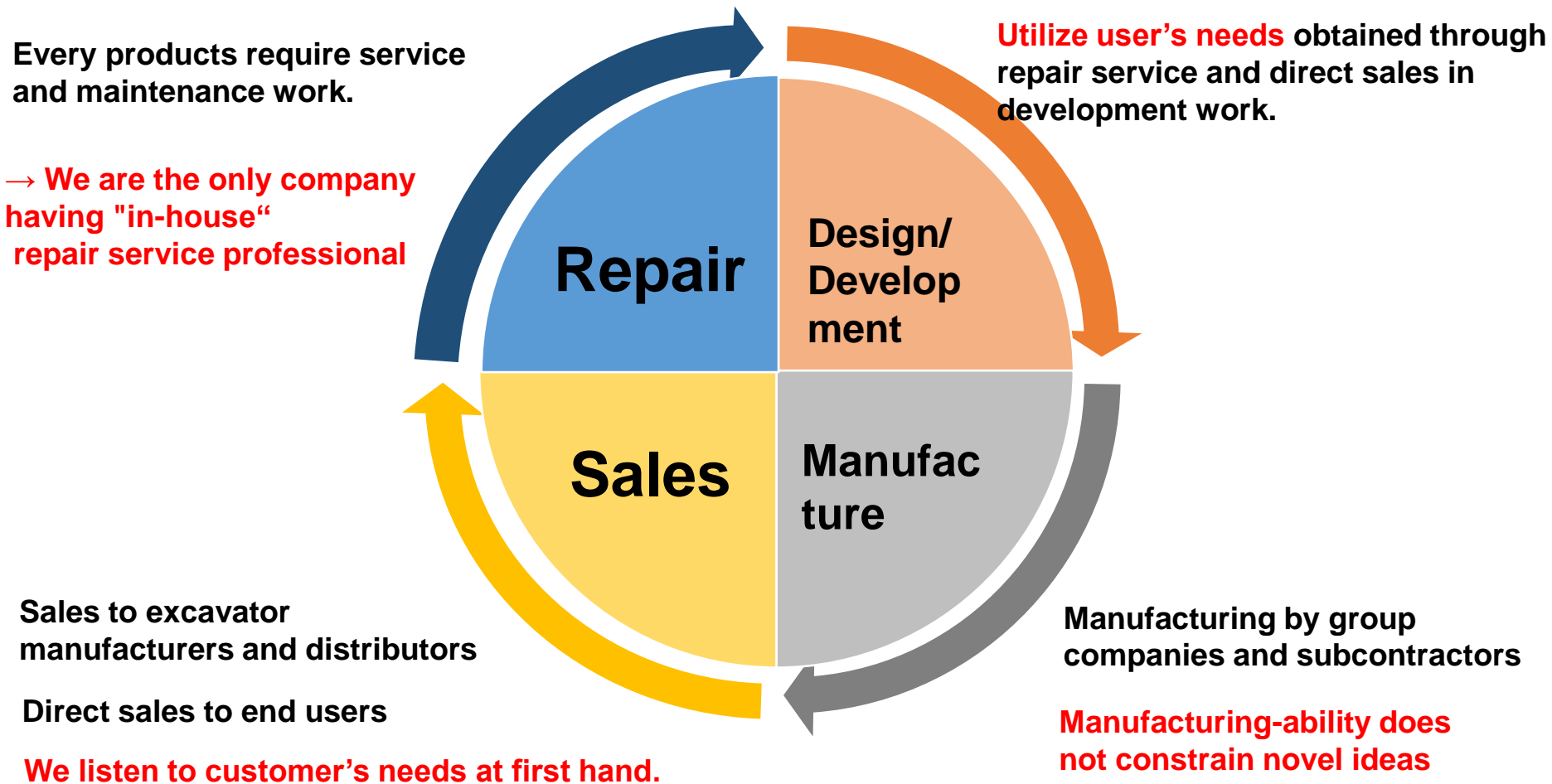
- Logging timber in the forest
- Lumering, pruning and transporting

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

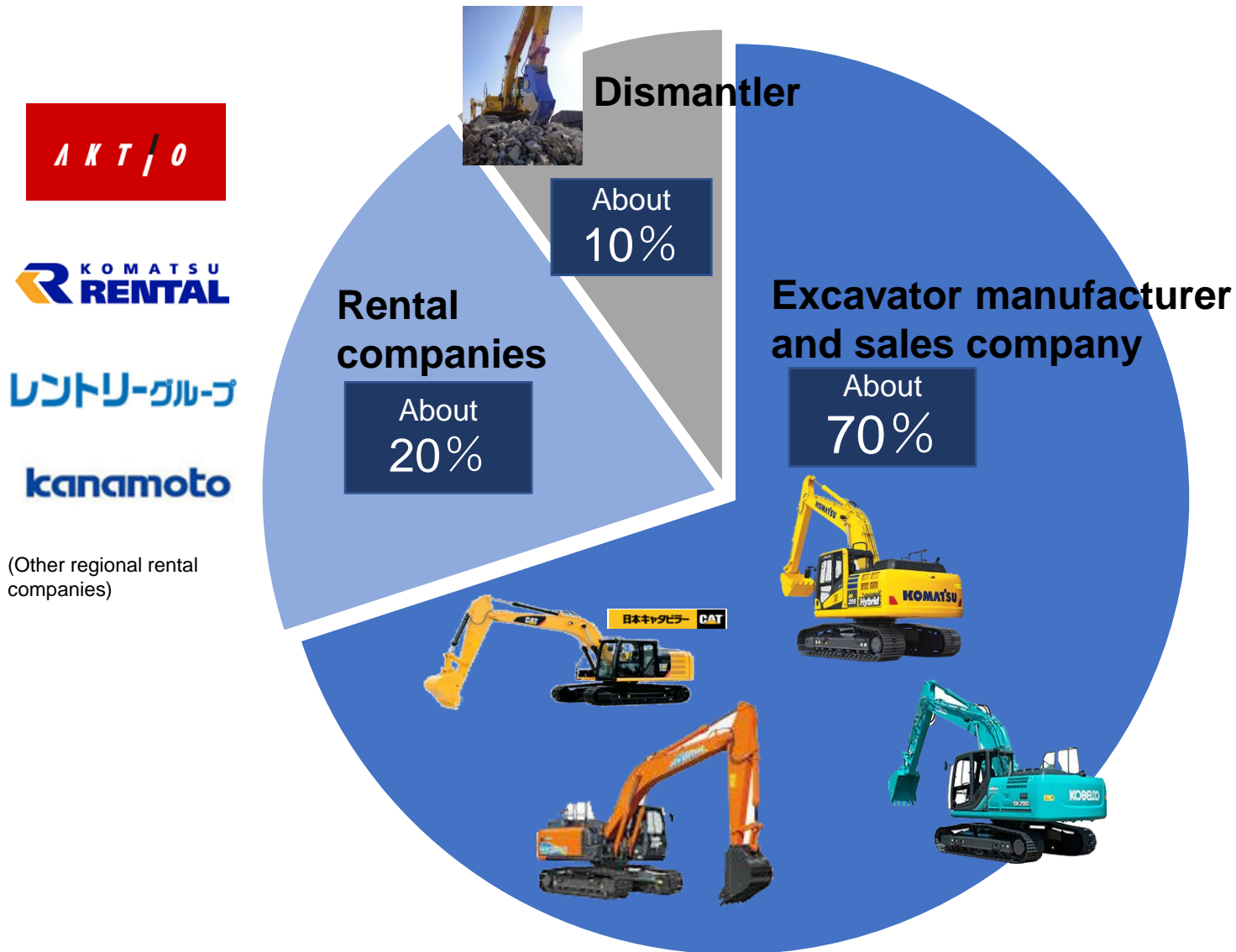


- Conveying concrete, materials, etc. on roadless mountain slopes

One-stop circulation model

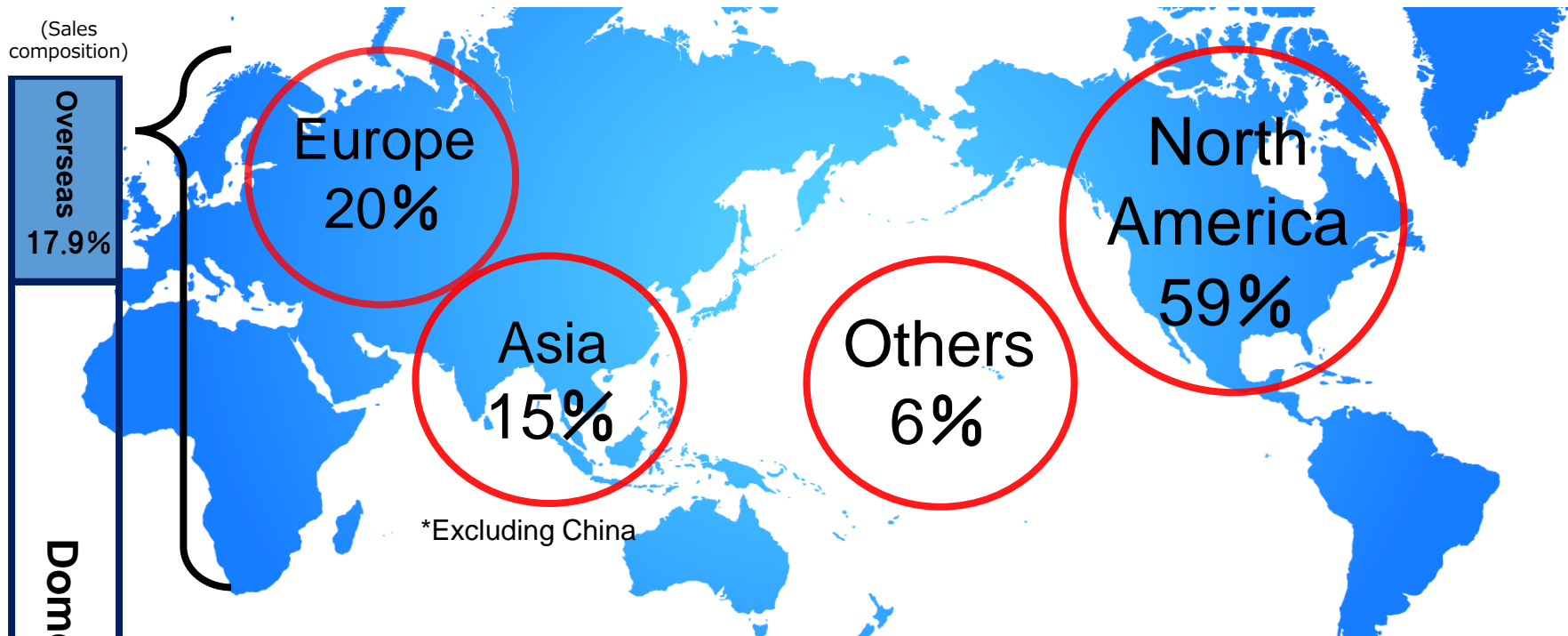


Product sales destination (Domestic)

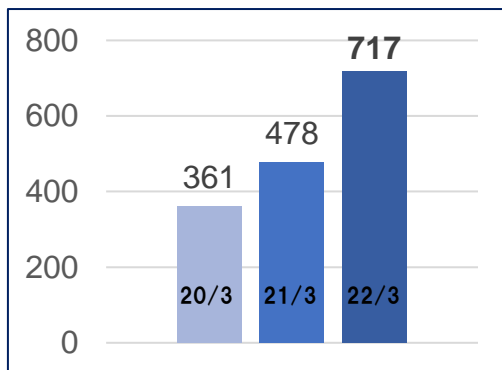


*Each image is quoted from each company's website as an example.

Overseas Sales

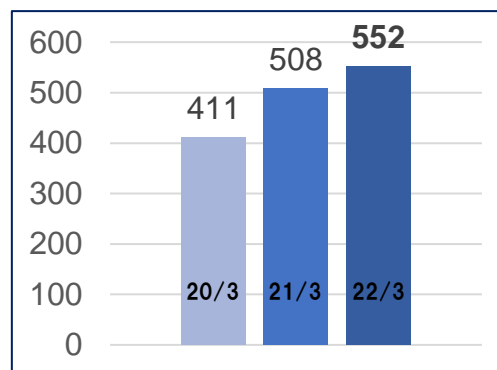


【Europe】

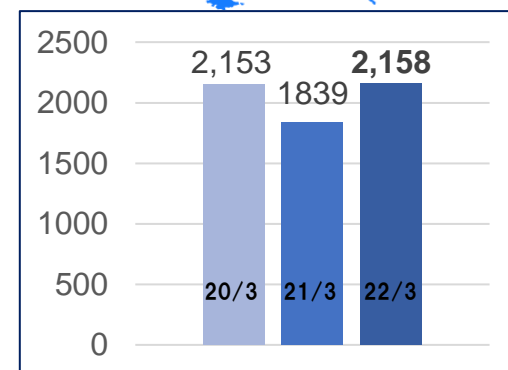


(Million yen)

【Asia】



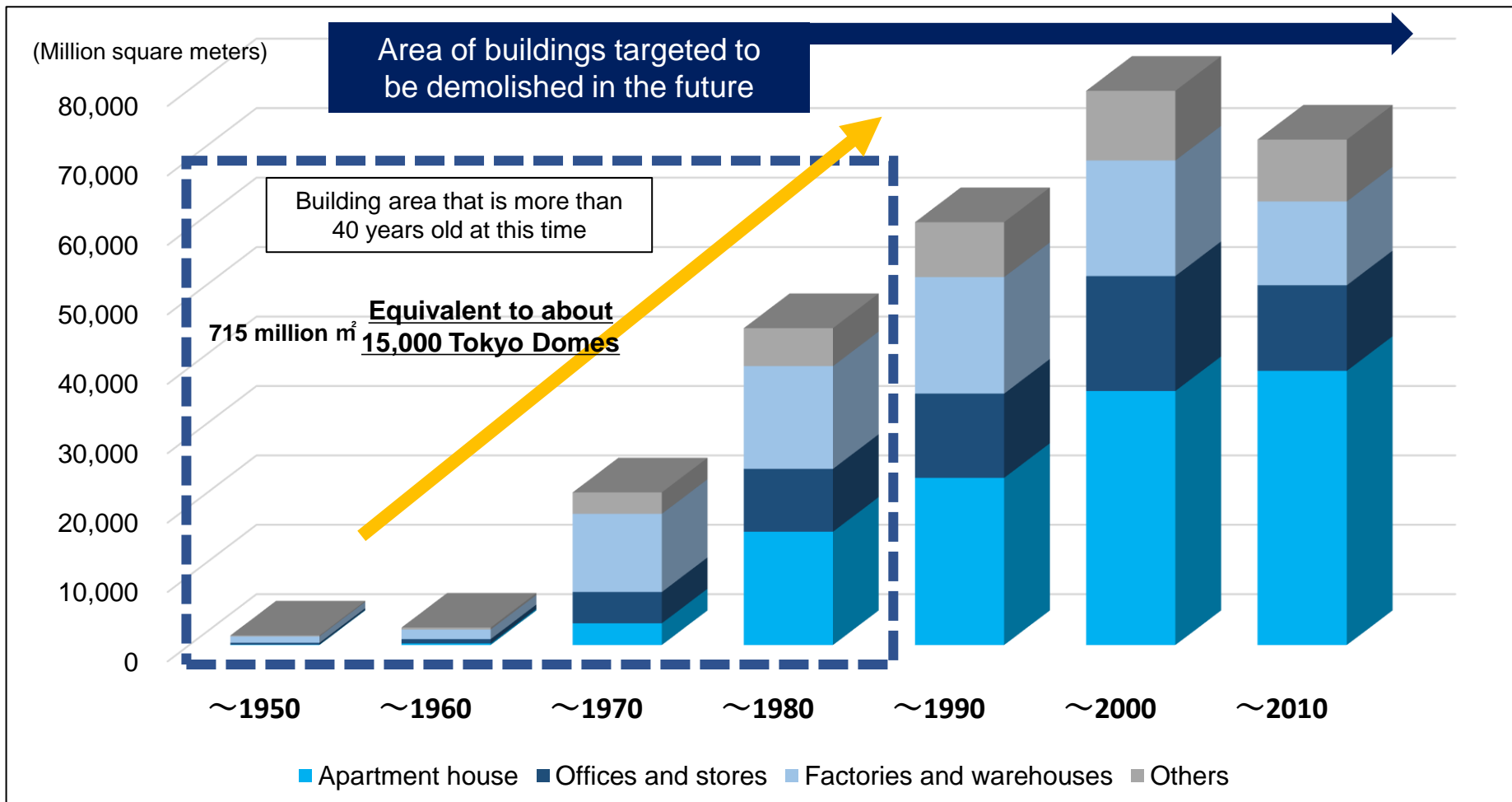
【North America】



Potential for Domestic Demolition Market

Building age and area of non-wooden buildings (concrete buildings)

◆ Looking at demolition targets for buildings 40 years old or older, demolition demand will begin in earnest in the coming years (an area equivalent to about 1,500 Tokyo Domes will be targeted each year).



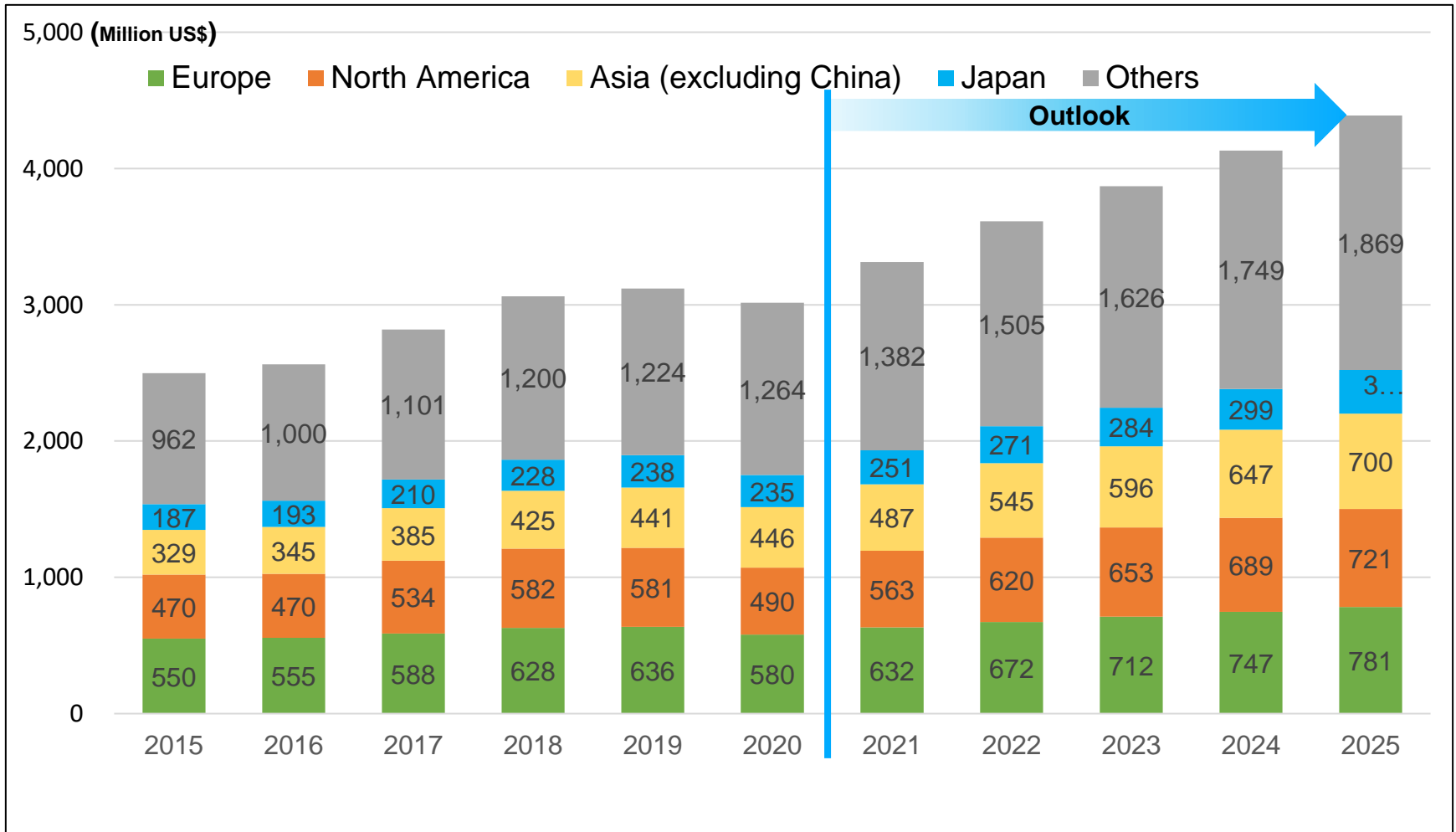
◆ Converted to the floor area of the Tokyo Dome as 46,000 m².

Prepared by company from "Building Stock Materials" by the Ministry of Land, Infrastructure, Transport and Tourism

Outlook for Global Market Growth

Demolition attachment market

- ◆ CAGR (CAGR) for 2021/2025 in the key markets of the U.S., Europe, and Asia was approximately **7.0%**
- ◆ CAGR of Japan in 2021/2025 (CAGR) was also about **6.2%**.



The forward-looking statements contained in this report are based on management's assumptions and beliefs in light of the material currently available to the Company and other reasonable assumptions, and involves risks and uncertainties.

Therefore, we do not promise or guarantee the realization of the future plans and measures presented.

(Inquiries)

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