

# Consolidated Financial Results for the Three Months Ended June 30, 2021

## SAKAI HEAVY INDUSTRIES, LTD.

Stock code: 6358  
URL <https://www.sakainet.co.jp/en>

August 11, 2021

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1. Summary of Consolidated Financial Results for the Three Months Ended June 30, 2021
2. Implementing Key Initiatives Outlined in the Medium-Term Management Policy
3. Supplementary Information: The Medium-Term Management Policy, announced June 2, 2021

# 1. Summary of Consolidated Financial Results

## for the Three Months Ended June 30, 2021

# Summary of Consolidated Financial Results

(Amounts less than one million yen are rounded down)

## 1. Consolidated financial results for the three months ended June 30, 2021 (from April 1, 2021 to June 30, 2021)

## (1) Consolidated operating results (cumulative)

Percentages indicate year-on-year changes

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Three months ended June 30, 2021	6,089	33.4	202	451.0	214	—	154	—
Three months ended June 30, 2020	4,565	(14.4)	36	(74.4)	(52)	—	(122)	—

	Earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended June 30, 2021	35.85	—
Three months ended June 30, 2020	(28.49)	—

## (2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of June 30, 2021	35,115	22,017	62.6
As of March 31, 2021	35,101	22,038	62.7

## 2. Cash dividends

	Annual dividends per share				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Year ended March 31, 2021	—	30.00	—	50.00	80.00
Year ending March 31, 2022	—				
Year ending March 31, 2022 (Forecast)		60.00	—	60.00	120.00

## 3. Forecast of consolidated financial results for the year ending March 31, 2022 (from April 1, 2021 to March 31, 2022)

Percentages indicate year-on-year changes

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Six months ending September 30, 2021	11,600	14.1	300	56.8	250	47.6	180	—	41.74
Full year	23,500	8.7	900	28.3	800	21.4	520	—	120.57



## Highlights of Consolidated Business Performance

### 1. Summary of Quarterly Business Performance

**(1) Consolidated net sales: ¥6,089 million, up 33.4% YoY**

Sales rebounded from a slump a year earlier brought about by a sharp downturn in the global economy amid the COVID-19 pandemic.

**(2) Consolidated operating profit: ¥202 million, up 5.5 times YoY**

An increase of 2.4 percentage points in the cost-of-sales ratio resulting from a change in the customer mix was more than offset by the increase in gross profit from strong sales.

**(3) Sales in Japan: ¥2,765 million, up 13.9% YoY**

Sales were helped by robust public spending.

**(4) Sales in North America: ¥1,376 million, up 85.0% YoY**

Demand for construction machinery rebounded thanks to robust investment in construction projects.

**(5) Sales in Asia: ¥1,782 million, up 32.0% YoY**

The economy turned around in China, South Korea, Thailand, Vietnam. The Indonesian economy showed signs of bottoming out.

### 2. Adapting to a Changing Business Environment

**(1) Shifting to business management with a focus on a sound capital policy**

Formulated the medium-term management policy with the goals of achieving net sales of ¥30 billion, ROE of 8%, a dividend payout ratio of 50%, DOE of 4%, and buying back treasury shares flexibly.

**(2) Becoming more agile in dealing with volatile demand**

Reduced inventory by 30.7% YoY to ¥6,767 million.

## Highlights of Consolidated Business Performance

### 3. Medium- and Long-Term Growth Strategy

**(1) Make more significant inroads into the Asian market:**

Step up marketing and sales efforts out of the Indonesian office

**(2) Expand the scope of overseas business:**

Enter the road-maintenance machinery segment

**(3) Pursue business opportunities in North America:**

Increase our market share through stepped-up niche marketing

**(4) Start developing next-generation businesses:**

Focus on developing emergency brakes, a compaction management system, and autonomous vibratory rollers

### 4. Outlook for Business Environment

**(1) Japan**

Demand for construction machinery is projected to remain strong, buoyed by the Japanese government's ¥15-trillion initiative to accelerate the pace of building national resilience to prevent and mitigate natural disasters over the next five years.

**(2) Overseas**

Demand for construction machinery is likely to pick up, driven by infrastructure investment and major economic packages to drive green growth strategy in China, the EU, the United States, and other countries.

**(3) Business risks**

We anticipate the risk of running short of manufacturing materials and components amid disruptions in the supply chain and the risk of a growing cost pressure from rising materials costs and container shipping rates.

**(4) Social requirements**

We need to transform our business management with a focus on DX, SDGs/ESG, and a sound capital policy to better respond to social requirements for adopting digital solutions and green business practices.

# Consolidated Business Results

(Millions of yen)

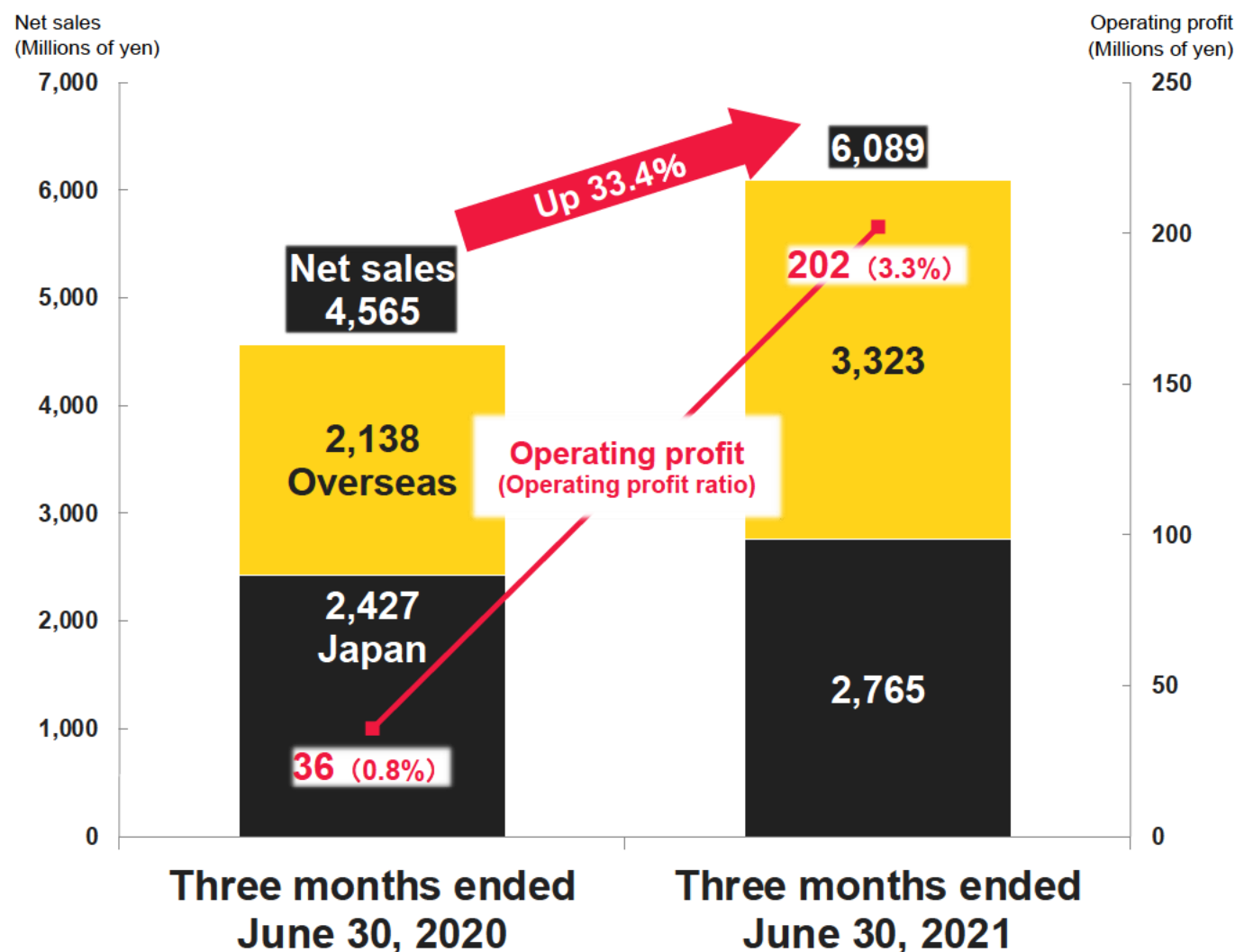
	Three months ended June 30, 2020	Three months ended June 30, 2021	YoY change	
			Amount	%
<b>Net sales</b>	<b>4,565</b>	<b>6,089</b>	<b>+1,523</b>	<b>+33.4%</b>
Japan	2,427	2,765	+338	+13.9%
Overseas	2,138	3,323	+1,185	+55.4%
<b>Operating profit</b>	<b>36</b>	<b>202</b>	<b>+165</b>	<b>+451.0%</b>
Operating profit ratio	0.8%	3.3%		
<b>Ordinary profit (loss)</b>	<b>(52)</b>	<b>214</b>	<b>+267</b>	<b>—</b>
<b>Profit (loss) attributable to owners of parent</b>	<b>(122)</b>	<b>154</b>	<b>+276</b>	<b>—</b>

Cost-of-sales ratio

73.9%

76.3%

# Consolidated Business Results



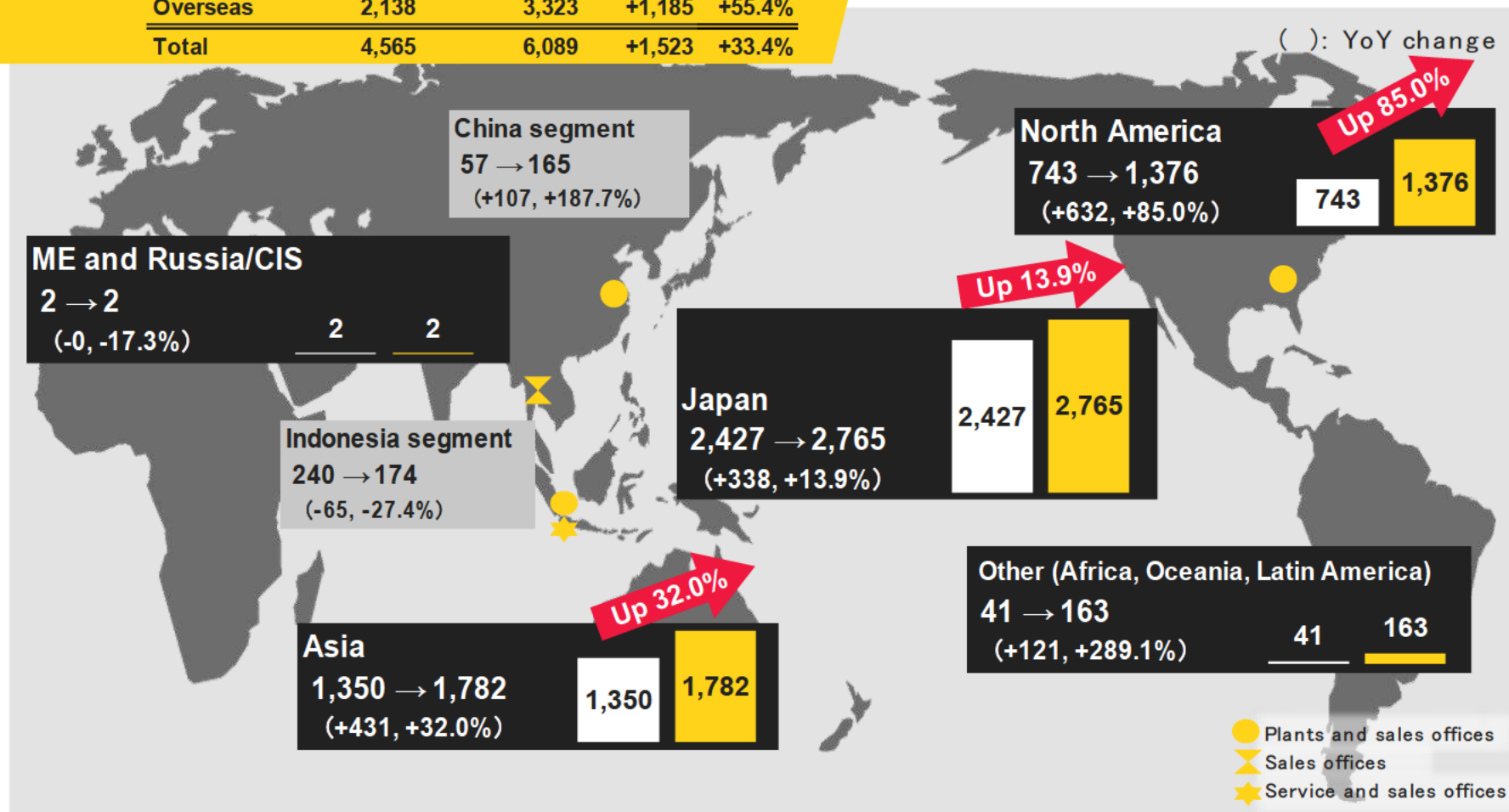
## Sales by Region in which customers are located

(Millions of yen)

	Three months ended June 30, 2020	Three months ended June 30, 2021	YoY change	
			Amount	%
<b>Japan</b>	<b>2,427</b>	<b>2,765</b>	<b>+338</b>	<b>+13.9%</b>
<b>Overseas</b>	<b>2,138</b>	<b>3,323</b>	<b>+1,185</b>	<b>+55.4%</b>
North America	743	1,376	+632	+85.0%
Asia	1,350	1,782	+431	+32.0%
ME and Russia/CIS	2	2	(0)	(17.3%)
Other regions	41	163	+121	+289.1%
<b>Total</b>	<b>4,565</b>	<b>6,089</b>	<b>+1,523</b>	<b>+33.4%</b>

# Sales by Region

(Millions of yen)	Three months ended June 30, 2020	Three months ended June 30, 2021	YoY change	
Japan	2,427	2,765	+338	+13.9%
Overseas	2,138	3,323	+1,185	+55.4%
<b>Total</b>	<b>4,565</b>	<b>6,089</b>	<b>+1,523</b>	<b>+33.4%</b>



# Segment Information by Region

in which our manufacturing facilities and sales offices are located

(Millions of yen)

Japan	Three months ended June 30, 2020	Three months ended June 30, 2021	YoY change	
			Amount	%
Sales to external customers	3,523	4,373	+849	+24.1%
Intercompany sales	65	412	+347	+532.3%
Total net sales	3,589	4,785	+1,196	+33.3%
Operating profit	48	100	+51	+107.3%

(Millions of yen)

North America	Three months ended June 30, 2020	Three months ended June 30, 2021	YoY change	
			Amount	%
Sales to external customers	743	1,376	+632	+85.0%
Intercompany sales	2	16	+14	+681.9%
Total net sales	745	1,392	+646	+86.7%
Operating profit	(40)	90	+131	— %

(Millions of yen)

Indonesia	Three months ended June 30, 2020	Three months ended June 30, 2021	YoY change	
			Amount	%
Sales to external customers	240	174	(65)	(27.4%)
Intercompany sales	622	807	+185	+29.8%
Total net sales	863	982	+119	+13.8%
Operating profit	15	50	+35	+238.6%

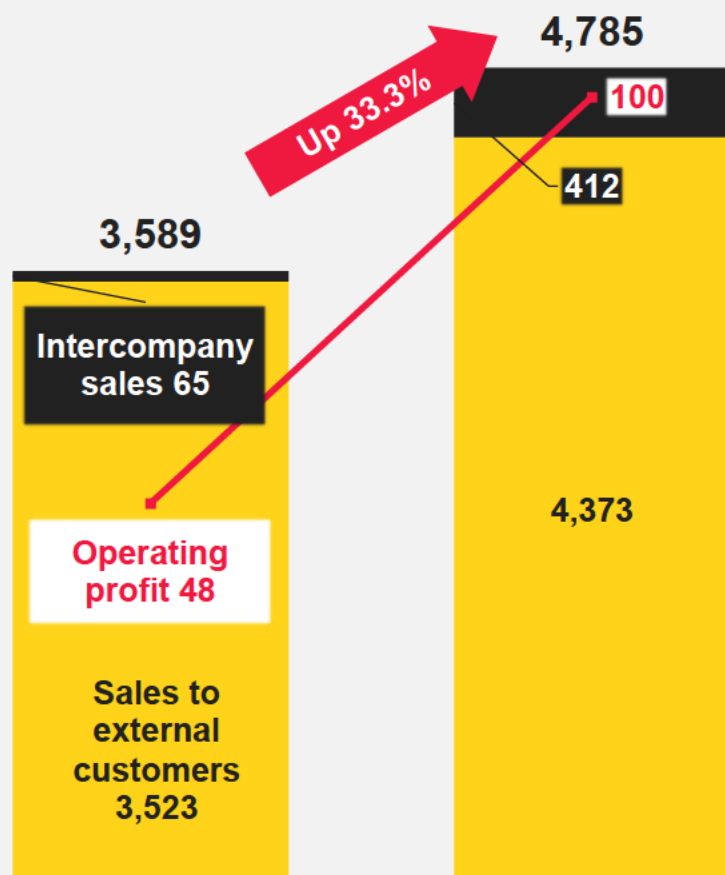
(Millions of yen)

China	Three months ended June 30, 2020	Three months ended June 30, 2021	YoY change	
			Amount	%
Sales to external customers	57	165	+107	+187.7%
Intercompany sales	70	88	+18	+26.6%
Total net sales	127	254	+126	+99.0%
Operating profit	(21)	(21)	0	— %

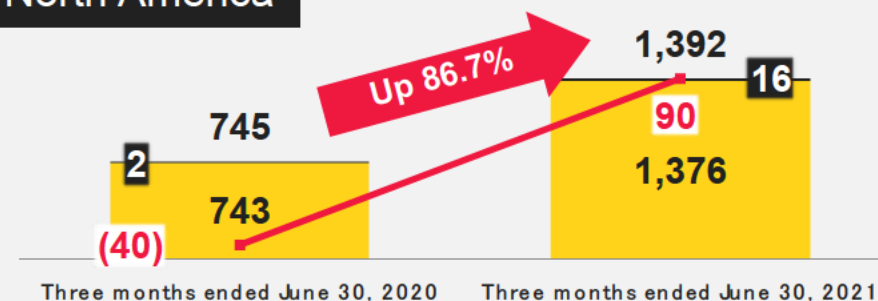
# Segment Information by Region

(Millions of yen)

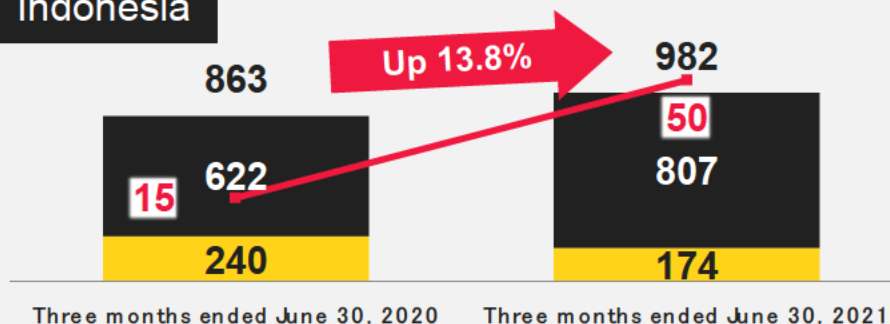
## Japan



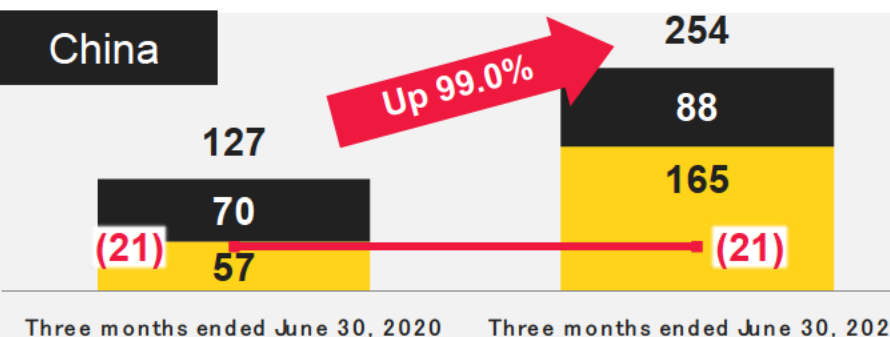
## North America



## Indonesia



## China



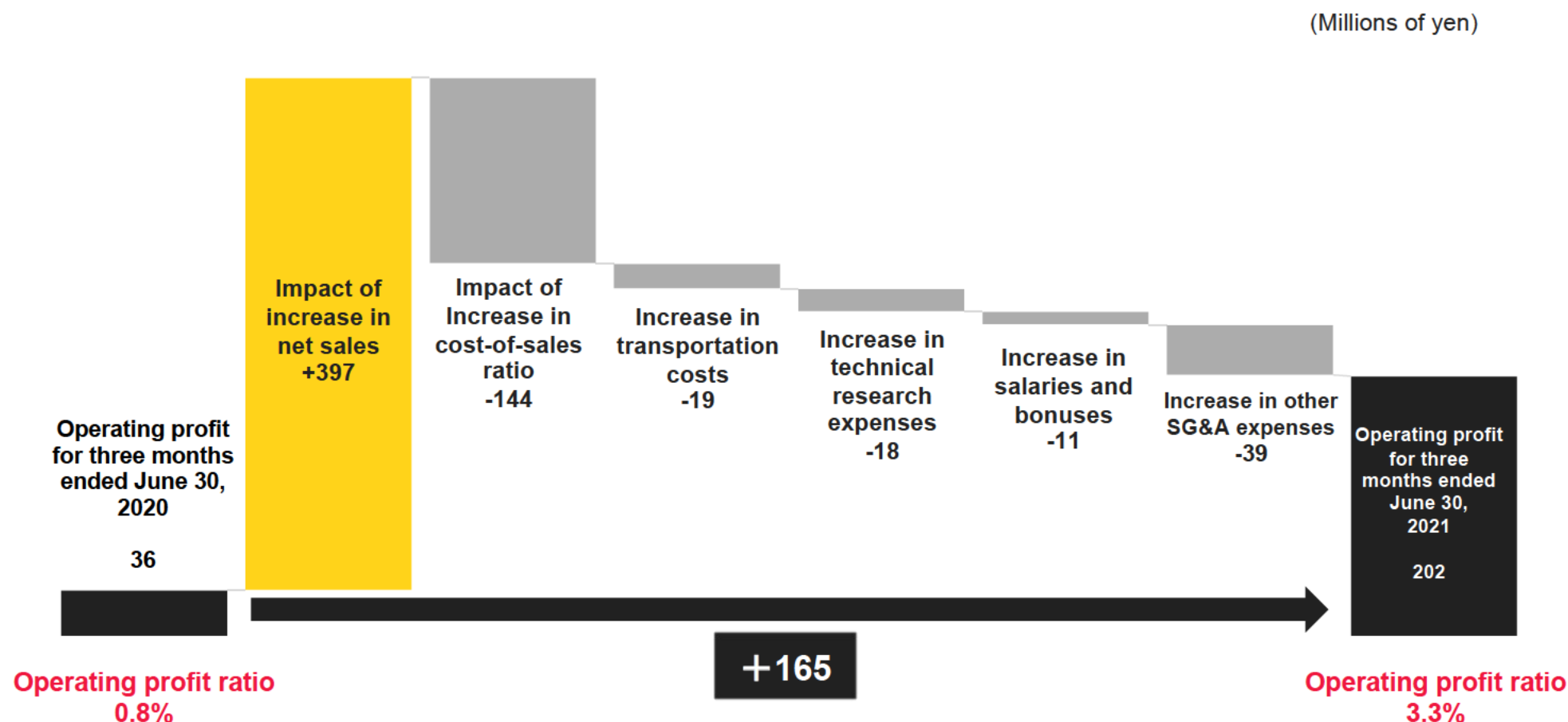


## Breakdown of YoY Changes in Operating Profit

(Millions of yen)

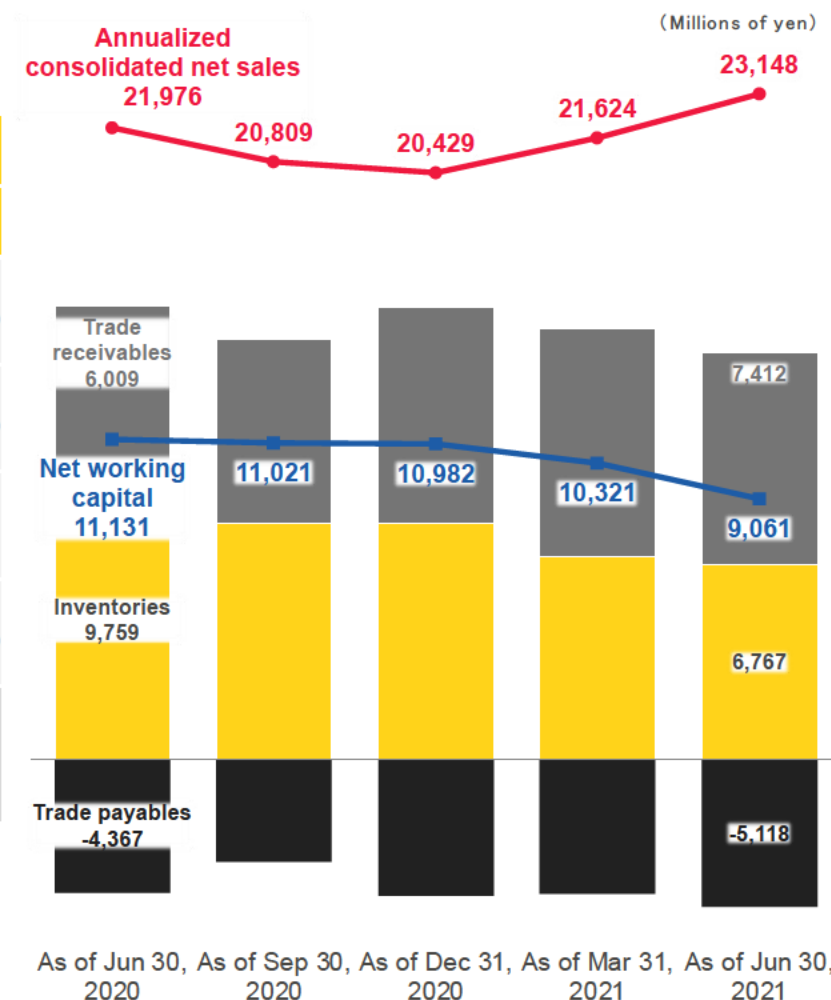
	Three months ended June 30, 2020	Three months ended June 30, 2021	YoY change	Impact on operating profit	Note
Net sales	4,565	6,089	+1,523	<b>+397</b>	1,523 x (1 - 73.9%)
Cost-of-sales ratio	73.9%	76.3%	+2.37 percentage points	<b>(144)</b>	6,089 x 2.37%
Gross profit	1,190	1,443	+253		
SG&A expenses	1,153	1,241	+87	<b>(87)</b>	Transportation costs: up 19; Technical research expenses: up 18; Salaries and bonuses: up 11; Other SG&A expenses: up 39
Operating profit	36	202		<b>+165</b>	

## Breakdown of YoY Changes in Operating Profit



# Net Working Capital (Trade receivables + Inventories – Trade payables)

	As of June 30, 2020	As of June 30, 2021	YoY change	
			Amount	%
Annualized consolidated net sales	21,976	23,148	+1,172	+5.3%
Trade receivables	6,009	7,412	+1,403	+23.3%
Inventories	9,759	6,767	(2,992)	(30.7%)
Trade payables	(4,637)	(5,118)	(481)	+10.4%
Net working capital	11,131	9,061	(2,070)	(18.6%)



# Consolidated Business Forecast

No change from the earlier forecast

(Millions of yen)

	First half				Full year			
	Six months ended September 30, 2020 (Results)	Six months ending September 30, 2021 (Forecast)	YoY change (amount)	YoY change (%)	Fiscal year ended March 31, 2021 (Results)	Fiscal year ending March 31, 2022 (Forecast)	YoY change (amount)	YoY change (%)
Net sales	10,163	11,600	+1,436	+14.1%	21,624	23,500	+1,875	+8.7%
Operating profit	191	300	+108	+56.8%	701	900	+198	+28.3%
Ordinary profit	169	250	+80	+47.6%	659	800	+140	+21.4%
Profit (loss) attributable to owners of parent	( 373)	180	+553	—	4	520	+515	—
Earnings per share	(¥87.01)	¥41.74	—	—	¥0.93	¥120.57	—	—

## 2. Implementing Key Initiatives Outlined in the Medium-Term Management Policy

## KPIs Established in the Medium-Term Management Policy

(Millions of yen)

	Three months ended June 30, 2020 (Results)	Three months ended June 30, 2021 (Results)	Fiscal year ending March 31, 2022 (Forecast)	Target for fiscal year ending March 31, 2024	Target for fiscal year ending March 31, 2026
<b>Net sales</b>	4,565	6,089	23,500	26,500	30,000
<b>Operating profit</b>	36	202	900	2,000	3,100
<b>Annualized return on equity (ROE) <sup>1</sup></b>	(2.2%)	2.8%	—	5.5%	8.0%
<b>Share buybacks (through March 31, 2026)</b>	—	87	340 <sup>2</sup>	500 ~ 2,000 <sup>3</sup>	

1. An annualized ROE applies to the corresponding fiscal year.

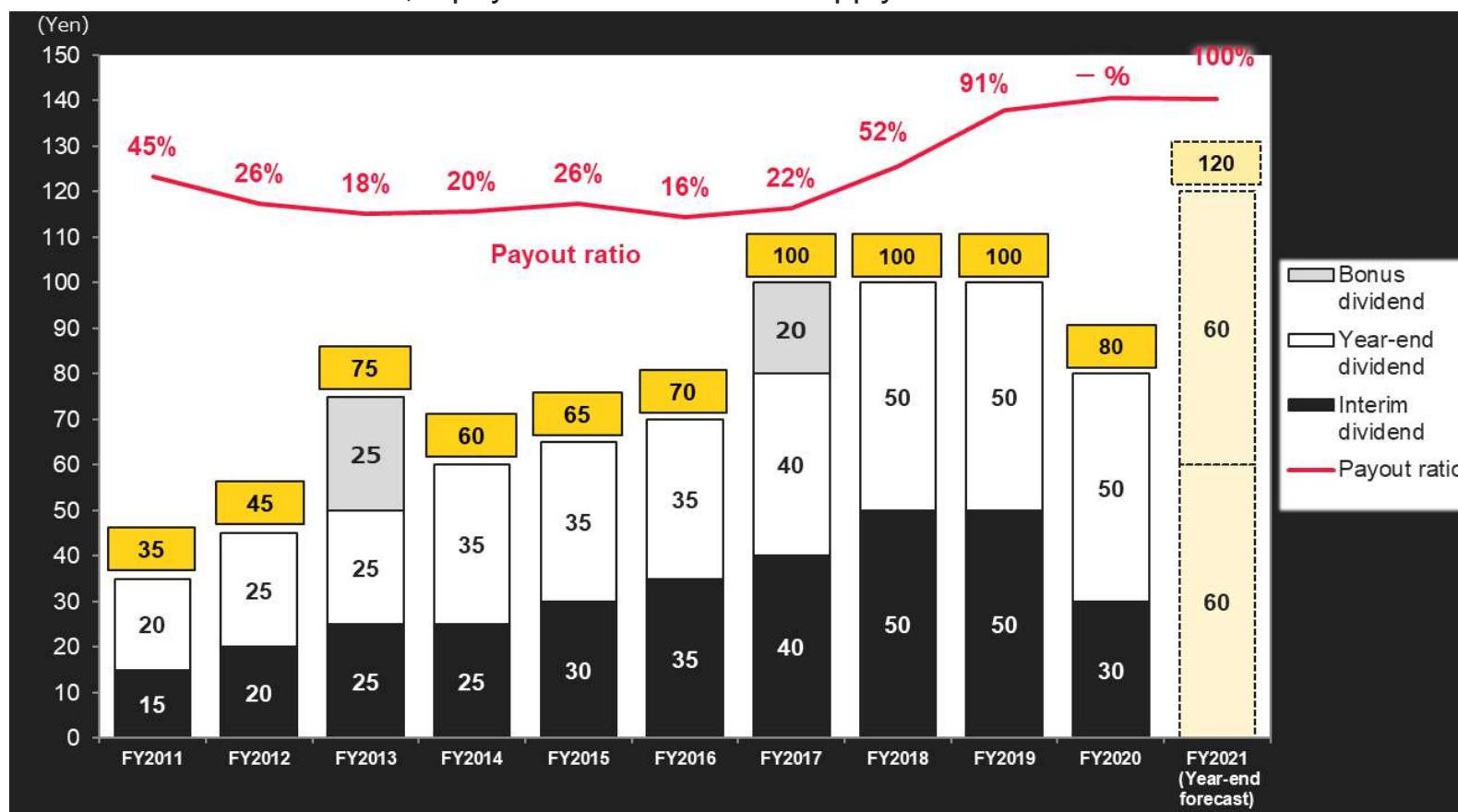
2. The amount of share buybacks projected for the fiscal year ending March 31, 2022, represents the amount of buybacks conducted for the year to date as of August 11, 2021.

3. The cumulative amount of buybacks projected through March 31, 2026

## Dividends per Share

Our goal is to achieve an ROE of 8% in the medium term, and our dividend policy is as follows:

- When ROE falls below 3%, a payout ratio of 100% will apply.
- When ROE is between 3% and 6%, a DOE of 3% will apply.
- When ROE exceeds 6%, a payout ratio of 50% will apply.



Note: We made a ten-for-one share consolidation effective October 1, 2017. Dividend payouts for the periods prior to the share consolidation are adjusted to be in line with the post-consolidation payouts.

## Progress in the Key Medium-Term Management Initiatives

### **(1) Share buybacks**

Completed the first round of share buybacks with a ceiling of 130,000 shares for ¥500 million:

- ① June 17 to 23: Bought back 34,700 shares for ¥87.6 million.
- ② July 1 to 15: Bought back 95,300 shares for ¥252.8 million (a total of 130,000 shares for ¥340.4 million)

### **(2) Implementing a medium-term dividend policy**

Announced a dividend forecast for the fiscal year ending March 31, 2022:

- ¥120 per share (up 50% YoY)
- Payout ratio: 100% (an estimated ROE of 2.3%)

### **(3) Disclosing financial information in English**

- ① Convocation notice of general meeting of shareholders
- ② Medium-Term Management Policy
- ③ Annual Report
- ④ Quarterly earnings announcements



### 3. Supplementary Information:

## The Medium-Term Management Policy

(Announced June 2, 2021)



# Medium-Term Management Policy

June 2, 2021

**SAKAI HEAVY INDUSTRIES, LTD.**

# Contents

## **Introduction**

Background for creation of our medium-term management policy and holding of a briefing session

- 
- 1 Corporate Profile**
  - 2 The Company's Business Environment**
  - 3 Our Corporate Vision**
  - 4 Business Strategies for Achieving Objectives**
  - 5 Capital Strategies for Achieving Objectives**
  - 6 ESG Supporting Sustainable Growth**
  - 7 Policy for Dialogue with Capital Markets**

## Background for creation of our medium-term management policy

As a company listed in the First Section of the Tokyo Stock Exchange, we have striven to maximize our corporate value, primarily by expanding our businesses.

We are aware that listed companies are now being required to make a commitment to maximize corporate value and achieve sustainable growth based on an advanced governance structure, as seen by developments such as the revision of the Corporate Governance Code and changes to the market categories of the Tokyo Stock Exchange.

We view this transformation regarding listed companies as a major opportunity for a “second listing.” We have created a medium-term management policy in order to enhance dialogue with the capital markets, and clearly express our commitment to meeting the expectations of our investors and shareholders.

We will continue to carry out growth strategies through our business activities, while at the same time striving to maximize our corporate value through the decisive execution of our capital policies.

Thank you for your understanding regarding our management, and for your continued cooperation and support.

June 2, 2021

Ichiro Sakai  
President and Representing Director  
SAKAI HEAVY INDUSTRIES, LTD.

# 01 Corporate Profile

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Corporate Philosophy

**Contribute to the social project of global land development  
through the road construction equipment business**

**Our Business**

Overview

A specialized manufacturer of road construction equipment, centered on the Japanese, Asian, and North American markets

Research and development, design, manufacturing, sales, service, and technical guidance for the construction machinery necessary for road construction and various types of compaction work

Our end users are paving and civil-engineering contractors.

Our commercial distribution is by direct sales, sales and service distributors, and construction-equipment rentals.



(As of March 31, 2021)

# History

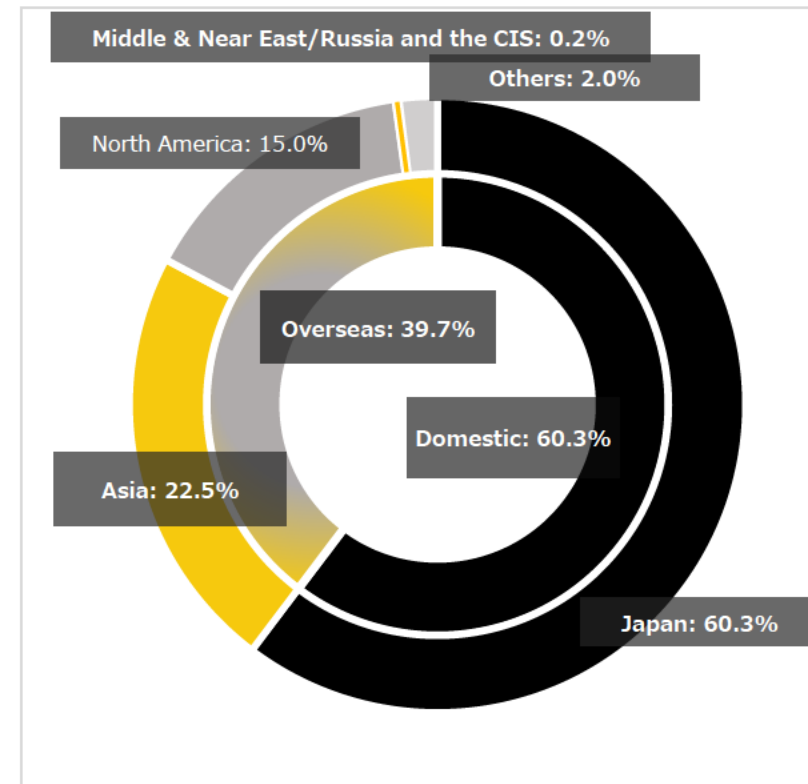
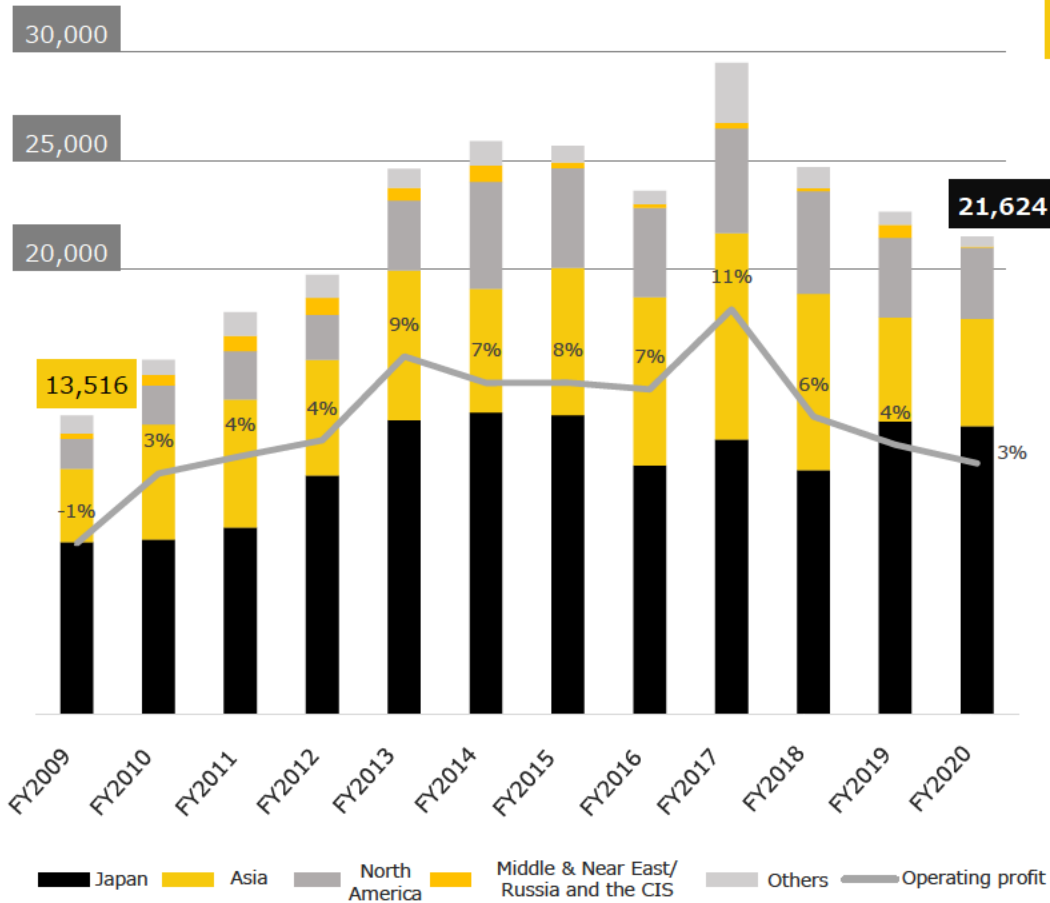
1918	The Company is founded by Kinnosuke Sakai, with the aim of manufacturing and repairing parts for automobiles, internal combustion engines, and steam locomotives.
1929	With the increasing scale of civil engineering works in Japan, the Company starts producing road rollers. Continued capital investment, driven by increasing demand leads to a dramatic growth in business.
1935	Initiated export of road rollers, etc. to Thailand.
1964	Listed on the Second Section of the Tokyo Stock Exchange.
1981	Listed on the First Section of the Tokyo Stock Exchange.

## Status of the Consolidated Group

<b>Consolidated</b> (602 employees)	Japan (4 companies) / Overseas (5 companies)
<b>Japan</b> (338 employees)	SAKAI HEAVY INDUSTRIES, LTD. (the Company) SAKAI KIKOH CORPORATION TOKYO FUJI CO., LTD. COMODO CO., LTD.
<b>United States</b> (48 employees)	SAKAI AMERICA, INC.
<b>Indonesia</b> (162 employees)	P.T. SAKAI INDONESIA P.T. SAKAI ROAD MACHINERY INDONESIA P.T. SAKAI SALES AND SERVICES ASIA
<b>China</b> (54 employees)	SAKAI HEAVY INDUSTRIES (SHANGHAI), LTD.

Since the global financial crisis, net sales have trended upward over the medium to long term

Sales by region for FY2020



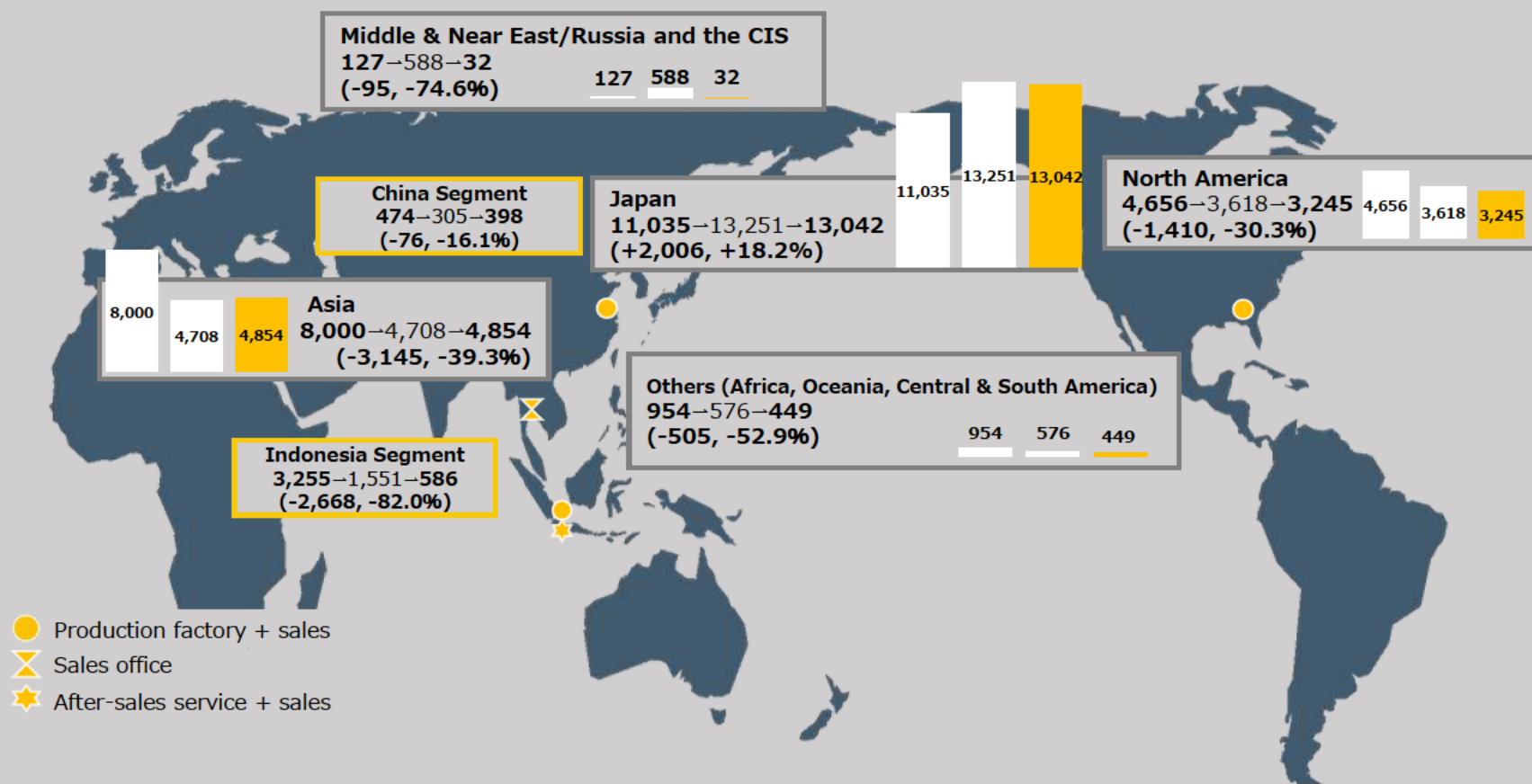
(Millions of yen)



# Status of Global Business Development

(Millions of yen)	FY2018	FY2019	FY2020	Compared to two years ago	
<b>Domestic</b>	<b>11,035</b>	<b>13,251</b>	<b>13,042</b>	<b>(2,006)</b>	<b>(18.2%)</b>
<b>Overseas</b>	<b>13,739</b>	<b>9,492</b>	<b>8,582</b>	<b>(-5,157)</b>	<b>(-37.5%)</b>
<b>Total</b>	<b>24,775</b>	<b>22,744</b>	<b>21,624</b>	<b>(-3,150)</b>	<b>(-12.7%)</b>

( ) Compared to two years ago



# Our Road Equipment



## Tandem Roller (left)/Combined Roller (right)

Used in mid-sized and smaller urban paving works.



## Road Planer

Used for road repair works.

Cuts damaged existing road surface to a width of 2 m and a depth of 15 cm.



## Vibratory Roller for large-scale paving

Used for asphalt paving work, primarily on expressways.

High demand for large-scale paving work, primarily in the United States and China



## Vibratory Single Drum Roller for large-scale earthworks

Used for road foundation work and large-scale civil engineering work, such as land development and dams.

**Expertise** in products and services  
**Trust** backed by experience in engineering

Mechanical vibration technologies

and

Vibration isolating technologies

Deploying a global niche strategy through  
selection and concentration

Please see following video for details:

“SAKAI Is:”

<https://www.youtube.com/watch?v=dkEx1muYo6E>

## 02 The Company's Business Environment

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COVID-19 and global warming have triggered a

**massive transformation of global society**

**Restrictions on activities on a global scale**

have given digital technologies penetration in society

**Decarbonization policies at a global level**

determined and a major transition to an era of green growth

**A more fluid geopolitical situation and supply-chain disruptions**

As a company that emphasizes the development of technology, we view the current era of structural transformation, with accelerating DX, decarbonization, and energy efficiency, as a once-in-a-generation **chance** for business growth.

From simple competition in physical goods, **to competition in terms of the environment, quality, and productivity** of construction equipment work as a whole, over the medium to long term

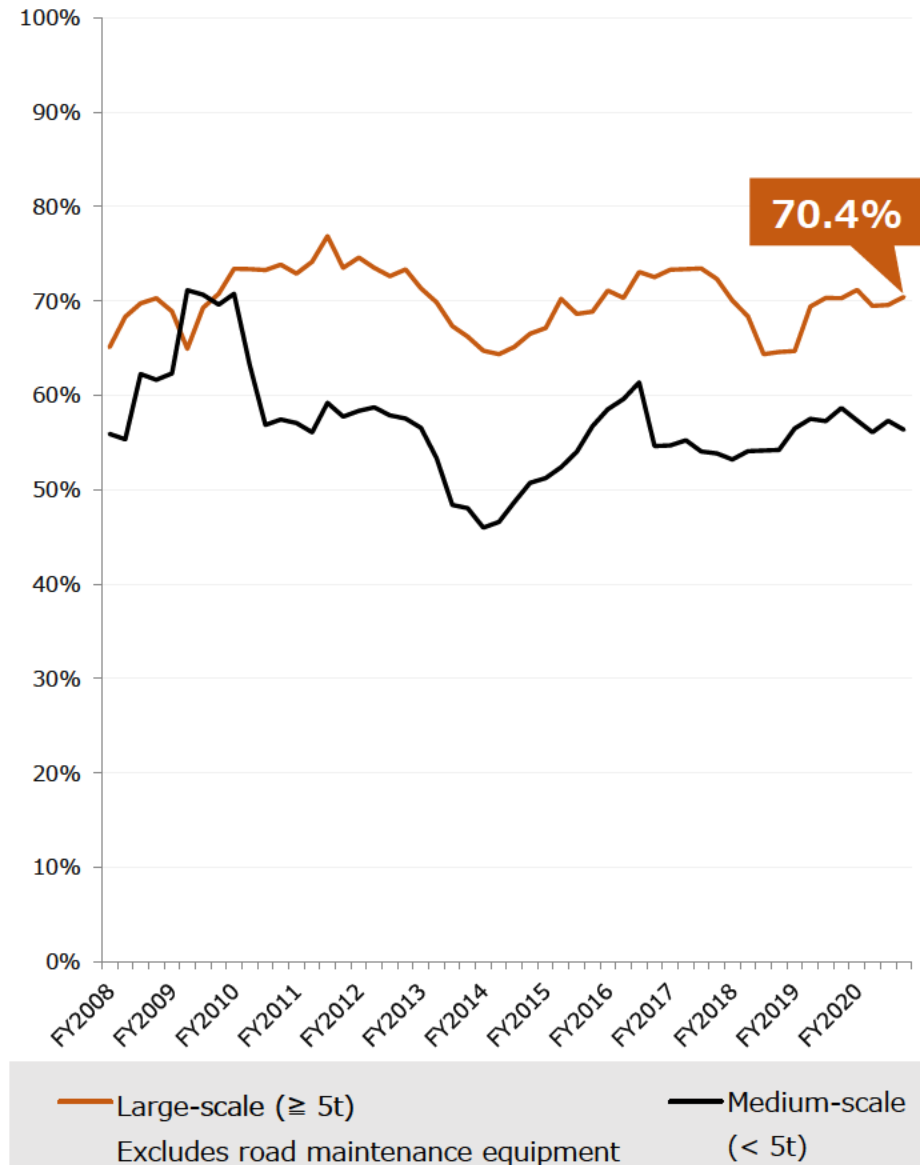
## Solid Market Position

We are maintaining a **high market share**, backed by long years of trust and technology forged by the stringent quality requirements in Japan.

A five-year national resilience budget of 15 trillion yen is expected to create **stable market conditions**.

In addition to the horizontal rollout of automatic emergency brake system equipped models, our policy is to develop **high value-added businesses through next-generation technology**

such as a rolling compaction management system for ICT construction and autonomous vibratory rollers.





**Further developing our business,**  
**fueled by the post-Covid policies in each country**

**United States**

Post-Covid economic policies are providing a tailwind, including a \$1.7 trillion jobs plan and a \$300 billion-scale medium-term road improvement plan, which represents a 34% increase over the previous plan.

We aim to expand our businesses by capitalizing on a recovery in demand (recovery to the 9,000 range, from the current 6,000 range) and a larger market share (acquisition of an 8% share, from the current 5%).

**Southeast Asia**

The Vietnamese, Thai, and Cambodian markets have already recovered from the Covid shock.

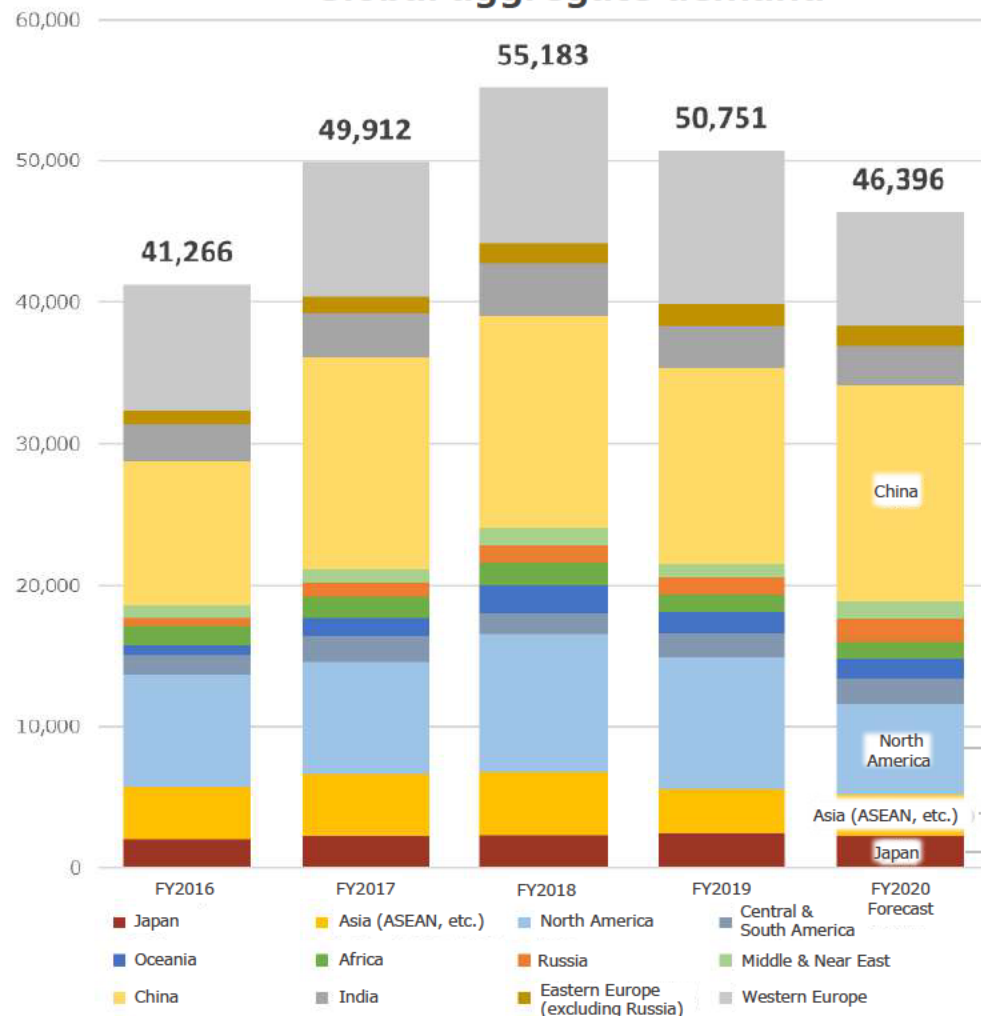
Indonesia, Malaysia, and the Philippines have also announced policies of aggressive infrastructure investment budgets.

We are aiming for a 40% market share (from the current 30%) in Indonesia, by strengthening our manufacturing and sales/service capabilities as a key ASEAN location, and leveraging our 50-year history in Indonesia.

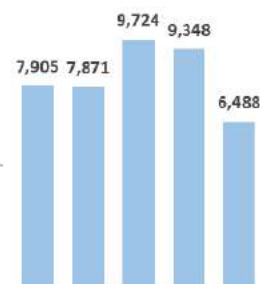
# Global roller demand statistics for FY2016 to FY2020

(Number of units)

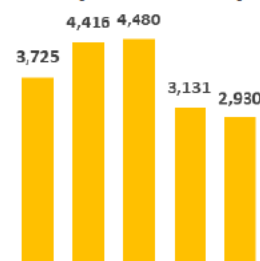
## Global aggregate demand



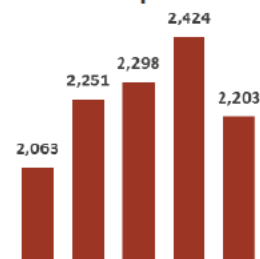
### North America



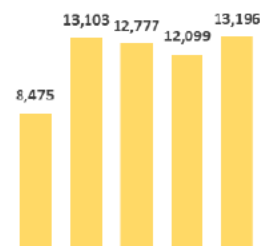
### Asia (ASEAN, etc.)



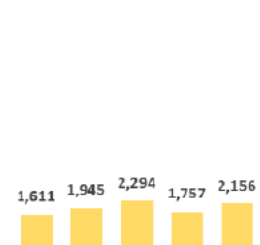
### Japan



### Manufacturers within China



### Foreign manufacturers



Source: Research performed by the Company



## 03 Our Corporate Vision

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# 01 Vision

**A global niche corporation that is world top-class**  
 in road construction equipment

Over the next five years, we will aim for  
**net sales at the ¥30 billion level,**  
 and **long-term growth** into a **company**  
**with ¥50 billion in sales.**

# 02 Maintain listing in the Prime Market

Break away from traditional stability-oriented management,  
 and transition to qualitatively and quantitatively

**global standard corporate management**

Increase

**corporate value**

**shareholder value**

Maintain and improve our brand  
 value and creditworthiness.

Hire talented human resources.

Enable flexible procurement of  
 financing through the stock market.

## Business Challenges and Objectives

Our current challenge is **expanding our market share,** especially **in overseas markets.**

While all of the major global players in the industry other than us are conglomerates, we will expand our market share by leveraging the experience, trust, and advanced day-to-day technology development results we have built as an independent enterprise in the road construction equipment industry.

## Growth Strategy

Create added value by growing our overseas market share, expanding overseas business domains, and developing next-generation businesses.

## Capital Strategy Objectives

Execute a disciplined financial  
 strategy based on ROE.

Procure the necessary financing to  
 invest in growth, while  
 maintaining an awareness of  
 ROIC.

Dividend policy based on awareness of  
 the dividend on equity ratio (DOE)

## Medium to Long-Term Objectives

Achieve net sales of ¥30 billion and an ROE of 8%,  
 while **maintaining** a stable  
 dividend payout ratio of 50% (DOE of 4%)

KPI	FY2020 Results	FY2023 Targets	FY2025 Targets
Net sales	¥21.6 billion	¥26.5 billion	¥30.0 billion
Operating profit	¥0.7 billion	¥2.0 billion	¥3.1 billion
ROE	0.0 %	5.5%	8.0%
Dividend policy	If ROE falls below 3%, the dividend payout ratio will be 100%. If ROE is between 3% and 6%, the DOE will be 3%. If ROE is above 6%, the dividend payout ratio will be 50%.		
Share buybacks	Consider flexible share buybacks with an upper limit of ¥0.5 to ¥2 billion.		

## 04 Business Strategies for Achieving Objectives

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Overall Policy

Growth strategy for achieving

**sales of  
¥30 billion**

**Our policy is to  
improve capital  
efficiency**

based on our medium to long-term growth  
strategy and business portfolio

(We will set standards for our business portfolio, and  
engage in thorough, disciplined portfolio management.)

Transition to

**management  
that emphasizes  
return on capital**

(ROE and ROIC)

Initiatives by Area

Cultivate markets more fully, and  
expand our product domains

**Southeast Asia**

Enhance our Indonesia site, where a new  
factory started to operate in 2019, as a core  
location for sales, manufacturing, and service  
directed at the ASEAN region.

Expand overseas business domains through  
a strategy of expanding sales of road  
maintenance equipment.

Stabilize and develop next-generation  
businesses

**Japan**

- Maintain a 70% share of large rollers.
- Horizontally roll out models equipped with  
automatic emergency brake systems.
- Improve compaction quality using a rolling  
compaction management system.
- Commercialize autonomous (unmanned)  
vibratory rollers.

Expand our market share

**North America**

- Strengthen our North America logistics  
strategy and advance measures to  
increase our market share.
- Niche marketing strategy based on the  
Lanchester/Blue Ocean strategy
- Promote high-end engineering sales  
focused on improved pavement quality.

# R&D Initiatives

Streamline our business strategy and R&D, aiming for **improved capital efficiency** (ROIC) over the medium to long term

Our policy is to continue active investment in DX/next-generation businesses, to meet today's needs (while also conducting joint development for lunar exploration with JAXA).

Improve our growth strategy and development productivity through a medium to long-term development roadmap (Module development/CAE)

Policy of maintaining a ratio of R&D to net sales of 3-4%

## Rolling compaction management system

### Compaction Meister (with CCV)

Remotely links work managers with worksites, allowing compaction quality to be confirmed and managed (e.g., number of rolling compactions) in real time.



## Quality

## Safety

### Automatic emergency brake system

Performs an emergency stop of operating equipment if a person or obstacle is in the equipment's movement path. Promoting horizontal roll out of equipped models.

TZ704G (since Oct. 2018)

R2-4G (since Oct. 2019)

TW/SW354G  
TW/SW504G  
(since Sep. 2020)



## Productivity

### Autonomous vibratory roller

Autonomous driving standard equipment development project

Through unmanned construction, we aim to create safe worksites, improve productivity through efficient compaction operations, and stabilize and improve quality, independent of operator skill.



**Smart  
Compaction  
Tryangle**

# 05 Capital Strategies for Achieving Objectives

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Return profits to shareholders at level that supports our objective of an **8% ROE**.

Medium-term targets are an **8% ROE and 50% dividend payout ratio**.

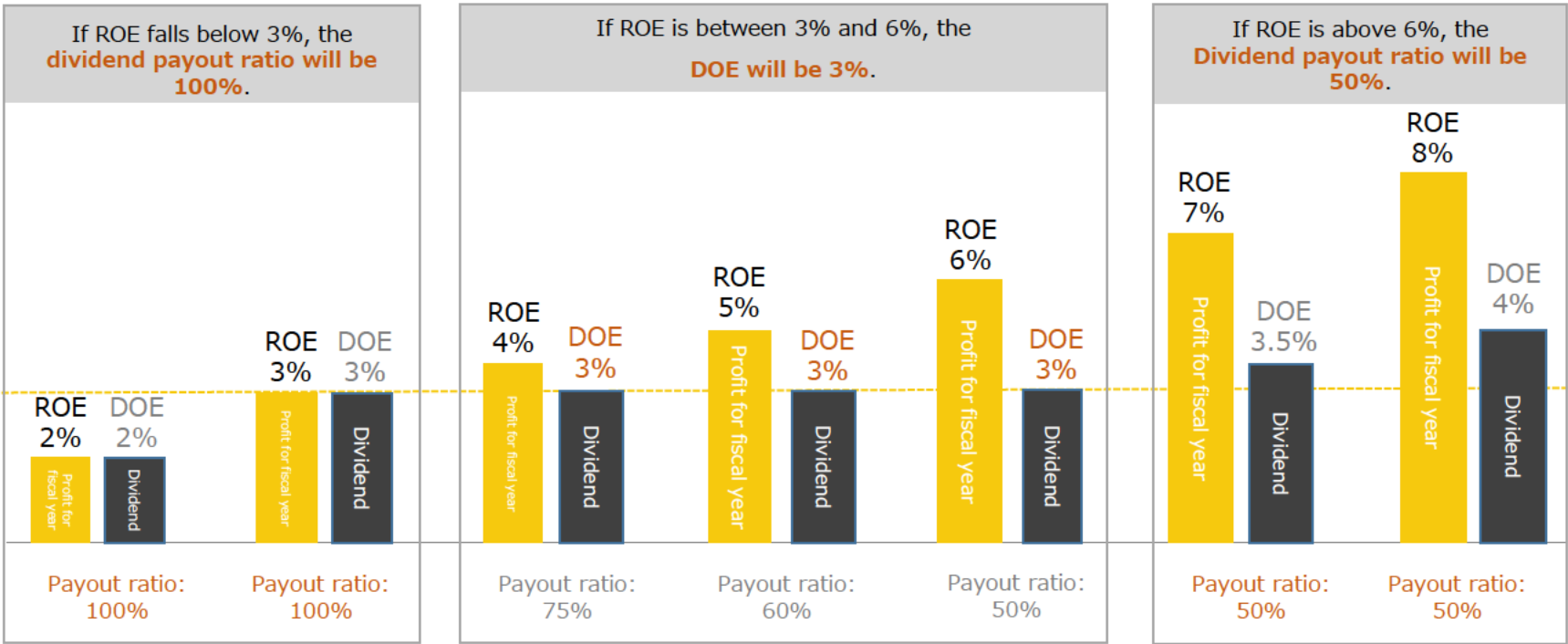


Focusing on market trends for stock price, consider flexible share buybacks with an upper limit of ¥0.5 to ¥2 billion by FY2025.

Review investment securities from a business strategy perspective.

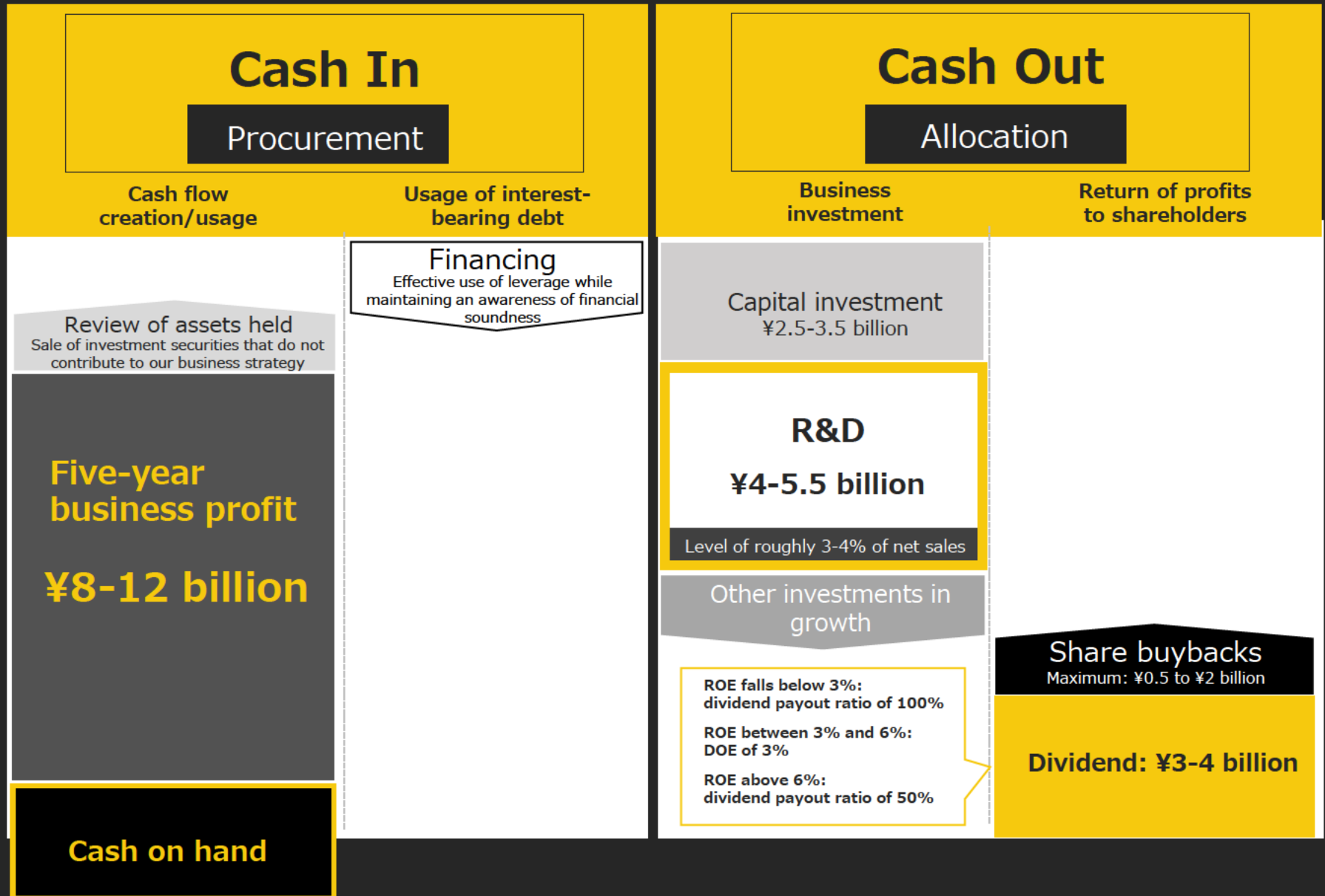
Also consider the use of leverage for investment in growth.

DOE level  
of 3%





# Image of Cash Procurement and Allocation



# Improve TSR Increase shareholder value

Improve ROIC & ROE

## Business Strategy



### Top-line growth

Achieve **net sales of ¥30 billion** by steadily executing different business strategies for each area.



### Improve profitability

Using **operating profit as the KPI**, aim to steadily increase profits from our main business. (Minimize increases in the break-even point.)

**Active R&D** initiatives that create high added value

### Investment activities



Maintain **an awareness of ROIC** when investing in new businesses and performing R&D.

For the time being, maintain an R&D expense rate of roughly 3-4%.

## Capital Strategy

### Improve capital efficiency

For our business portfolio, thoroughly manage businesses by creating a medium-term policy.

Review investment securities that do not contribute to our business strategy or businesses.

Actively utilize leverage for investment in growth, while considering the balance between capital efficiency (utilization of loans) and resistance to drastic changes in the environment (equity capital).

### Policy for returning profits to shareholders

### Dividend policy

If ROE falls below 3%, the dividend payout ratio will be 100%.

If ROE is between 3% and 6%, the DOE will be 3%.

If ROE is above 6%, the dividend payout ratio will be 50%.

### Share buybacks

Consider **flexible share buybacks with an upper limit of ¥0.5 to ¥2 billion** by FY2025.

## 06 **ESG** Supporting Sustainable Growth

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## E: Environmental Initiatives

R&D and manufacturing initiatives, with an awareness of reducing the environmental impact

from all construction work utilizing our construction equipment and other machinery

### Response to Climate Change

Drastically reduce CO<sub>2</sub> emissions, by reducing energy consumption and converting to virtual factories for all construction work.

Equip worksites with autonomous vibratory rollers, to enable remote work using 5G and unmanned construction using AI.

Greatly reduce construction lead time through an ICT rolling compaction management system and real-time quality inspections.

Reduce the CO<sub>2</sub> emissions of our construction equipment.

Compliant with primary to quaternary regulations on diesel engine exhaust gas.

R&D on electric rollers is ongoing.

Recommend energy efficiency during construction via an ECO mode setting.

The CN team has begun activities to reduce CO<sub>2</sub> emissions from factories.

The products themselves have high circularity.  
(Durability of 20-30 years; the steel structure is easy to repair)

### Resource Utilization

# Management policy of contributing to the social project of global land development through road construction

## Worker Safety

Improve safety at construction worksites

Prevent accidents involving death or injury at construction worksites through the adoption of "Guardman," an automatic emergency brake system equipped roller.

## Activities to Contribute to Society

Develop technologies that contribute to land development in terms of road construction  
 (each density increase of 1% prolongs road life by 10%)

Vertical vibratory roller for earthwork, rationalized through thicker compaction (from 30 cm to 60 cm); 4,000 vpm high-frequency vibrating roller which solves the difficulty of compacting the long-lifetime paving material, Superpave used in North America; vibrating tire roller that provides an enhanced ability to achieve compaction density under conditions where rolling is difficult.

Provides equipment and transfers construction technologies to emerging countries (Africa, Central America, and Asia) through ODA, enables rural road construction through the use of local materials, and transfers technology for stabilizer construction methods.

## Human Capital Development

Diversity

Due to the global expansion of our production sites, half of the Group's personnel are foreign nationals. In addition, our Japanese sites also actively hire foreign nationals each year.

In addition to being a company with an Audit and Supervisory Committee  
that realizes advanced governance, we carry out the following initiatives

## Items Under Consideration

Clarification of our basic standards and approach to performance-linked compensation

Establishment of a compensation committee, comprising a majority of Outside Directors

Methods for evaluating the effectiveness of the Board of Directors

Establishing an Officer (Directors & Executive Officers) composition with an awareness of the skill matrix

## Items Already Implemented

Outside Directors comprise at least 1/3 of the Board of Directors.

We have built a system that completely separates oversight from business execution, by establishing a Monitoring Board (comprising Directors only) dedicated to oversight, and a Management Board (Directors & Executive Officers) dedicated to business activities.

# 07 Policy for Dialogue with Capital Markets

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We will carry out the following initiatives, aimed at maintaining our listing in the Prime Market.

**01** Officer in Charge of IR/SR: Takao Yoshikawa, Executive Officer  
(has been serving as the Officer in Charge of IR, to the present)

SAKAI HEAVY INDUSTRIES, LTD.

Head of IR Office: Takao Yoshikawa



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**02** In addition to our Annual Reports, we will actively translate materials into English, including the notification of the convocation of the General Meeting of Shareholders (simplified version) as well as our financial statements (main portions).



# SAKAI

## MASTERS OF COMPACTION

### Contact Us

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Performance forecasts and other forward-looking statements in this document are based on information available at the time of this writing, as well as certain assumptions deemed reasonable. Actual performance and other results may differ depending on a variety of factors.