Q&A at Medium-Term Management Policy Meeting Wednesday, June 2, 2021 SAKAI HEAVY INDUSTRIES, LTD.

Q-1

I am Shimada with the Nikkan Kogyo Shimbun. Thank you. I have two questions. Regarding the mid-to-long-term targets on page 17, 21.6 billion sales becomes 26.5 and then 30 billion yen. For the overseas sales the figure is 7 billion yen in FY2021. How will this grow when overall sales increase to 26.5 and 30 billion yen? Also, related to this, in your earnings briefing, on the third page you refer to China. The policy of decoupling US and China. As you know, it will be impossible to export Chinese parts to the US and Europe in the future. The same issue may happen to Japan. So the parts and components that were imported from China to Japan or Indonesia will need to be replaced. I imagine they'll mostly come from Indonesia. You may need to import cast metal and steel from Indonesia. There may be other issues. What are your thoughts on that? I'm sure you are deliberating it. What is your direction? My second question is simple. You have stated that you are developing an electric roller. What is the schedule for its production? For example, producing prototypes in two years. For electric rollers used in construction, only small rollers can be made using lithium batteries now. For bigger rollers, I imagine you would need to use fuel cells or hydrogen. Could you please give your ideas as well as the schedule? Sorry I took so long. A-1

I see. The first question was our mid-to-long-term overseas targets. Also, with the US-China decoupling, where would we turn for a supplier? Right. The third question was our EV direction. Yes. As many details as you can. Let's see. First, on the topic of overseas sales. In FY24, overseas sales will be around 13 billion yen. After that... In FY26, it will be around 16.5 billion yen. I just did a rough estimate. Then, the US-China decoupling issue. About that. You asked about special components, but we actually exported many complete machines from China to the US. Last year, after Trump's tariffs, we stopped doing that. We switched to US production. In terms of other materials, since we can't procure them from China, we procure them from Indonesia, Mexico, or Japan. Decoupling impacted us most in terms of stopping Chinese production of completed machines. Our Chinese factories lost a lot of orders there, so we are doing our best to secure domestic sales in China. About the EV roller. The first prototype is done. It wasn't serious, but the 2nd prototype should be ready in one to two years. That is just to have a functioning prototype. In terms of creating a product that would be profitable, we are looking at four or five years. We are working on the functionality now. The cost of batteries and motors will change dramatically in the future. We can't find a motor we can use in a roller now. It is way too expensive to develop that ourselves. We are waiting for the materials and components to be made. So right now, we are working to develop the functionality for that.

Q-2

About the US-China decoupling issue, is it pretty much done now? -Is it a resolved issue?

A-2

It has been resolved. China segment results are poor now. The past two to three years, it was profitable by exporting to the US. They are bad, but will recover by selling in China.

Q-3

I see. For machines produced in Japan, do you import components from China?

A-3

We do. This supports the Chinese factory. They are also cheaper. So we are using those components.