

SAKAI HEAVY INDUSTRIES ESG Briefing

Creating economic and social value through our business activities

January 26, 2022

SAKAI HEAVY INDUSTRIES, LTD.

Background of the ESG briefing

We have contributed to the social business of land development globally through our road construction equipment operations.

We believe that our raison d'être and responsibilities are to provide our customers with highly reliable products and services, to constantly reinforce our technologies for developing our road construction business further, and to apply our specialized technologies in related businesses.

The road construction business has become an essential part of the world's infrastructure. We have entered an era, however, where we need to reduce burdens on the earth and the environment. Our objective is to become a truly global company that can play a key role in global land construction, while accommodating demands of the new era through leveraging the tangible and intangible know-how accumulated over our many years of experience, as well as our relentless pursuit of new technologies.

Today, we are holding an environment, social, and governance—or ESG—briefing session. The session is designed to help those involved in the capital markets to understand thoroughly that our business not only contributes to the resolution of a host of social issues but also leads to further enhancement of corporate value by accurately seizing opportunities while managing environmental and social risk.

Ichiro Sakai, President
SAKAI HEAVY INDUSTRIES, LTD.

Contents

Introduction

Background of the ESG briefing



- 1. Business overview and vision**
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- 2. Resolving social issues through business activities and growth strategies**
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- 3. Building human capital to support sustainable growth**
Recruitment and talent development for global niche strategies
- 4. Climate change initiatives and commercialization strategies**
Opportunity and risk analysis, creation of new added value that helps reduce CO2 emissions produced in the construction process
- 5. Creating a management structure to strengthen corporate governance**
A management structure in which one-third of the Board of Directors is comprised of independent, external directors, complete independence of business execution from oversight, Nomination and Compensation Committee, and skill matrix
- 6. Policy for dealing with current supply chain issues**
Sales price, logistics, procurement policy

1. Business overview and vision

- Status of our compliance with the criteria for maintaining listing in the Prime Market
- Company overview (1)
- Company overview (2)
- Quantitative targets in the medium-term management plan
- Achieving an appropriate stock price level (P/B ratio over 1.0)

Status of our compliance with the criteria for maintaining listing

- While the requirement for retaining Prime Market listing is to maintain market capitalization of ¥10 billion, the company is about 30% short of this criterion. The company have submitted a plan to comply with the criteria for retaining Prime Market listing.
- Though the P/B ratio is currently stagnant at about 0.5, the company aims to achieve a ratio of 1.0 or above by steadily and decisively implementing capital policies and fundamentally reviewing and fortifying our ESG initiatives—while continuing to implement our growth strategy through business activities.

Compliance with listing maintenance requirements					
	Number of shareholders (owners)	Number of outstanding shares (units)	Outstanding shares Market capitalization (hundred million yen)	Ratio of shares outstanding (%)	Daily average Trading value (hundred million yen)
Current situation*1 (As of the reference date)	2,924	28,147	63	65	0.3
Current situation*2 (Based on the publication of the compliance plan regarding the requirements for maintaining listing)	3,239	26,731	74	61	0.4
Criteria for maintaining listing	—	20,000	100	35	0.2
Items listed in the plan	—	—	○	—	—

*Calculated based on the distribution of the Company's stock certificates ascertained by the Tokyo Stock Exchange as of the base date.

*The Company's conformity status is calculated based on the share distribution status table as of September 30, 2021, and the Company's stock price as of December 9, 2021 (¥2,795, P/B 0.53).

Corporate philosophy

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

Business overview

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

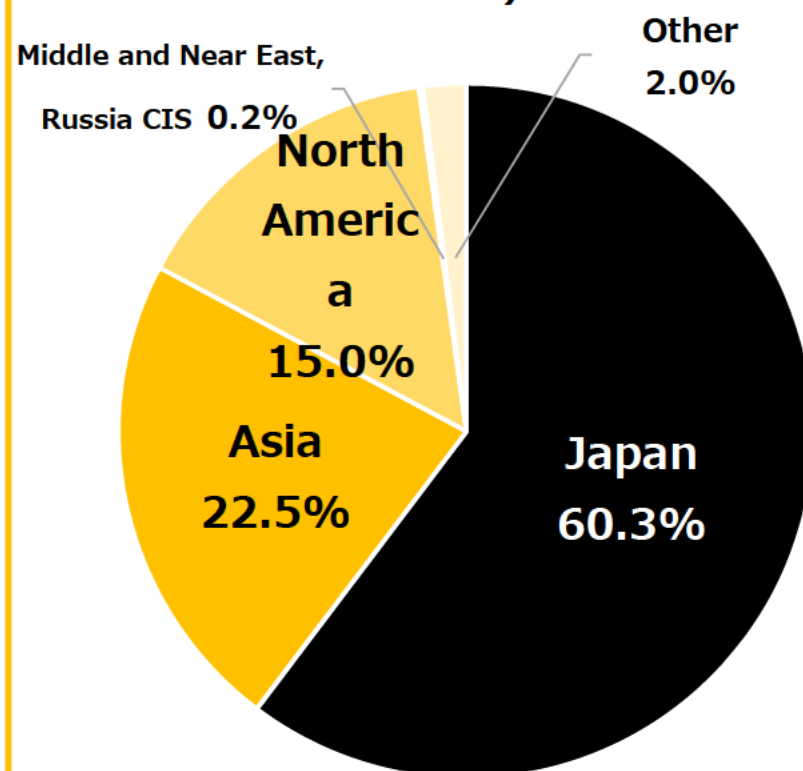
Research and development, design, manufacturing, sales, service, and technical guidance concerning equipment required for road construction and various types of compaction work

Primary clients are paving and civil engineering contractors

Commercial distribution is via direct sales, sales and service through distributors, and construction equipment rental

Global expansion of production bases

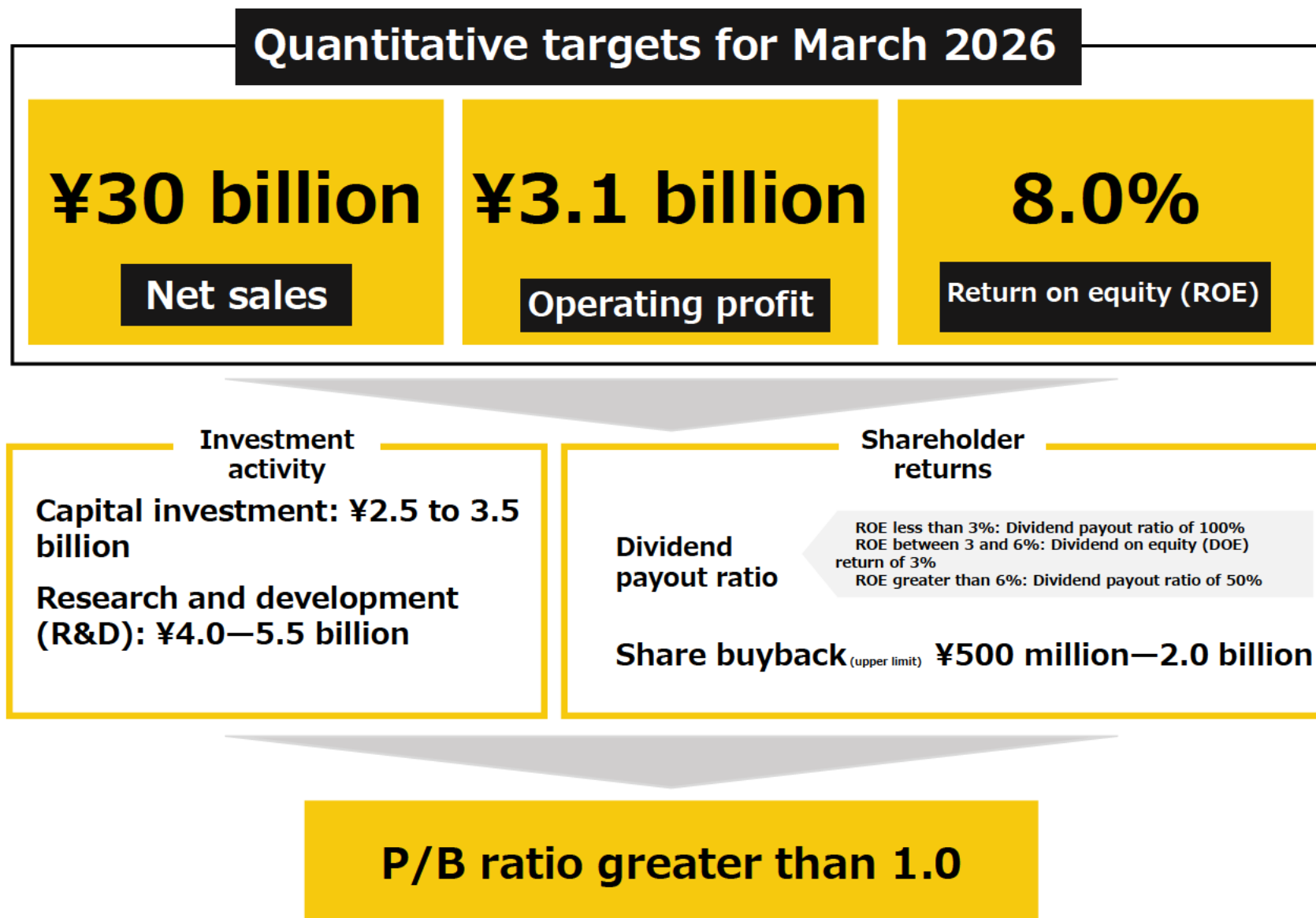
Sales ratio by region (Fiscal year ended March 2021)



Consolidated group summary (Fiscal year ended March 2021)

Consolidated No. of employees: 602	Japan (4 companies), overseas (5 companies)
Japan No. of employees: 338	SAKAI HEAVY INDUSTRIES, LTD. SAKAI, LTD. TOKYO FUJI CO., LTD. COMODO CO., LTD.
U.S. No. of employees: 48	SAKAI AMERICA, Inc.
Indonesia No. of employees: 162	PT. SAKAI INDONESIA PT. SAKAI ROAD MACHINERY INDONESIA PT. SAKAI SALES AND SERVICES ASIA
China No. of employees: 54	SAKAI HEAVY INDUSTRIES (SHANGHAI), LTD.

Quantitative targets in the medium-term management plan



Achieving an appropriate stock price level (P/B ratio over 1.0)

Initiatives for sustainable growth / further dialogue and higher quality of disclosure

With the objective of improving the P/B ratio (over 1.0), a market indicator of corporate value, the company will seek to: (1) improve ROE, (2) increase shareholder returns, and (3) reduce the cost of capital

(3) Reducing the cost of capital

- Managing environmental and social risk
- Capital policy with an awareness of optimal capital structure
- Proactive disclosure of ESG-related information

Maximizing corporate value

**P/B ratio
greater than
1.0**

(1) Improving ROE

- Enhancing profitability
- Improving capital efficiency

(2) Enhancing shareholder returns

2. Resolving social issues through business activities and growth strategies

- Initiatives to achieve SDG goals in the company's business activities
- The company's "value creation process"
- Addressing social issues in the value chain
- Resolving issues in advanced and developing nations
- Resolving issues in advanced nations
- Improving construction site safety
- Resolving issues in developing nations
- Measures taken around the world to encourage business expansion
- The Ministry of Land, Infrastructure, Transport and Tourism's measures to encourage business expansion
- Future vision through digital transformation (DX)

Solving social issues and creating social value through the company's business activities



Goal 9 ● **Building sustainable and resilient infrastructure**
Promoting inclusive and sustainable industrialization, and fostering innovation

Goal 10 ● **Reducing inequality within and between countries (official development assistance (ODA))**

Goal 11 ● **Making cities and human settlements inclusive, safe, resilient and sustainable**

Goal 12 ● **Ensuring sustainable consumption and production patterns (product life cycle)**

Goal 13 ● **Taking urgent action to fight climate change and its impacts (countermeasures for natural disaster)**

The company's "value creation process"

Based on the company's corporate philosophy, "contributing to the social business of global land development through the road construction equipment business," SAKAI HEAVY INDUSTRIES recognizes the importance of sustainability in seeking to realize a sustainable society.

Social issues

Global-scale social issues

Progression of global warming
 Mass consumption and depletion of resources
 Development of disaster-resilient infrastructure
 Improving the living environments in developing countries

Customer on-site issues

Deterioration in safety resulting from labor shortages
 Productivity slowdown resulting from labor shortages
 Life cycle cost reduction

The company's strengths

- Global niche strategy through selection and concentration
- Accumulation of distinct compaction technologies (extending road service life)
- Confidence of customers backed by experience engineering and performance
- Global network and brand strength
- The company's development is driven by the expertise of each individual employee
- R&D and manufacturing to improve overall construction efficiency and reduce environmental impact
- Promoting DX in construction by leveraging driverless operation technology
- Supporting sustainable growth with a sound financial base

Business activities and strategy

Materiality leading to value creation

- Cultivating technology contributing to national land development through road construction
- Developing overseas markets
- Addressing carbon neutrality (Reducing the environmental burden across the construction process)
- Fundamental evolution through DX support (Providing added value, improving the business cycle)
- Improving construction site safety

Materiality of the foundation for business continuity

- Retaining and developing specialized personnel
- Promotion of diversity
- Quality assurance, CSR procurement
- Supply chain management
- Fostering an environment of respect for human rights

Medium-term management policy

The company's vision

- Becoming a world-class niche company specializing in road construction equipment
- Solidifying the foundation toward ¥30 billion in sales over the next five years
- Growing to a ¥50 billion company over the long term

Growth strategy

- Expanding market share overseas
- Expanding business domains overseas
- Creating added value through next-generation business development

Objective

Contributing to the social business of global land development through the company's road construction equipment business

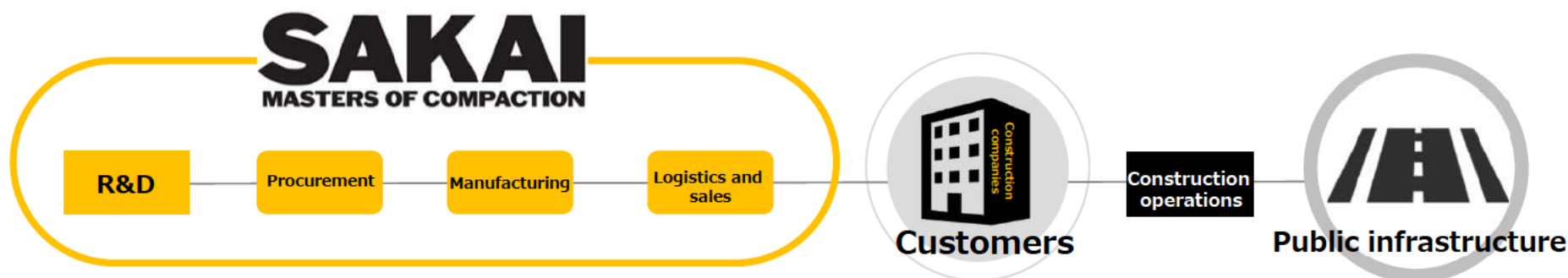
Economic value

Key performance indicators (KPI)	Numerical targets
Net sales	¥30 billion
Operating profit	¥3.1 billion
Return on equity (ROE)	8.0%
Dividend policy	Dividend payout ratio of 50%

Social value

- Providing reliable products and services
- Creating technologies that are beneficial to the development of road projects
- Utilizing specialized technologies in related fields, which the company has cultivated in road construction equipment

Creating social value by addressing social issues in the value chain



Addressing social issues

Issues in construction operations

- Achieving carbon neutrality in construction operations
- Promoting DX in the infrastructure field
- Improving construction site productivity and safety

Public infrastructure issues

- Creating safe and resilient infrastructure
- Extending road service life
- Improving the living environments in developing nations

Resolving social issues and creating social value through our business activities

Creating safe
and resilient
infrastructure

Extending road
service life

Developing
infrastructure in
undeveloped
areas

Creating jobs in
developing
nations

Advanced nations

- Contributing to advanced road construction technology
- Reducing life cycle costs by extending the service life of roads
Total cost for design, construction, management, and demolition
- Improving construction operation efficiency and safety

Developing nations

- Contributing to road maintenance demand that can withstand the increase in logistics
- Providing reliable products and services
- Transferring road construction technology established in Japan

Actualizing high-quality, efficient road paving mainly in Japan, the U.S., and Europe, where demand for this is increasing.

Resolution

- Creating safe, secure public infrastructure through advanced compaction and flat-road paving
- Saving energy and overcoming labor shortages by applying driverless, efficient autonomous rollers
- Accommodating demand for decarbonization with Electric rollers that help reduce CO2 emissions
- Leveraging DX to enhance safety

Highway paving in the U.S.



Autonomous roller- Test marketing to be completed



Electric roller - Demo vehicle to be completed



Social issues related to construction site safety

Leveraging DX to achieve safe, secure and comfortable construction sites

Leveraging DX technology to promote problem solving

Improving safety

- Promoting rollers equipped with emergency brakes
- Enabling emergency stopping when people or obstacles that are in the direction that the roller is moving are detected



Resolving issues in developing nations

Thorough provision of construction equipment to Nicaragua, where the company has committed to pave 2,000km of road over a five-year period

Resolution

- Transferring construction technology for the stabilizer construction method (roadbed method of road reformation)
- Improving local living standards through stabilized logistics
- Improving vehicle fuel efficiency by 25% through flat-road paving
- Decreasing the number of traffic accidents caused by damage to roads

A letter of appreciation from the government of Nicaragua

Letter of appreciation from Nicaragua


GOBIERNO DE NICARAGUA
Ministerio de Transportes e Infraestructura

Por este medio tengo a bien dirigirme a Usted, con la finalidad de hacer constar que los Equipos Estabilizadores modelo PHS50, donados por el Honorable Pueblo y Gobierno Japonés al Pueblo y Gobierno de Nicaragua, se encuentran trabajando de forma adecuada y eficiente, permitiendo el cumplimiento satisfactorio de Obras de Desarrollo y Mejoramiento de las caminos y carreteras en Nicaragua.

Agradeciendo su atención a la presente, le saludo con muestras de consideración y estima.

Atentamente,


Ing. Pablo Fernando Martínez Salazar
Ministro de Transportes e Infraestructura

JAPAN GRANT Project (ODA)



Expanding demand for land development

Japan

Acceleration of national land resilience

To make national land more resilient, additional projects equivalent to about 15 trillion yen are needed over the five-year period beginning in 2021

Decarbonation and digitization of construction practices

Achieving carbon neutrality in the infrastructure field as well as promoting DX
(See next page for details)

U.S.

The infrastructure Bill totaling US\$1.2 trillion has been passed

Of the US\$550 billion in new investment, US\$110 billion will be invested in roads and bridges over a five-year period

ASEAN

Expansion of infrastructure investment budget due to recovery in demand

"Infrastructure Systems Overseas Development Strategy 2050"

Increasing overseas orders from Japanese companies to ¥34 trillion in five years

Achieving carbon neutrality in construction operations and application of DX in the infrastructure field

Green growth strategy

Announced in July 2021

Achieving carbon neutrality throughout the infrastructure life cycle

Planning and design

- Promoting planning with a sustainable mindset
- Promoting materials effective for reducing CO2 emissions

Energy saving and technological innovation in the construction and installation areas

1. Promoting carbon neutrality in construction equipment
 - ▶ **Eco Mode**
2. Leveraging ICT to improve construction efficiency and sophistication
 - ▶ **Compaction management and autonomous driving**
3. Promoting the introduction and expansion of innovative construction equipment
 - ▶ **Electric roller**

Promoting energy saving in infrastructure services

1. Transitioning to LED roadway lighting
2. Upgrading road lighting facilities

Promoting quality-oriented construction recycling

▶ **Extending service life**

Service and control

Renewal and demolition

1. Maintaining a high recycling ratio of construction by-products
 - ▶ **Stabilizer construction method**
2. Enhancing the monitoring of construction by-products

Source: Outline of "The MLIT Green Challenge" for a green society

Promoting DX in the infrastructure field

Announced in February 2021

Leveraging data and digital technology to resolve issues in the infrastructure sector

Challenges at Construction sites

- Promote planning with a sustainable mindset
- Promoting materials effective for reducing CO2 emissions

Initiatives

■ Improving on-site safety and efficiency by leveraging AI and other technologies

- ▶ **Emergency brake, compaction management, and autonomous driving**

■ Transforming work processes and styles by leveraging digital data

- ▶ **Compaction management**

■ Transforming government procedures and services in daily life

■ Actualizing well-organized data environments for DX

Source: Digital transformation (DX) in the infrastructure sector

Transforming business models through DX

Providing customers with new added value

Database platform construction

- Developing a database platform for centralized control over operation management, preventive maintenance, and parts / product information
- Creating new added value by leveraging IoT technology and promoting autonomous driving technology

Business cycle acceleration

- Reducing total lead times through the visualization of the locations of information and goods, enabled by DX in sales and manufacturing

New added value provision

- Significantly improving the company's structure and efficiency by directly connecting the company with customers and construction equipment
- Remote support for troubleshooting, preventive maintenance, and operational technical support
- Standardizing the level of construction technology and enhancing productivity by leveraging autonomous driving and IoT technologies

3. Building human capital to support sustainable growth

- Human capital initiatives (1)
- Human capital initiatives (2)
- Human capital initiatives (3)

Human capital initiatives (1)

Fundamental policy

The company believes **securing and strengthening human resources** is one of the most important managerial issues, and each employee is essential to the company's development

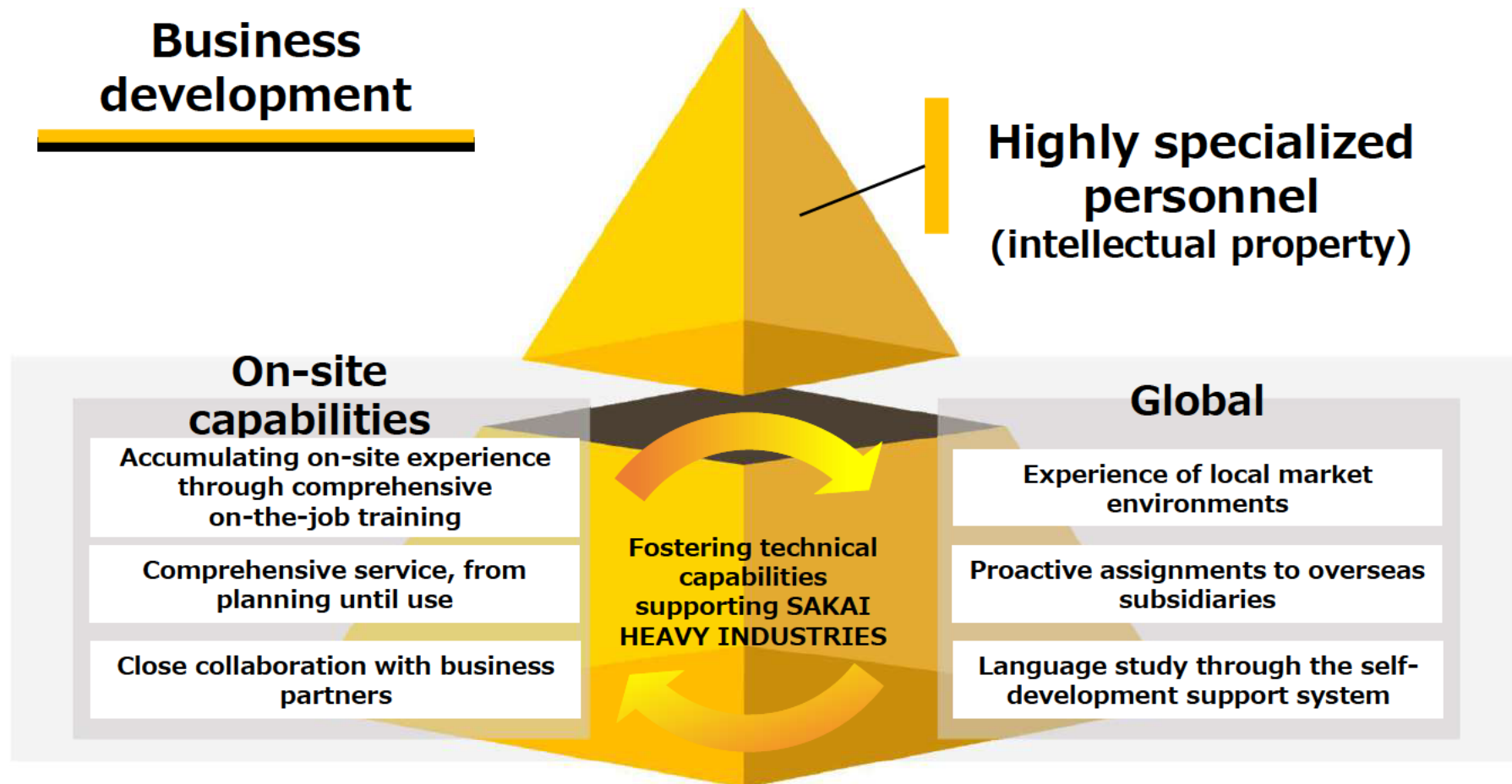
Securing human resources

- Actively recruiting specialized road paving personnel
- Actively recruiting foreign national, female, and mid-career employees as our production bases become globalized

Today, foreign national employees account for about half of the Group's workforce, which contributes to the creation of employment opportunities in developing countries.



Development of highly specialized personnel, which serves as the driving force behind corporate development



Human capital initiatives (3)

A development department that reinforces the company's growth

Shogo Hata

Department: RESEARCH &
DEVELOPMENT (R&D) HQ
Position: General Manager,
PRODUCT DEVELOPMENT DIVISION



Career

- Since graduating from university and joining SAKAI HEAVY INDUSTRIES, I have been consistently engaged in the development of our products. In my fourth year with the company, I worked for one year at the Sapporo Sales Office in machine repair as part of my training in design operation. During two months of practical training at a road paving construction site, I worked day and night covered in dirt with a shovel in my hand, to learn how the products we develop were applied in the field. After that, through comprehensive on-the-job training, I have accumulated experience as a developer after learning from mistakes, as well as through trial and error
- I have been involved in the development of all of our products. Among them, I have primarily overseen our best-selling products (boarding-type vibratory rollers (2.5t-4t)). Currently, I am responsible for overall development work, with a focus on new models of existing products, as well as commercializing products with special specifications that are requested from the market. When I had just turned 30 years old, I was involved in the SW300 development, a relatively small roller among our products, for the U.S. market. This was a major turning point in my career development. I was involved with the SW300 from planning through to development, finally being able to commercialize it through repeated trial and error. The know-how gained through this experience has become the foundation of my developed proficiency.

The strength of the company's development department

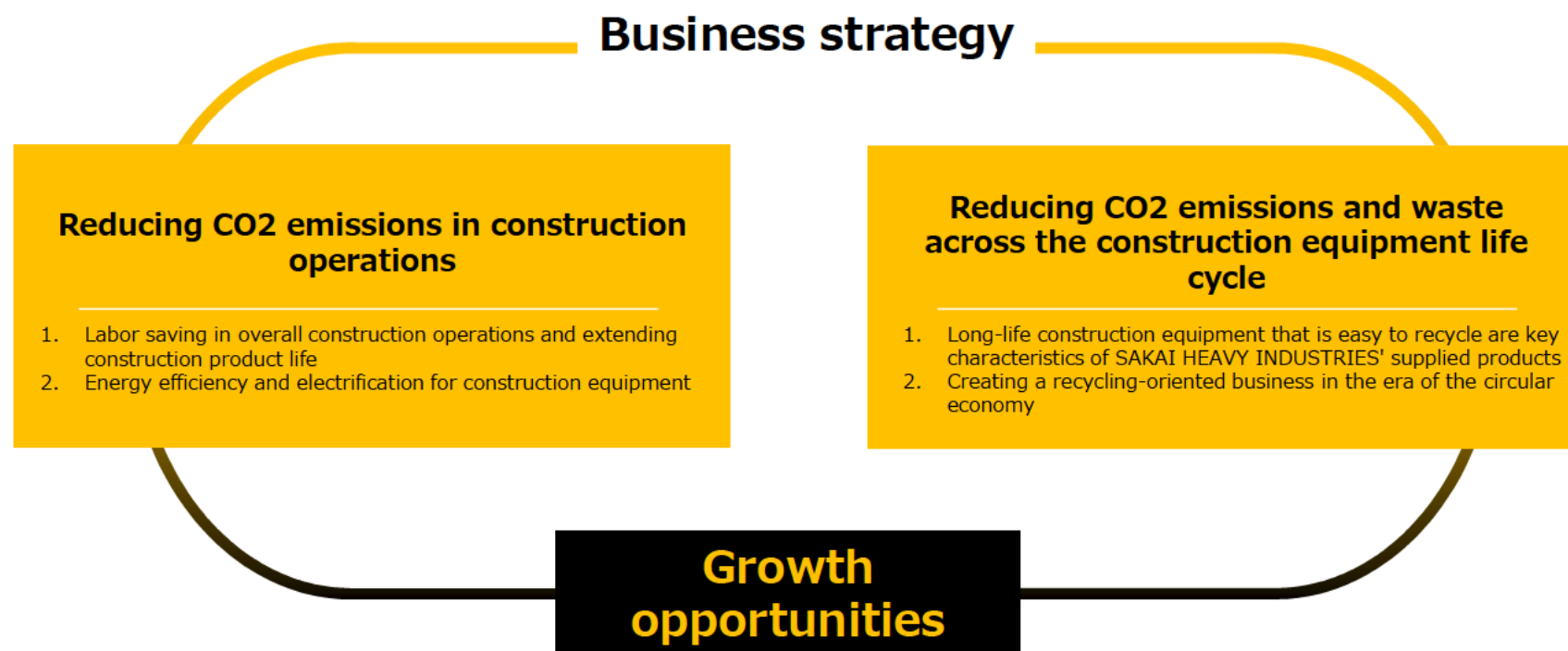
- The same development team is involved in the entire process of product planning, testing, mass production, and customer use. Our developers reflect customers' needs in terms of planning and development by visiting construction sites and directly listening to customers. The company's corporate culture of having a cooperative mindset also plays a key role in the foundation of developmental capabilities. The company's developmental capability is supported by a system in which each department works in collaboration to tackle issues, rather than allocating responsibilities.
- From the perspective of human resource development, accumulating experience, not only through training and other educational systems but also through comprehensive on-the-job training, is important. The company provides a variety of opportunities to gain experience, from sales office work to overseas field work.

4. Climate change initiatives and commercialization strategies

- Awareness of climate change
- Risks and opportunities in scenario analysis
- Reducing CO2 emissions in construction operations
- ICT compaction management system
- Reducing CO2 emissions and waste across the construction equipment life cycle
- Reducing in-house CO2 emissions

Our growth opportunities in the fight against climate change are significant, and we have formulated business strategies based on these.

Reducing CO2 emissions in construction operations and across the public infrastructure life cycle creates new added value



Risks and opportunities in scenario analysis

While climate change presents risks, it also brings economic opportunities.

	Type	Item	Impact on business	Impact on business and finance		Impact Period
				2°C or lower scenario	4°C scenario	
Transition Risk	Policy Regulations	Environmental regulations Carbon tax rollout	More stringent fuel efficiency regulations will limit the use of conventional construction equipment, accelerating market competition for electrification and low-carbon construction equipment. Introduction of a carbon tax will increase the cost of regulatory compliance.	Medium	Small	Medium/long term
	Technology	Decarbonization technology	Investment into R&D for new technologies will be required, and any delays in development will result in lost sales opportunities.	Medium	Small	Short/medium term
	Market	Transition to decarbonization	Energy prices will rise, as will transportation costs. The price of materials such as thick plates and steel will soar, pushing manufacturing costs upward.	Large	Medium	Short/medium term
Physical Risk	Chronic	Changes in weather patterns	Deteriorating working environments will negatively impact employee productivity. Maintaining favorable work environments will result in costs being incurred.	Small	Medium	Long term
	Acute	Abnormal weather events are increasing in severity.	In addition to possible damage to the company's factories, the supply of parts will be delayed if suppliers are also affected by disaster.	Small	Medium	Long term

	Item	Impacts on business	Impacts on business and finance		Duration of impacts
			2°C or lower scenario	4°C scenario	
Opportunity	Abnormal weather events are increasing in severity.	Heavy rain events, frequent typhoons, and rising sea levels will require levees and embankments to be fortified. In addition, restoring infrastructure damaged by natural disasters will increase the demand for construction equipment.	Medium	Large	Long term
	Market shifts	Introducing new technologies, such as electrification for construction equipment and ICT construction, will generate sales opportunities for the company's equipment and services.	Medium	Small	Short / medium term
	Transition to decarbonization	The conversion of construction equipment to electrification and the integration of digital technology into business activities will increase our productivity and efficiency. Lowering operating costs as well as increasing competitiveness.	Large	Medium	Short / medium term
	Changes in customer evaluation	As ESG information disclosure becomes mandatory, and awareness of sustainability increases, the company would be recognized as a provider of high value-added construction equipment.	Medium	Small	Medium / long term

Reducing CO2 emissions in construction operations

Creating new added value by contributing to CO2 emission reduction at our customers' construction sites

Initiatives
for fiscal
year 2022

Labor efficiency across the entire construction process / virtual factories

- Autonomous roller
Test marketing to be completed
Making driverless, efficient compaction work possible



Reduction of CO2 emissions from construction equipment

- Electric roller R&D
Demo vehicle to be completed
Advanced mass production schedule as decarbonization policy is accelerated



Initiatives
through fiscal
year 2021

- ICT compaction management system
Real-time surface quality control
Implementation of efficient compaction



- Measures to comply with Tier 1 - Tier 4 diesel engine exhaust gas emission standards have been completed
- All major models are equipped with Eco Mode
Energy-saving recommendations during construction
CO2 emissions reduced by about 30%



Technology to confirm and control compaction quality in real time and from a surface perspective using compaction control value (CCV)

In the past

Point-by-point post-construction quality control

- Time lost in inspection work
- Construction loss due to failure to detect inferior quality parts and over compaction resulting in work needing to be redone



Real-time surface quality control

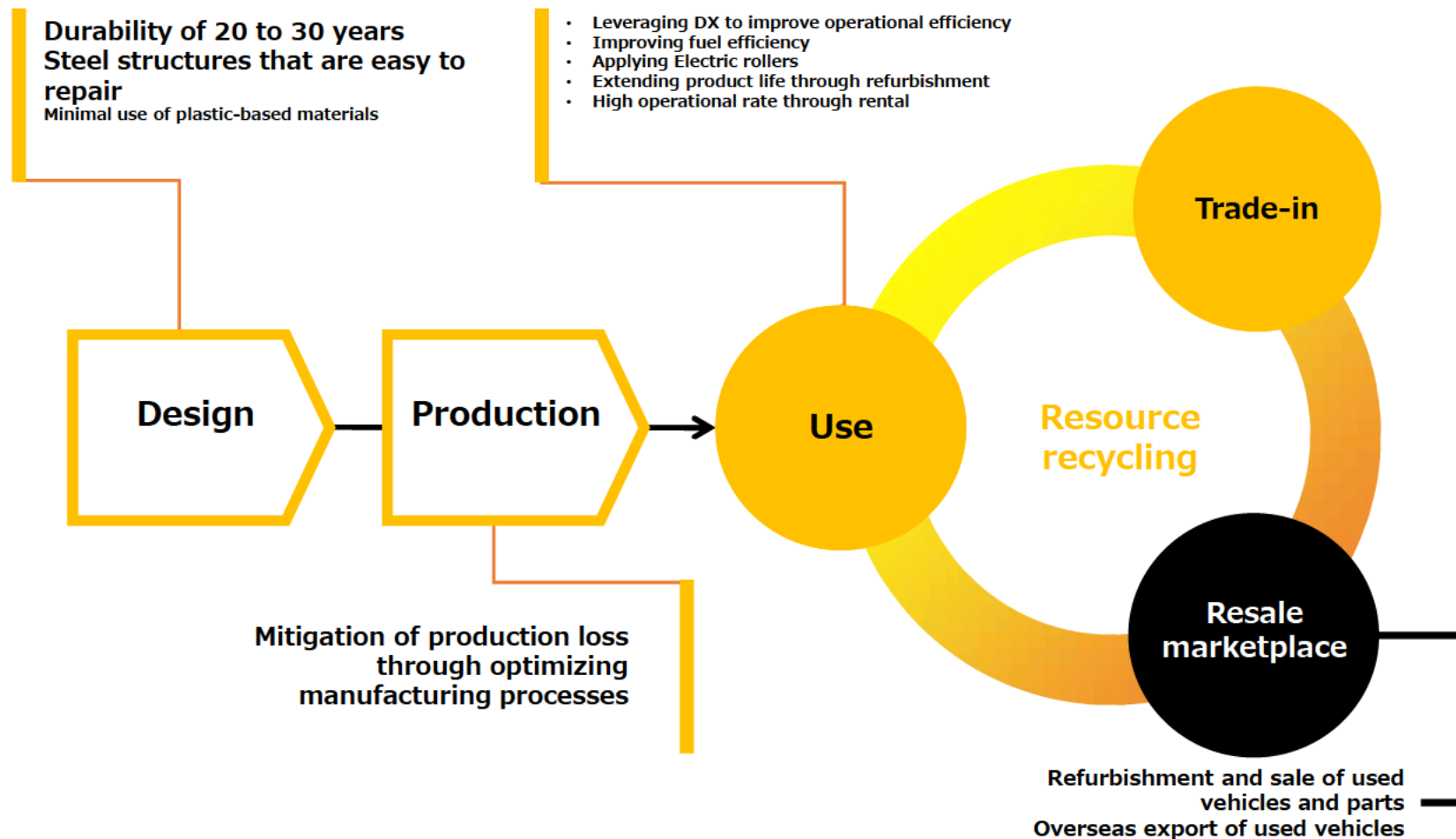
- **High quality, reliable, and efficient compaction**
- Shortening construction duration
- Extending construction intervals by extending road service life
- Began on-site implementation of the Ministry of Land, Infrastructure, Transport and Tourism's "Acceleration Response Compaction Management for Roadbed Construction"



Contributing to CO2 reduction in construction operations

"High-value added by leveraging ICT" → Result could be passed on to sales price

Contributing to establishing a recycling-oriented society by supplying long-life construction equipment that is easily to recycle

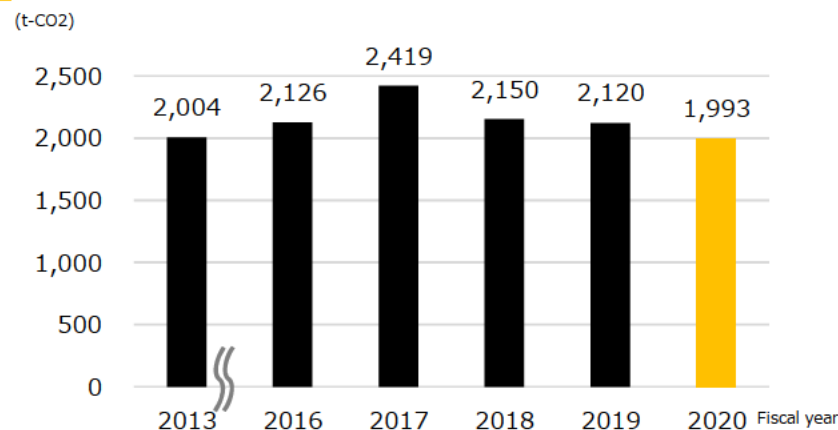


Reduction of our CO2 emissions

Set a target of reducing CO2 emissions by 50%* by FY2030 *Compared to FY2013

Plan for CO2 emission reduction

In FY2020, the total CO2 emissions from domestic production plants was approximately 2,000 metric tons.



* Scope 1: Direct CO2 emissions from on-site fuel-burning equipment that Sakai owns and operates, such as gas boilers, vehicles, and air conditioners.

** Scope 2: Indirect CO2 emissions from the use of electricity, heat, refrigeration, and steam that Sakai sources from external providers.

	Scope 1*	Scope 2**
Initiatives for reduction	CO2 reduction at manufacturing sites Conversion of business-use vehicles to electrification 3Rs in business activities	Transition to renewable energy beginning in April 2022
Annual CO2 emissions (t)	1,000	

Carbon Neutral Committee

- Formulate business strategies while bearing in mind that addressing climate change is one of the highest priority management issues
- Launched in December 2021 with company-wide representation, led by the Executive Vice President
- Promote discussions on company-wide CO2 reduction measures and public ESG disclosure
- Discussions have launched regarding Scope 3 measurement

Board of Directors' meeting

Report

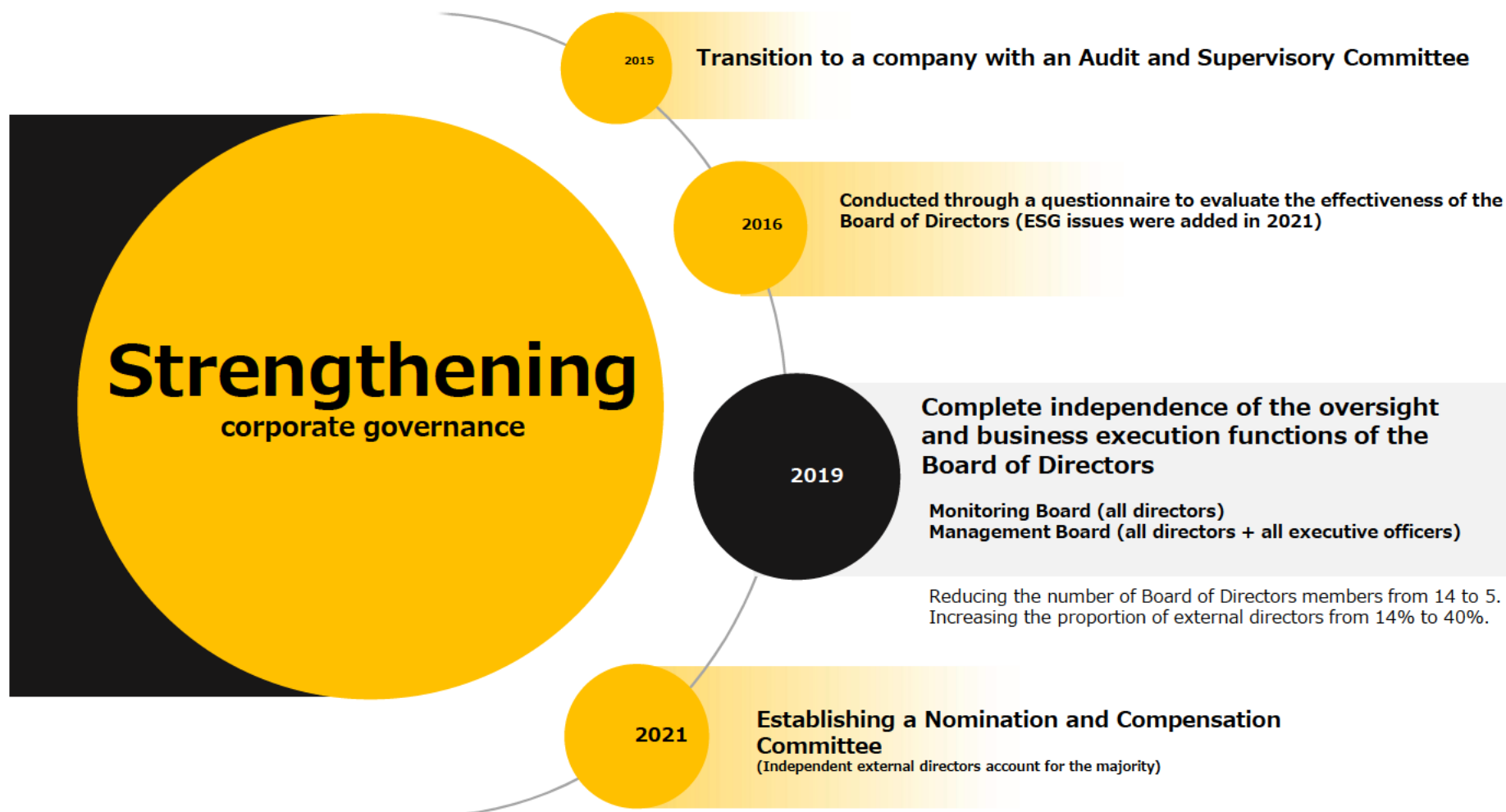
Instructions

Carbon Neutral Committee

5. Creating a management structure to strengthen corporate governance

- Previous initiatives toward creating a management structure to strengthen corporate governance
- Management structure of the Board of Directors
- Composition of the company's Board of Directors and remuneration system
- Skill matrix for our Board of Directors
- Skill matrix for our Executive Officers
- Dialogue with external directors

Previous initiatives toward creating a management structure to strengthen corporate governance

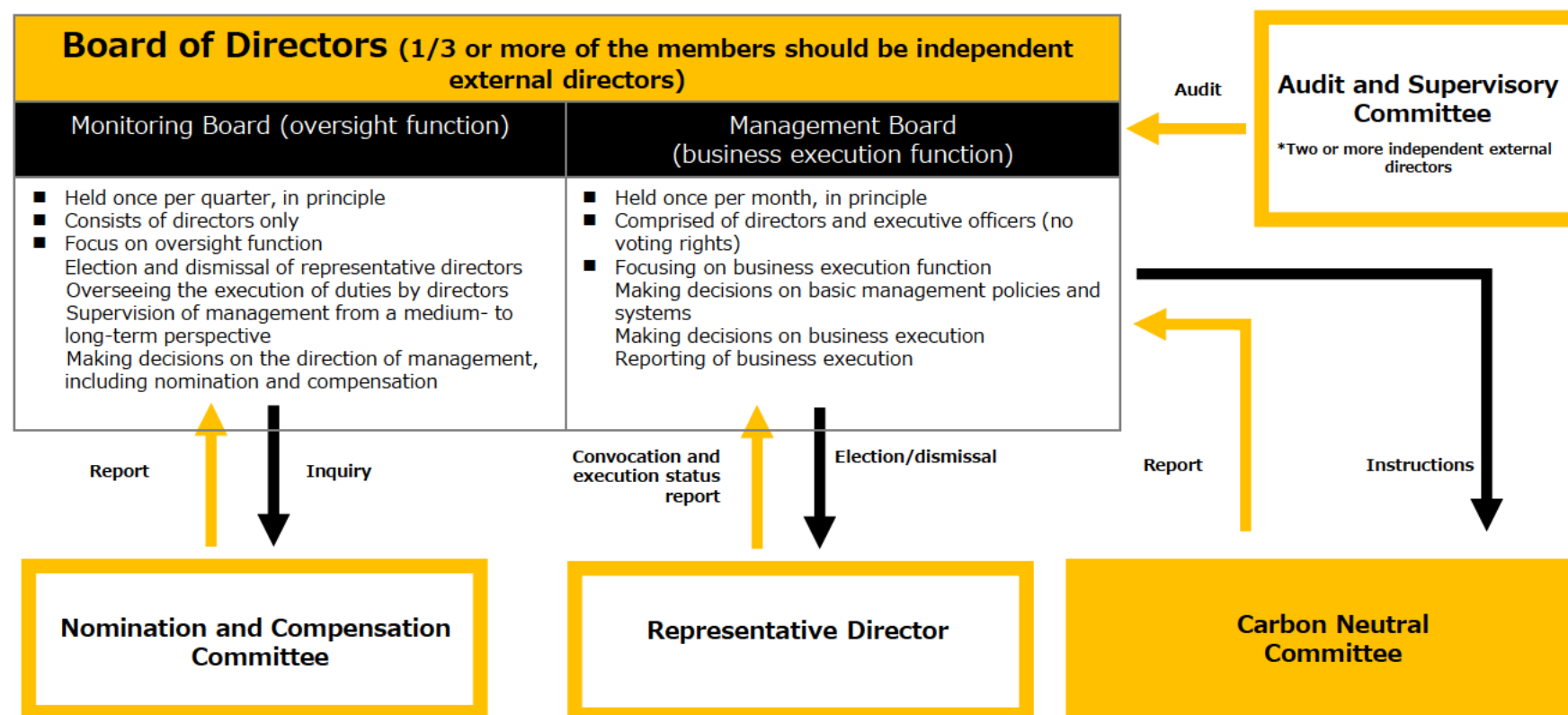


Management structure of the Board of Directors

Split the functions of the Board of Directors into two parts:
the Monitoring Board and the Management Board

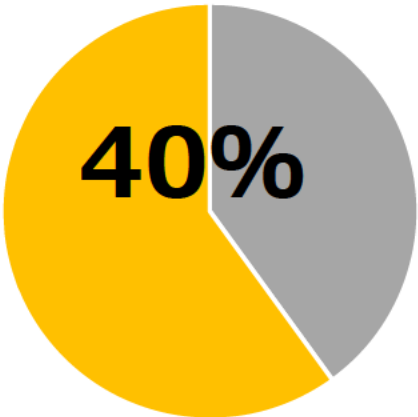
Enhancing external directors' understanding of business execution
Strengthening the oversight function of external directors

Governance structure diagram

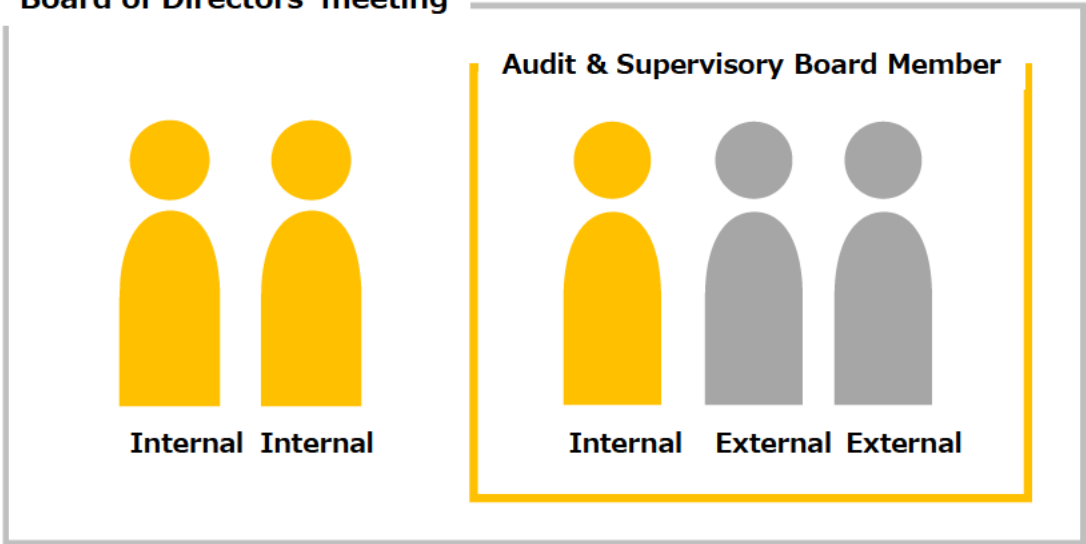


Composition of the company's Board of Directors and remuneration system

Ratio of external directors



Board of Directors' meeting



■ Basic remuneration

■ Year-end remuneration

■ Restricted stock compensation

Directors (excluding
Audit & Supervisory
Board Members)



Directors who are
Audit & Supervisory
Board Members



(including external
directors)

0% 10% 20% 30% 40% 50% 60% 70% 80% 90% 100%

Skill matrix for our Board of Directors

		Position	Name	Management	Road equipment	Global	Capital markets	Management	Manufacturing	Marketing
	Internal	President	Ichiro Sakai	●	●	●	●	●		
	Internal	Director and Executive Vice President	Ryosuke Watanabe		●	●				●
	Internal	Audit and Supervisory Board Member	Kazushi Kiyomiya		●			●	●	
	External	Audit and Supervisory Board Member	Ryuichi Tokunaga		●			●		
	External	Audit and Supervisory Board Member	Makoto Kikkawa	●			●	●		

Skill matrix for our Executive Officers

Position	Name	Management	Road equipment	Global	Capital markets	Management	Manufacturing	Marketing
Senior Managing Executive Officer	Kenichi Mizuuchi		●					●
Managing Executive Officer	Yukinori Tsukimoto		●	●			●	
Managing Executive Officer	Toshihiko Akimoto	●	●	●			●	
Executive Officer	Masahiro Tokita		●	●				●
Executive Officer	Takao Yoshikawa				●	●		
Executive Officer	Yasunori Azumi	●		●		●		
Executive Officer	Fumio Yamanaka	●	●	●			●	
Executive Officer	Hiroshi Baba	●		●		●		

Dialogue with external directors



Ryuichi Tokunaga
Ryuichi Tokunaga

Career summary, and position and responsibility in the Company (Significant concurrent positions outside the Company)

Mar. 1971: Joined The Japan Society Of Industrial Machinery Manufacturers
Apr. 1987: General Manager of Construction Machinery Department
Apr. 1990: Transferred to Japan Construction Equipment Manufacturers Association (incorporated association), General Manager of Operations Department
Apr. 2003: Secretary General
Dec. 2005: Managing Director
Oct. 2011: Associate Director of Japan Construction Equipment Manufacturers Association (general incorporated association) (transferred from incorporated association in Sept. 2011)
June 2012: Audit & Supervisory Board Member (part-time) of the Company
June 2015: Outside Director and Audit and Supervisory Committee Member (current position)

Reasons for nomination as candidate for outside Director and outline of expected roles

Ryuichi Tokunaga has abundant knowledge about the global construction machinery industry based on his many years of experience at the Japan Construction Equipment Manufacturers Association, and the Company proposes his election as an outside Director so that his wide-ranging insight, mainly in this field, will be reflected in the Company's auditing. Although he has never been directly involved in corporate management, the Company judges he will appropriately fulfill his duties as an outside Director based on the above reasons.

The role that the candidate believe he / she should play as a board of director

1. Advise and oversight for rebuilding a mindset as a global niche company
2. Analyzing industry-wide trends in construction equipment, while verifying and advising the Company's approach to the industry
3. Identifying issues related to overseas expansion and providing advice on how to address them



Makoto Kikkawa
Makoto Kikkawa

Career summary, and position and responsibility in the Company (Significant concurrent positions outside the Company)

Apr. 1970: Joined The Industrial Bank of Japan, Limited
Apr. 1996: General Manager of Nihonbashi Branch
June 1998: Director and General Manager of Administration Department
Nov. 1998: Director and Deputy President of The Long-Term Credit Bank of Japan, Limited
Mar. 2000: Managing Executive Officer of The Industrial Bank of Japan, Limited
Sept. 2000: Managing Executive Officer of Mizuho Holdings, Inc.
Apr. 2002: Senior Managing Executive Officer of Mizuho Bank, Ltd.
Apr. 2003: Administrative Officer of Mizuho Holdings, Inc.
May 2003: Representative Director and Vice President of Sogo Co., Ltd.
June 2003: Representative Director and Vice President of Millennium Retailing, Inc.
Mar. 2007: Advisor of Kyowa Hakko Kogyo Co., Ltd.
Apr. 2007: Corporate Officer
June 2007: Corporate Officer
Representative Director & President of Kyowa Hakko Chemical Co., Ltd.
Apr. 2012: Representative Director, President & Chief Executive Officer of KH Neochem Co., Ltd.
June 2014: Outside Director of the Company
Sept. 2014: Director and Chairman of KH Neochem Co., Ltd.
June 2015: Outside Director and Audit and Supervisory Committee Member of the Company (current position)

Reasons for nomination as candidate for outside Director and outline of expected roles

Makoto Kikkawa has served as Senior Managing Executive Officer of Mizuho Bank, Ltd., Vice President of Millennium Retailing, Inc. and President of Kyowa Hakko Chemical Co., Ltd. (currently KH Neochem Co., Ltd.), etc., and has abundant experience and a high level of insight. Therefore, the Company believes that he will be able to play a sufficient role in strengthening the supervisory function over the execution of business by the Company's Directors and further improving the transparency of management, etc., and proposes his election as an outside Director.

The role that the candidate believe he / she should play as a board of director

1. Overseeing and advising from a capital market perspective
Evaluating governance from a market perspective to ensure proper execution of management strategies
- Verifying and advising regarding whether the direction of management strategies and investment decisions are aligned
- Evaluating the performance of executive officers

6. Policy for dealing with current supply chain issues

- Supply chain management policy

Policy for dealing with current supply chain issues



Setting sales prices

1. Passing on structural cost increases to sales prices
2. Enhancing sales pricing capabilities through value-added competition



Improving logistical efficiency

1. Improving container loading efficiency
2. Improving logistical efficiency
3. Promoting supply chain re-evaluation while considering transportation costs and lead times



Strengthening procurement systems

1. Formulating production, sales, and inventory plans based on an accurate understanding of the volume of parts available for procurement, and the sharing of manufacturing and sales information
2. Monitoring the entire supply chain with an eye toward geopolitical risks, transportation costs / lead times, as well as human rights related risks

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.