

For the Fiscal Year Ended March 31, 2023

Annual Select[®] 2023

SAKAI HEAVY INDUSTRIES, LTD.

**Nomura Shibadaimon Bld. 5F, 1-9-9 Shibadaimon,
Minato-ku, Tokyo 105-0012
(Securities Code: 6358)
+81-3-3434-3401**

Corporate Profile

Japan has a network of roads which exceeds 1.2 million kilometers (750,000 miles), and it is the technology of SAKAI HEAVY INDUSTRIES, LTD. that has supported this construction. It will soon be 100 years since SAKAI introduced the very first road roller ever built in Japan. Over this time, we have continued to conduct technological research and develop innovative products to meet the ever increasing sophistication of highway construction, maintenance and repair as the pioneer in road construction equipment.

We believe our company mission is threefold. First, we provide reliable products and services to our clients. Second, we always try to introduce new technologies to further develop our road construction business. Third, we apply the technologies we have so acquired to other related business areas.

Today, in the field of road construction where higher technologies, greater diversification and deeper consideration to the environment is becoming increasingly necessary, we at SAKAI HEAVY INDUSTRIES, LTD. are determined to address the needs of our era and to make every effort to help countries throughout the world with their road infrastructure using our untiring exploration of innovative technology and our know-how, which has been acquired through years of experience.



Ichiro Sakai
President and Representing Director

I. Summary of Selected Financial Data (Consolidated)

	71 st term Fiscal year ended March 31, 2019	72 nd term Fiscal year ended March 31, 2020	73 rd term Fiscal year ended March 31, 2021	74 th term Fiscal year ended March 31, 2022	75 th term Fiscal year ended March 31, 2023
Net sales (Thousands of yen)	24,775,064	22,744,492	21,624,456	26,599,084	31,459,945
Ordinary profit (loss) (Thousands of yen)	1,199,970	829,906	659,186	1,407,714	2,327,800
Profit (loss) attributable to owners of parent (Thousands of yen)	825,088	470,286	4,001	1,427,334	1,694,399
Comprehensive income (Thousands of yen)	236,623	15,551	402,360	1,859,664	2,841,805
Net assets (Thousands of yen)	22,285,287	21,919,981	22,038,259	23,161,371	25,295,837
Total assets (Thousands of yen)	35,402,964	35,448,327	35,101,001	37,858,583	40,804,658
Net assets per share (Yen)	5,218.13	5,103.57	5,100.49	5,489.91	5,957.01
Basic earnings (loss) per share (Yen)	193.77	109.95	0.93	336.87	400.75
Diluted earnings per share (Yen)	—	—	—	—	—
Equity ratio (%)	62.8	61.7	62.7	61.1	61.8
Return on equity (ROE) (%)	3.7	2.1	0.0	6.3	7.0
Price earnings ratio (PER) (Times)	14.07	22.01	2,413.98	9.35	10.01
Net cash provided by (used in) operating activities (Thousands of yen)	(3,633,169)	3,448,160	1,525,854	2,359,626	1,893,239
Net cash provided by (used in) investing activities (Thousands of yen)	(2,335,221)	(825,877)	(508,901)	(263,604)	(399,429)
Net cash provided by (used in) financing activities (Thousands of yen)	(1,173,694)	(226,644)	(812,505)	(1,227,318)	(2,242,051)
Cash and cash equivalents at end of period (Thousands of yen)	4,210,496	6,682,986	6,847,106	7,926,252	7,416,549
Number of employees (Persons)	628	633	602	620	611

- Notes: 1. The Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020) and relevant ASBJ regulations from the beginning of the 74th term, and the figures for the 74th term and subsequent terms in this summary of selected financial data have been adjusted to reflect the application of the aforementioned standard, etc.
2. Diluted earnings per share is not provided because there were no potential shares.

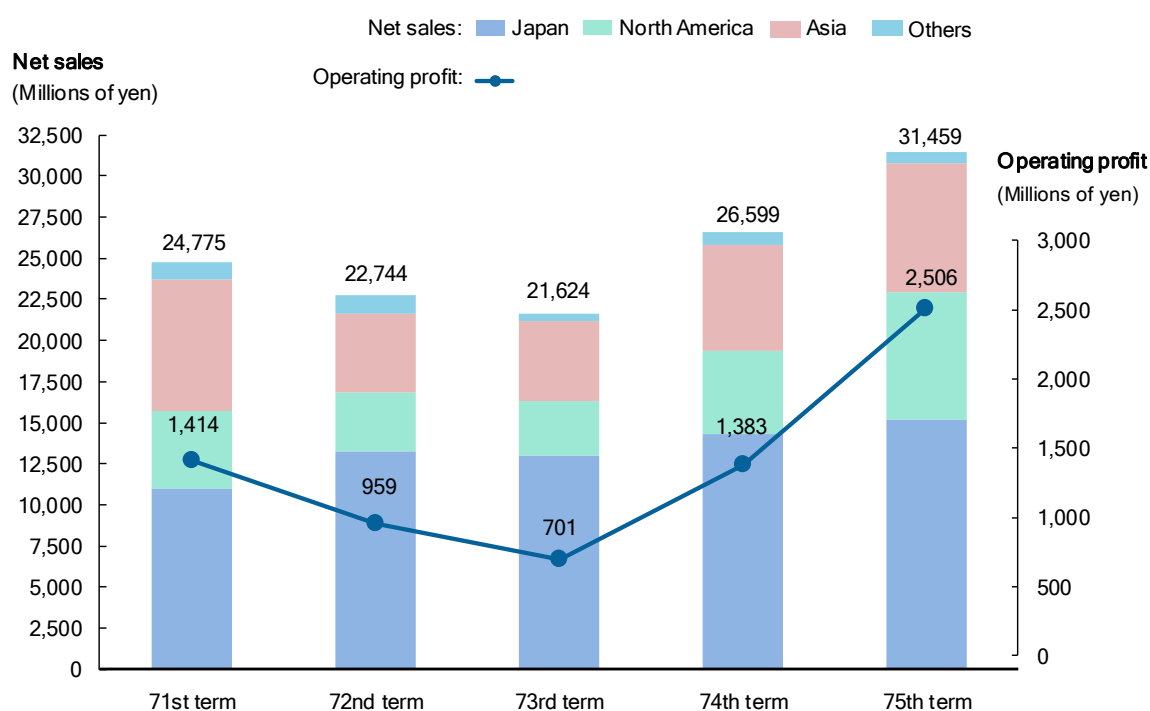
II. Overview of Operations

The business environment affecting SAKAI HEAVY INDUSTRIES, LTD. and its subsidiaries (the “Group”) during the fiscal year ended March 31, 2023 (April 1, 2022 to March 31, 2023) experienced a prolonged rise in security tensions caused by a sharp confrontation between the U.S. and China and Russia’s invasion of Ukraine. However, the environment was on a solid recovery path even under drastically changing global conditions, such as worldwide inflation of energy, material, and other various prices, supply chain disruptions resulting in decreased supply capacity, and interest rates raised by central banks in Europe and the U.S. that affect trends in international capital markets.

Under such conditions, the Group continued to promote strengthening its pricing and product supply capabilities, creating a sustainable management structure through ESG and DX, and medium- to long-term growth strategies based on overseas businesses and next-generation businesses.

As a result, net sales for the fiscal year under review were 31,459 million yen, an increase of 18.3% year on year. This achievement was supported by expanded overseas sales even while supply chain issues put downward pressure on production and sales activities. Operating profit was 2,506 million yen, an increase of 81.2% year on year. This was contributed by the overseas business that focused on price revisions and streamlining to improve its earnings structure. Consequently, ordinary profit was 2,327 million yen, an increase of 65.4% year on year, and profit attributable to owners of parent was 1,694 million yen, an increase of 18.7% year on year.

Trend of operating results



The following presents net sales on a consolidated basis by geographic segment.

Net sales in Japan were 15,208 million yen, an increase of 6.4% year on year, due to continued solid demand against the backdrop of measures to accelerate national land resilience.

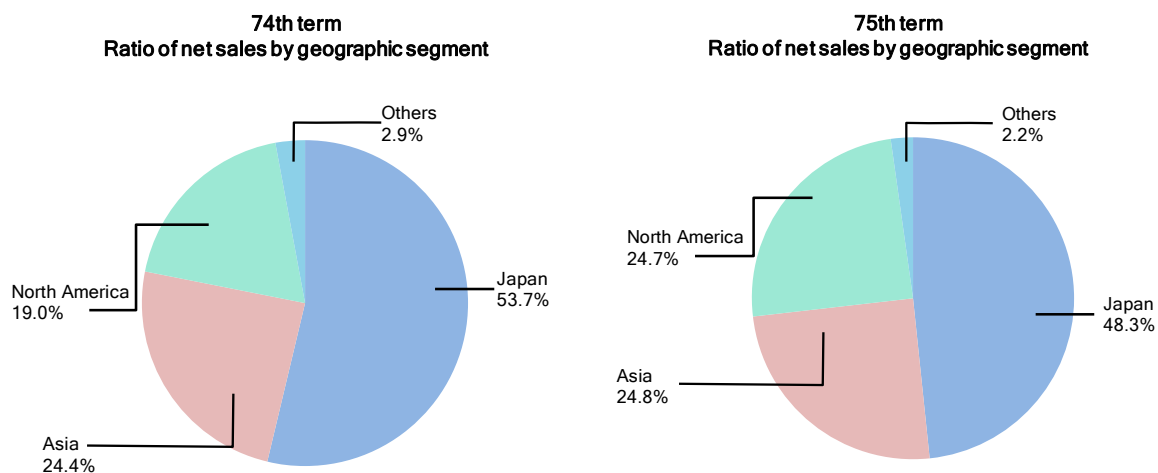
Net sales to overseas were 16,251 million yen, an increase of 32.0% year on year, reflecting a further recovery in demand at North American and Southeast Asian markets.

Net sales to North America were 7,751 million yen, an increase of 53.8% year on year, as the Infrastructure Investment Act boosted road construction investments although higher interest rates caused a decline in housing starts.

Net sales to Asia were 7,796 million yen, an increase of 20.1% year on year, supported by large markets, mainly Indonesia and Vietnam, with continuous solid environments, while some markets showed signs of

deceleration in growth.

Net sales to other markets were 703 million yen, a decrease of 9.3% year on year, despite a steady trend in Oceanian markets.



Operating results by segment are as follows:

Japan

Although the parts shortage continued in an environment with solid demand, total net sales were 24,556 million yen, an increase of 14.9% year on year, as domestic sales, product exports, and parts exports to overseas factories were robust, and operating profit was 836 million yen, a decrease of 5.4% year on year, due to delays in domestic sales price revisions in response to cost increases.

Overseas

In the United States, although there were supply constraints due to the parts shortage in an environment with strong demand, total net sales were 7,802 million yen, an increase of 53.4% year on year, and because of the improvement of the earnings structure due to sales price revisions and the reduction of transportation costs, operating profit was 688 million yen, an increase of 109.8% year on year.

In Indonesia, total net sales were 7,012 million yen, an increase of 35.9% year on year, and operating profit was 836 million yen, an increase of 204.4% year on year, due to steady recovery in domestic sales and robust exports to third countries.

In China, total net sales were 1,589 million yen, an increase of 63.3% year on year, and operating profit was able to return to profitability at 133 million yen, which is an improvement of 213 million yen year on year, as a result of the expansion of product and parts exports to group companies amid domestic demand continuing to decline.

III. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Thousands of yen)

	As of March 31, 2022	As of March 31, 2023
Assets		
Current assets		
Cash and deposits	7,993,405	7,484,336
Notes and accounts receivable - trade	7,137,752	8,068,886
Electronically recorded monetary claims - operating	1,400,265	1,395,360
Merchandise and finished goods	2,751,053	3,406,701
Work in process	1,347,188	1,228,708
Raw materials and supplies	3,109,380	4,816,726
Other	1,336,688	1,039,755
Allowance for doubtful accounts	(59)	(97)
Total current assets	25,075,675	27,440,377
Non-current assets		
Property, plant and equipment		
Buildings and structures	8,179,050	8,662,423
Accumulated depreciation	(5,213,645)	(5,575,278)
Buildings and structures, net	2,965,404	3,087,145
Machinery, equipment and vehicles	3,785,378	3,884,022
Accumulated depreciation	(3,123,370)	(3,236,642)
Machinery, equipment and vehicles, net	662,008	647,380
Land	3,010,196	3,238,498
Leased assets	644,530	467,324
Accumulated depreciation	(417,142)	(191,750)
Leased assets, net	227,387	275,573
Other	1,519,689	1,541,577
Accumulated depreciation	(1,399,524)	(1,406,559)
Other, net	120,164	135,018
Total property, plant and equipment	6,985,162	7,383,615
Intangible assets	480,763	307,527
Investments and other assets		
Investment securities	3,421,772	3,826,612
Deferred tax assets	456,786	390,867
Other	1,438,685	1,455,915
Allowance for doubtful accounts	(261)	(258)
Total investments and other assets	5,316,982	5,673,136
Total non-current assets	12,782,908	13,364,280
Total assets	37,858,583	40,804,658

(Thousands of yen)

	As of March 31, 2022	As of March 31, 2023
Liabilities		
Current liabilities		
Notes and accounts payable - trade	2,078,924	2,515,028
Electronically recorded obligations - operating	3,887,863	4,631,090
Short-term borrowings	5,688,722	4,751,028
Income taxes payable	269,304	336,586
Provision for product warranties	117,004	336,364
Other	1,488,501	1,807,735
Total current liabilities	13,530,319	14,377,834
Non-current liabilities		
Long-term borrowings	17,164	58,252
Lease liabilities	338,534	309,248
Deferred tax liabilities	402,781	486,712
Retirement benefit liability	173,232	132,943
Other	235,179	143,830
Total non-current liabilities	1,166,892	1,130,986
Total liabilities	14,697,211	15,508,820
Net assets		
Shareholders' equity		
Share capital	3,258,349	3,295,841
Capital surplus	6,504,292	6,541,784
Retained earnings	11,728,758	12,642,202
Treasury shares	(403,884)	(405,251)
Total shareholders' equity	21,087,515	22,074,576
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,564,136	1,837,502
Foreign currency translation adjustment	465,857	1,319,532
Remeasurements of defined benefit plans	(3,964)	1,162
Total accumulated other comprehensive income	2,026,029	3,158,197
Non-controlling interests	47,826	63,064
Total net assets	23,161,371	25,295,837
Total liabilities and net assets	37,858,583	40,804,658

(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

(Consolidated Statements of Income)

(Thousands of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Net sales	26,599,084	31,459,945
Cost of sales	20,191,853	23,294,752
Gross profit	6,407,231	8,165,192
Selling, general and administrative expenses		
Transportation costs	392,921	429,775
Salaries and bonuses	2,137,086	2,393,406
Technical research expenses	844,896	955,073
Other	1,649,022	1,880,844
Total selling, general and administrative expenses	5,023,927	5,659,100
Operating profit	1,383,303	2,506,092
Non-operating income		
Interest income	9,570	5,465
Dividend income	109,070	126,140
Surrender value of insurance policies	24,205	–
Foreign exchange gains	49,083	–
Other	23,027	33,647
Total non-operating income	214,957	165,252
Non-operating expenses		
Interest expenses	100,404	197,275
Foreign exchange losses	–	54,394
Bank charge	87,275	87,044
Other	2,867	4,829
Total non-operating expenses	190,546	343,544
Ordinary profit	1,407,714	2,327,800
Extraordinary income		
Gain on sale of non-current assets	2,166	1,911
Gain on sale of investment securities	61,380	–
Total extraordinary income	63,547	1,911
Extraordinary losses		
Loss on disposal of non-current assets	43	178
Loss on valuation of golf club membership	400	–
Total extraordinary losses	443	178
Profit before income taxes	1,470,818	2,329,533
Income taxes - current	427,645	559,556
Income taxes - deferred	(386,450)	70,060
Total income taxes	41,194	629,617
Profit	1,429,623	1,699,916
Profit attributable to non-controlling interests	2,289	5,517
Profit attributable to owners of parent	1,427,334	1,694,399

(Consolidated Statements of Comprehensive Income)

(Thousands of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Profit	1,429,623	1,699,916
Other comprehensive income		
Valuation difference on available-for-sale securities	(168,118)	273,366
Foreign currency translation adjustment	594,706	863,395
Remeasurements of defined benefit plans, net of tax	3,453	5,126
Total other comprehensive income	430,041	1,141,888
Comprehensive income	1,859,664	2,841,805
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,852,728	2,826,516
Comprehensive income attributable to non-controlling interests	6,935	15,288

(3) Consolidated Statements of Changes in Equity

Fiscal year ended March 31, 2022

(Thousands of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	3,221,868	6,467,811	10,769,680	(62,626)	20,396,733
Changes during period					
Issuance of new shares	36,480	36,480			72,961
Dividends of surplus			(468,256)		(468,256)
Profit attributable to owners of parent			1,427,334		1,427,334
Purchase of treasury shares				(341,257)	(341,257)
Net changes in items other than shareholders' equity					
Total changes during period	36,480	36,480	959,078	(341,257)	690,782
Balance at end of period	3,258,349	6,504,292	11,728,758	(403,884)	21,087,515

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	1,732,254	(124,237)	(7,417)	1,600,599	40,925	22,038,259
Changes during period						
Issuance of new shares						72,961
Dividends of surplus						(468,256)
Profit attributable to owners of parent						1,427,334
Purchase of treasury shares						(341,257)
Net changes in items other than shareholders' equity	(168,118)	590,094	3,453	425,429	6,900	432,330
Total changes during period	(168,118)	590,094	3,453	425,429	6,900	1,123,112
Balance at end of period	1,564,136	465,857	(3,964)	2,026,029	47,826	23,161,371

Fiscal year ended March 31, 2023

(Thousands of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	3,258,349	6,504,292	11,728,758	(403,884)	21,087,515
Changes during period					
Issuance of new shares	37,492	37,492			74,984
Dividends of surplus			(780,956)		(780,956)
Profit attributable to owners of parent			1,694,399		1,694,399
Purchase of treasury shares				(1,366)	(1,366)
Net changes in items other than shareholders' equity					
Total changes during period	37,492	37,492	913,443	(1,366)	987,060
Balance at end of period	3,295,841	6,541,784	12,642,202	(405,251)	22,074,576

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	1,564,136	465,857	(3,964)	2,026,029	47,826	23,161,371
Changes during period						
Issuance of new shares						74,984
Dividends of surplus						(780,956)
Profit attributable to owners of parent						1,694,399
Purchase of treasury shares						(1,366)
Net changes in items other than shareholders' equity	273,366	853,675	5,126	1,132,168	15,237	1,147,405
Total changes during period	273,366	853,675	5,126	1,132,168	15,237	2,134,466
Balance at end of period	1,837,502	1,319,532	1,162	3,158,197	63,064	25,295,837

(4) Consolidated Statements of Cash Flows

(Thousands of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Cash flows from operating activities		
Profit before income taxes	1,470,818	2,329,533
Depreciation	680,271	714,548
Increase (decrease) in allowance for doubtful accounts	113	34
Increase (decrease) in provision for product warranties	(37,969)	219,360
Increase (decrease) in retirement benefit liability	7,242	(45,454)
Interest and dividend income	(118,640)	(131,605)
Interest expenses	100,404	197,275
Loss (gain) on sale of non-current assets	(2,166)	(1,911)
Loss (gain) on disposal of non-current assets	43	178
Loss (gain) on sale of investment securities	(61,380)	–
Loss on valuation of golf club membership	400	–
Decrease (increase) in trade receivables	(369,651)	(683,522)
Decrease (increase) in inventories	237,342	(1,864,770)
Decrease (increase) in prepaid expenses	(71,795)	631,091
Decrease (increase) in accounts receivable - other	(162,187)	(78,883)
Increase (decrease) in trade payables	1,103,129	1,003,336
Increase (decrease) in accrued expenses	84,445	84,552
Other, net	(283,584)	484
Subtotal	2,576,835	2,374,248
Interest and dividends received	112,082	118,363
Interest paid	(60,483)	(182,729)
Income taxes refund (paid)	(268,807)	(416,642)
Net cash provided by (used in) operating activities	2,359,626	1,893,239
Cash flows from investing activities		
Proceeds from withdrawal of time deposits	31	35
Purchase of property, plant and equipment	(258,726)	(361,094)
Proceeds from sale of property, plant and equipment	2,244	9,006
Purchase of intangible assets	(28,887)	(34,079)
Purchase of investment securities	(51,414)	(16,718)
Proceeds from sale of investment securities	73,315	–
Loan advances	(2,910)	–
Proceeds from collection of loans receivable	2,742	3,420
Net cash provided by (used in) investing activities	(263,604)	(399,429)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	596,901	(958,165)
Proceeds from long-term borrowings	–	192,000
Repayments of long-term borrowings	(864,887)	(526,211)
Purchase of treasury shares	(341,257)	(1,366)
Dividends paid	(468,256)	(780,956)
Other, net	(149,819)	(167,352)
Net cash provided by (used in) financing activities	(1,227,318)	(2,242,051)
Effect of exchange rate change on cash and cash equivalents	210,442	238,538
Net increase (decrease) in cash and cash equivalents	1,079,146	(509,702)
Cash and cash equivalents at beginning of period	6,847,106	7,926,252
Cash and cash equivalents at end of period	7,926,252	7,416,549

IV. Products



VIBRATORY PNEUMATIC TIRED ROLLER
GW753 9,160Kg (20,195Lb)

Contact us

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Facebook: <https://www.facebook.com/Sakai.Tokyo.Japan>



VIBRATORY SINGLE DRUM ROLLER
SV900DV 20,030Kg (44,460Lb)



VIBRATORY SINGLE DRUM ROLLER
SV521D 10,325Kg (22,765Lb)



VIBRATORY DOUBLE DRUM ROLLER
SW652H-1K/SW654H 8,080Kg (17,815Lb)



VIBRATORY DOUBLE DRUM ROLLER
TW504 3,620Kg (7,980Lb)



ROAD STABILIZER
PM550-s 22,580Kg (49,780Lb)



ROAD CUTTER
ER555F-s 27,950Kg (61,620Lb)
[NEW MODEL]

V. Corporate Data

Basic Information (as of March 31, 2023)

Trade name:	SAKAI HEAVY INDUSTRIES, LTD.
Established:	May 7, 1949
Listed market:	The Prime Market of Tokyo Stock Exchange (Securities Code: 6358)
Listed:	September 1964
Business year:	From April 1 to March 31 of the following year
Share capital:	3,295 million yen
Number of employees:	611 persons (Consolidated)
Head office:	Nomura Shibadaimon Bld. 5F, 1-9-9 Shibadaimon, Minato-ku, Tokyo 105-0012
Telephone:	+81-3-3434-3401

Business Office (as of July 1, 2023)

JAPAN	Sapporo Sendai Tokyo Nagoya Osaka Hiroshima Fukuoka
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Subsidiaries:

SAKAI AMERICA, INC.
P.T. SAKAI INDONESIA
P.T. SAKAI SALES AND SERVICES ASIA
SAKAI HEAVY INDUSTRIES (SHANGHAI), LTD.
SAKAI KIKOH CORPORATION
TOKYO FUJI CO., LTD.
COMODO CO., LTD.

Directors (as of July 1, 2023)

President and Representing Director	Ichiro Sakai
Director and Senior Managing Executive Officer	Kenichi Mizuuchi
Director*	Kazushi Kiyomiya
Outside Director*	Kaori Sato
Outside Director*	Haruyasu Asakura

Executive Officers (as of July 1, 2023)

Managing Executive Officer	Yukinori Tsukimoto
Managing Executive Officer	Toshihiko Akimoto
Managing Executive Officer	Masahiro Tokita
Executive Officer	Takao Yoshikawa
Executive Officer	Yasunori Azumi
Executive Officer	Fumio Yamanaka
Executive Officer	Hiroshi Baba
Executive Officer	Hironobu Haraoka
Executive Officer	Nobuhiro Nakanishi
Executive Officer	Shogo Hata

* Audit and Supervisory Committee Member

Stock Status (as of March 31, 2023)

Total number of shares authorized:	14,990,000 shares
Total number of shares issued:	4,392,117 shares
Number of shareholders:	5,419

Major shareholders (Top 10)

Shareholder name	Number of shares held (Thousands)	Share-holding ratio (excluding treasury shares) (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	404	9.54
Mizuho Bank, Ltd. (Standing proxy: Custody Bank of Japan, Ltd.)	207	4.90
MUFG Bank, Ltd. Custody Bank of Japan, Ltd. (Trust Account)	207	4.90
175	4.13	
Nippon Life Insurance Company (Standing proxy: The Master Trust Bank of Japan, Ltd.)	150	3.55
The Dai-ichi Life Insurance Company, Limited (Standing proxy: Custody Bank of Japan, Ltd.)	148	3.50
Ichiro Sakai	136	3.22
NICHIREKI CO., LTD.	81	1.92
Yuken Kogyo Co., Ltd.	67	1.58
The Kyoei Fire and Marine Insurance Company, Limited	62	1.46

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