

# Consolidated Financial Results for the Fiscal Year Ended March 31, 2023

## SAKAI HEAVY INDUSTRIES, LTD.

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

May 10, 2023

# Summary of Consolidated Financial Results

(Amounts less than one million yen are rounded down)

## 1. Consolidated financial results for the year ended March 31, 2023 (from April 1, 2022 to March 31, 2023)

### (1) Consolidated operating results

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	%
Year ended March 31, 2023	31,459	18.3	2,506	81.2	2,327	65.4	1,694	18.7
Year ended March 31, 2022	26,599	23.0	1,383	97.3	1,407	113.6	1,427	—

	Earnings per share	Profit attributable to owners of parent/equity	Ordinary profit/total assets	Operating profit/net sales
	Yen	%	%	%
Year ended March 31, 2023	400.75	7.0	5.9	8.0
Year ended March 31, 2022	336.87	6.3	3.9	5.2

### (2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of March 31, 2023	40,804	25,295	61.8	5,957.01
As of March 31, 2022	37,858	23,161	61.1	5,489.91

### (3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Year ended March 31, 2023	1,893	(399)	(2,242)	7,416
Year ended March 31, 2022	2,359	(263)	(1,227)	7,926

## 2. Cash dividends

	Annual dividends per share					Total cash dividends (Total)	Dividend payout ratio (Consolidated)	Ratio of dividends to net assets (Consolidated)
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Year ended March 31, 2022	—	60.00	—	105.00	165.00	694	49.0	3.1
Year ended March 31, 2023	—	80.00	—	120.00	200.00	847	49.9	3.5
Year ending March 31, 2024 (Forecast)	—	90.00	—	125.00	215.00		49.7	

## 3. Forecast of consolidated financial results for the year ending March 31, 2024 (from April 1, 2023 to March 31, 2024)

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, 2023	16,100	8.1	1,300	21.8	1,250	14.1	770	(5.9)	182.12
Full year	33,000	4.9	2,950	17.7	2,800	20.3	1,830	8.0	432.82

# Highlights of Consolidated Business Performance

## 1. Summary of Consolidated Business Performance for the Fiscal Year Ended March 31, 2023

### 1) Consolidated net sales:      ¥31,459 million, up 18.3% YoY

Overseas sales was expanded by handling supply chain issues under a favorable business environment.

### 2) Operating profit:              ¥2,506 million, up 81.2% YoY

Profit structure reform made progress through price revisions and rationalization, especially in overseas business.

### 3) Sales in Japan:                  ¥15,208 million, up 6.4% YoY

Strong demand continued against the backdrop of measures to accelerate national resilience.

### 4) Sales in North America:      ¥7,751 million, up 53.8% YoY

Despite a decline in housing starts, road construction investment expanded against the backdrop of the Infrastructure Investment and Jobs Act.

### 5) Sales in Asia:                    ¥7,796 million, up 20.1% YoY

The market environment remains firm, especially in the large markets of Indonesia and Vietnam.

# Highlights of Consolidated Business Performance

## 2. Adapting to a Changing Business Environment

### 1) Initiatives for enhancing the profitability of capital

#### (1) Progress of medium-term management policy

Five-year medium-term management plan: Net sales of ¥30.0 billion, operating profit of ¥3.1 billion, ROE of 8.0%

Second-year results: Net sales of ¥31.4 billion, operating profit of ¥2.5 billion, ROE of 7.0%

#### (2) Measures to comply with the Continued Listing Criteria for the Tokyo Stock Exchange Prime Market

Tradable share market capitalization: Achieved ¥10.3 billion, up 63% from June two years ago, satisfying all criteria

### 2) Profit structure reform through sales price revision and cost cuts

Cost-of-sales ratio improvement: 74.0%, improvement of 1.9% YoY

Profit structure reform progressed with sales price revisions and transportation cost reductions, especially in overseas business.

### 3) Strengthening product supply capabilities

#### (1) Enhancement of supply chain (review of suppliers and dual sourcing)

#### (2) Modification of global business activities (expansion of production capacity at domestic plants, expansion of parts business at Chinese plants)

### 4) Dealing with volatile demand

Inventory turnover: 3.33 times, down 0.36 times YoY

Inventory level increased by 31.2% to increase production and reduce parts shortage issues.

# Highlights of Consolidated Business Performance

## 3. Mid- to Long-Term Growth Strategy

### 1) Make more significant inroads into the Asian market:

Market development centered on our Indonesian hub (net sales up 20.1% YoY)

### 2) Expand the scope of overseas business:

Enter the overseas market for road maintenance equipment (launch of local production in Indonesia)

### 3) Pursue business opportunities in North America:

Increase our market share through niche marketing (net sales up 53.8% YoY)

### 4) Start developing next-generation businesses:

Overseas expansion of emergency brakes, creation of market for compaction management systems, expansion of on-site testing of autonomous vibratory rollers, R&D for EV 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 national resilience over the next five years to prevent and mitigate natural disasters.

### 2) Overseas

Overseas construction machinery demand is firm with infrastructure investment totaling \$1.2 trillion planned in the U.S., infrastructure investment and mine development becoming active in ASEAN and emerging countries, among other factors, although the demand has repeatedly fluctuated amid a rapidly changing global situation.

# Consolidated Business Performance

(Millions of yen)

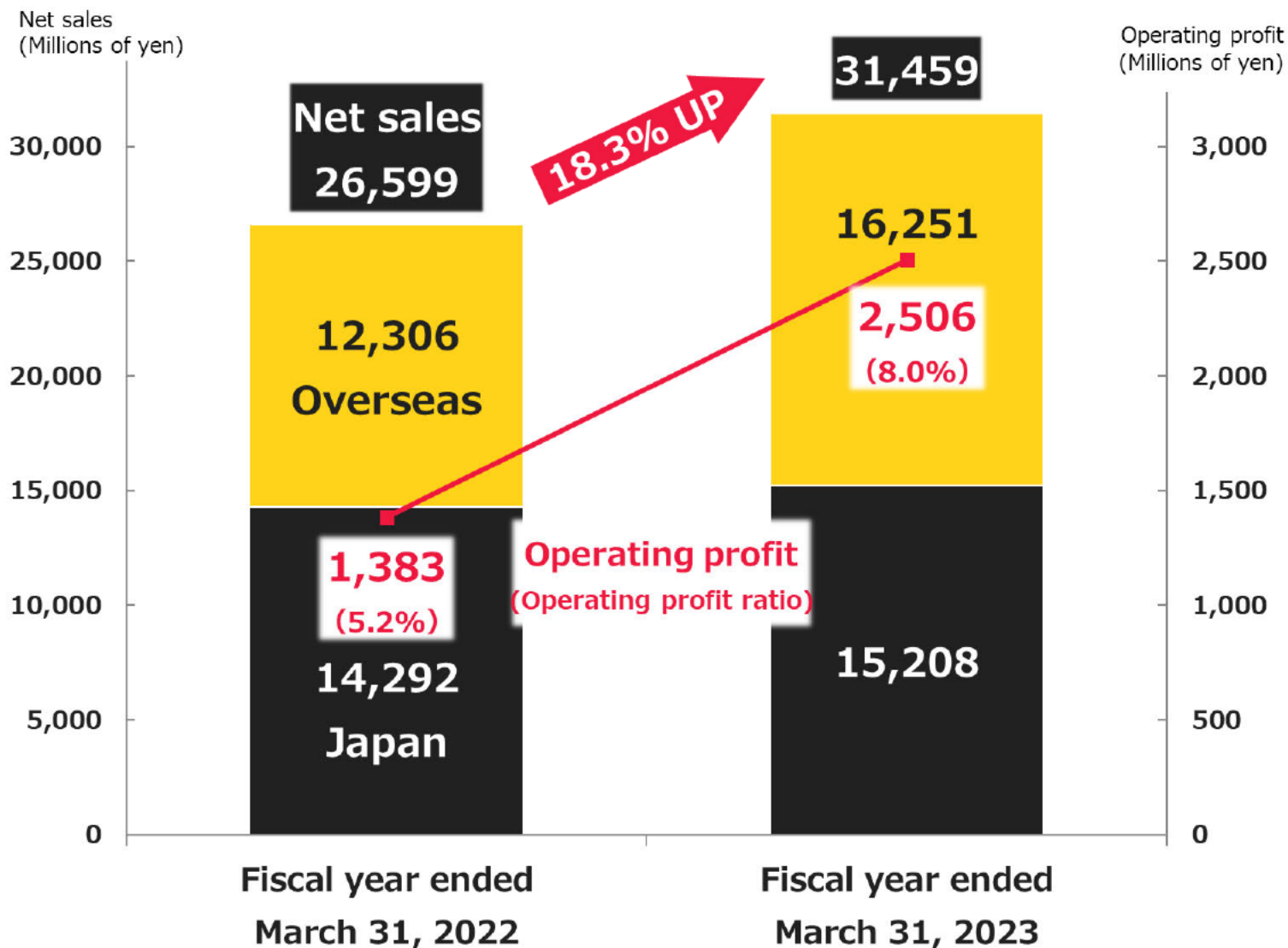
	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023	YoY change	
			Amount	%
<b>Net sales</b>	<b>26,599</b>	<b>31,459</b>	<b>4,860</b>	<b>18.3%</b>
<b>Japan</b>	<b>14,292</b>	<b>15,208</b>	<b>916</b>	<b>6.4%</b>
<b>Overseas</b>	<b>12,306</b>	<b>16,251</b>	<b>3,944</b>	<b>32.0%</b>
<b>Operating profit</b>	<b>1,383</b>	<b>2,506</b>	<b>1,122</b>	<b>81.2%</b>
<i>Operating profit ratio</i>	(5.2%)	(8.0%)		
<b>Ordinary profit</b>	<b>1,407</b>	<b>2,327</b>	<b>920</b>	<b>65.4%</b>
<b>Profit attributable to owners of parent</b>	<b>1,427</b>	<b>1,694</b>	<b>267</b>	<b>18.7%</b>

Cost-of-sales ratio

(75.9%)

(74.0%)

# Consolidated Business Performance (Graph)



# Sales by Region in Which Customers Are Located

(Millions of yen)

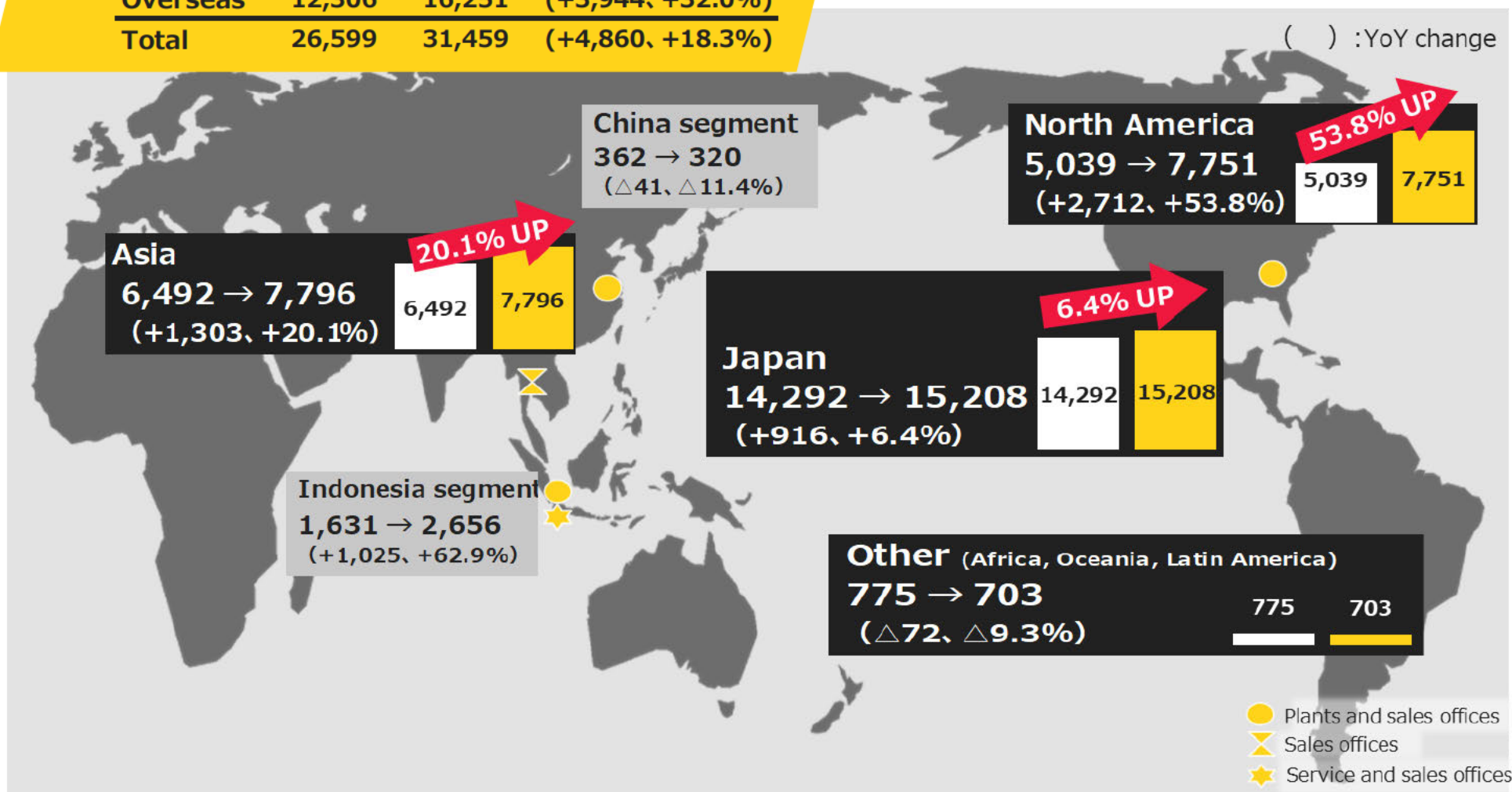
	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023	YoY change	
			Amount	%
Japan	14,292	15,208	916	6.4%
Overseas	12,306	16,251	3,944	32.0%
North America	5,039	7,751	2,712	53.8%
Asia	6,492	7,796	1,303	20.1%
Other regions	775	703	▲ 72	▲ 9.3%
Total	26,599	31,459	4,860	18.3%



# Sales by Region (Map)

(Millions of yen)	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023	YoY change
Japan	14,292	15,208	(+916, +6.4%)
Overseas	12,306	16,251	(+3,944, +32.0%)
Total	26,599	31,459	(+4,860, +18.3%)

( ) :YoY change



# Segment Information by Region in Which Our Manufacturing Facilities and Sales Offices Are Located

(Millions of yen)

Japan	Year ended March 31, 2022	Year ended March 31, 2023	YoY change	
			Amount	%
Sales to external customers	19,566	20,730	1,163	5.9%
Intercompany sales	1,801	3,826	2,025	112.4%
Total net sales	21,367	24,556	3,188	14.9%
Operating profit	884	836	▲ 47	▲5.4%

(Millions of yen)

North America	Year ended March 31, 2022	Year ended March 31, 2023	YoY change	
			Amount	%
Sales to external customers	5,039	7,751	2,712	53.8%
Intercompany sales	45	50	4	9.5%
Total net sales	5,085	7,802	2,716	53.4%
Operating profit	328	688	360	109.8%

(Millions of yen)

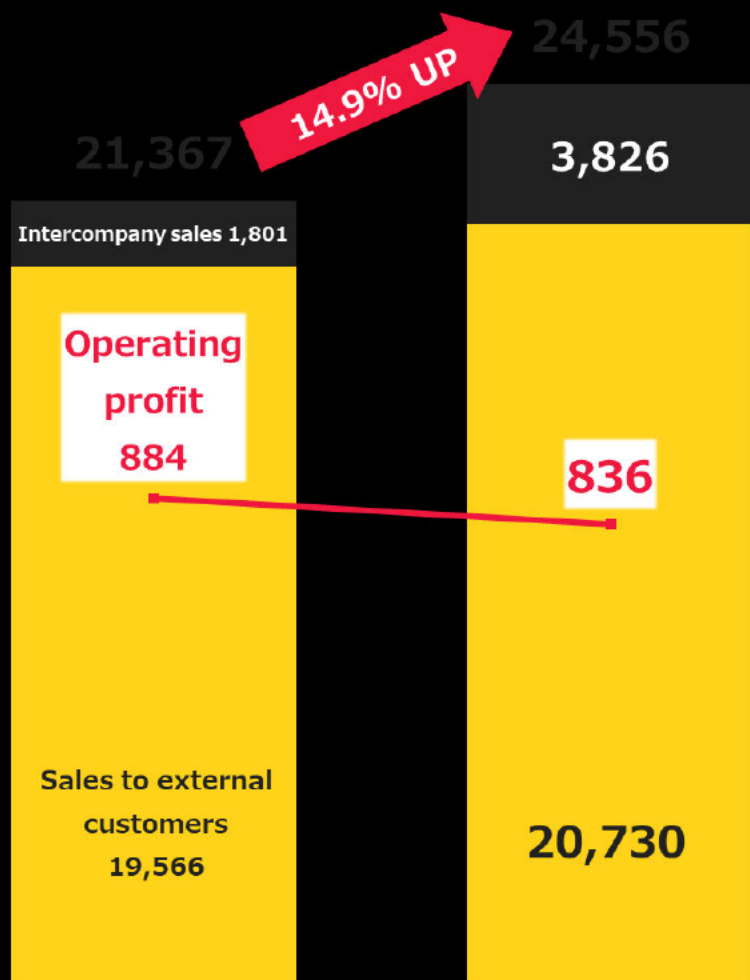
Indonesia	Year ended March 31, 2022	Year ended March 31, 2023	YoY change	
			Amount	%
Sales to external customers	1,631	2,656	1,025	62.9%
Intercompany sales	3,527	4,355	827	23.5%
Total net sales	5,158	7,012	1,853	35.9%
Operating profit	274	836	561	204.4%

(Millions of yen)

China	Year ended March 31, 2022	Year ended March 31, 2023	YoY change	
			Amount	%
Sales to external customers	362	320	▲ 41	▲11.4%
Intercompany sales	611	1,268	657	107.5%
Total net sales	973	1,589	615	63.3%
Operating profit	▲ 79	133	213	– %

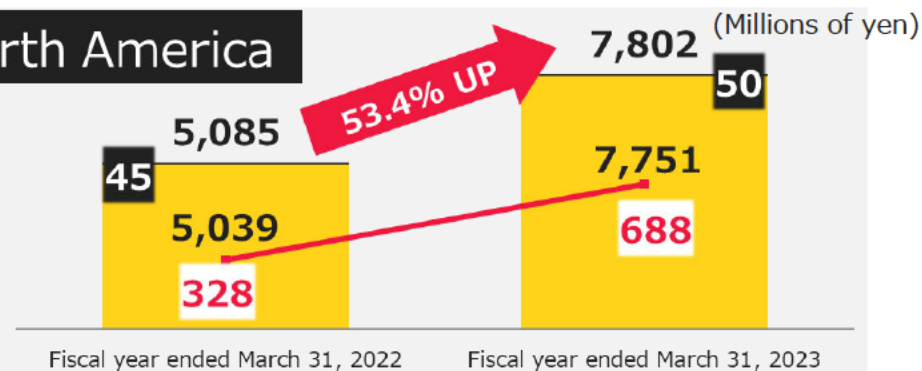
# Segment Information by Region (Graph)

## Japan



Fiscal year ended March 31, 2022    Fiscal year ended March 31, 2023

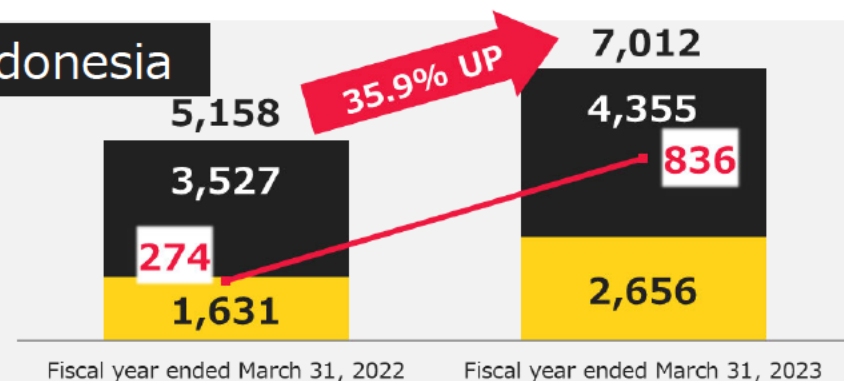
## North America



Fiscal year ended March 31, 2022

Fiscal year ended March 31, 2023

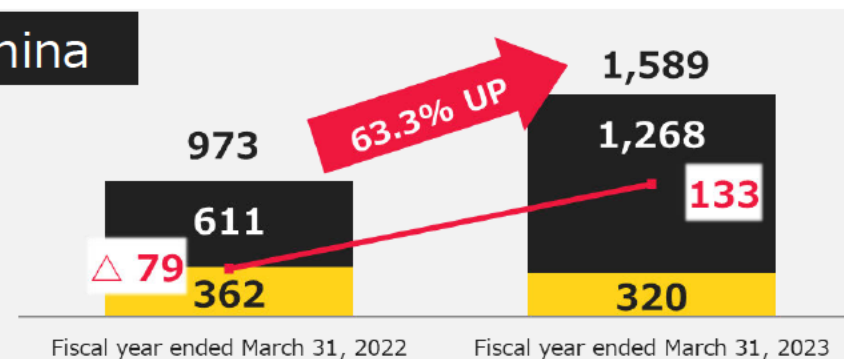
## Indonesia



Fiscal year ended March 31, 2022

Fiscal year ended March 31, 2023

## China



Fiscal year ended March 31, 2022

Fiscal year ended March 31, 2023

# Breakdown of YoY Changes in Operating Profit

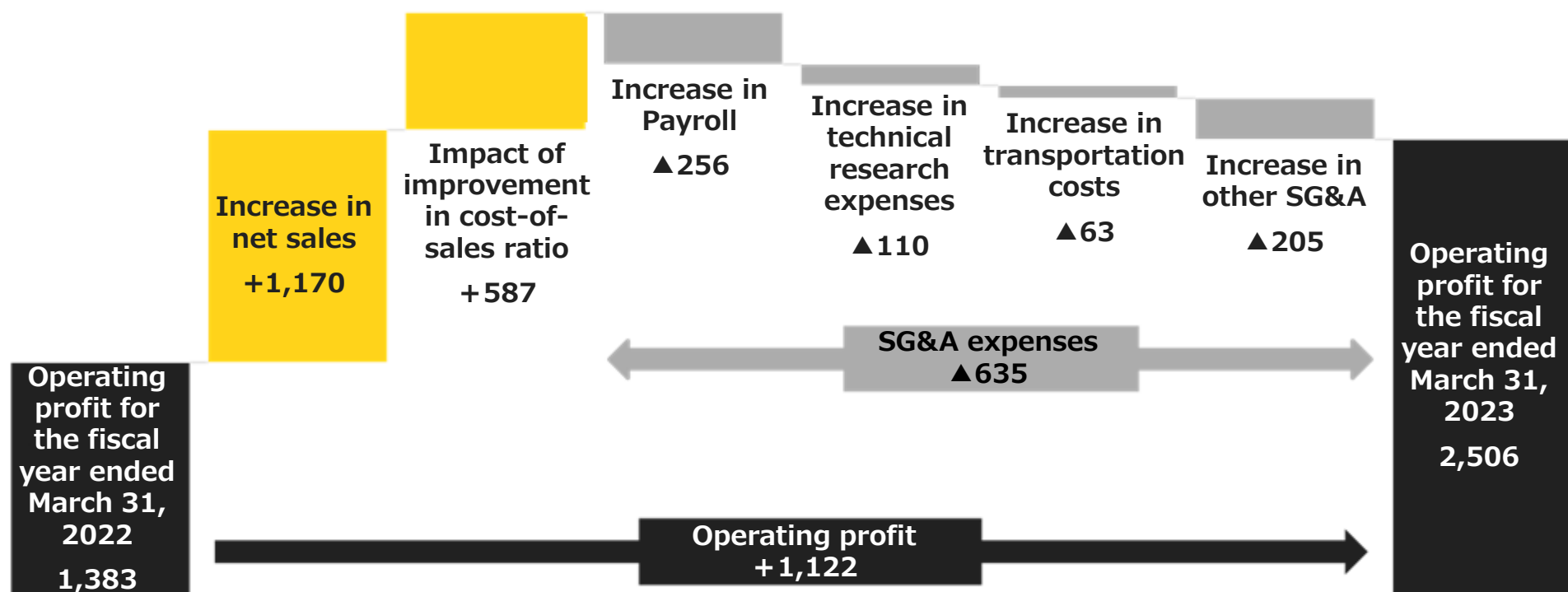
- Gross Profit increased by ¥1,170 million, in line with YoY increase in sales of ¥4,860 million.
- Cost-of-sales ratio decreased by 1.87% and gross profit increased by ¥587 million through sales price revisions and logistics streamlining in overseas business.
- SG&A expenses increased by ¥635 million as we came out of restricted operational conditions and resumed business activities.
- As a result, operating profit rose by ¥1,122 million YoY to ¥2,506 million.

(Millions of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023	YoY change	Impact on operating profit	Note
Net sales	26,599	31,459	4,860	+1,170	4,860 x (1 - 75.9%)
Cost-of-sales ratio	75.9%	74.0%	▲1.87%	+587	31,459 x ▲1.87%
Gross profit	6,407	8,165	1,757		
SG&A expenses	5,023	5,659	635	▲ 635	Payroll: up 256; Technical research expenses: up 110; Transportation costs: up 63; Other SG&A: up 205
Operating profit	1,383	2,506		+1,122	

# Breakdown of YoY Changes in Operating Profit (Graph)

(Millions of yen)



Operating profit ratio  
5.2%

Operating profit ratio  
8.0%

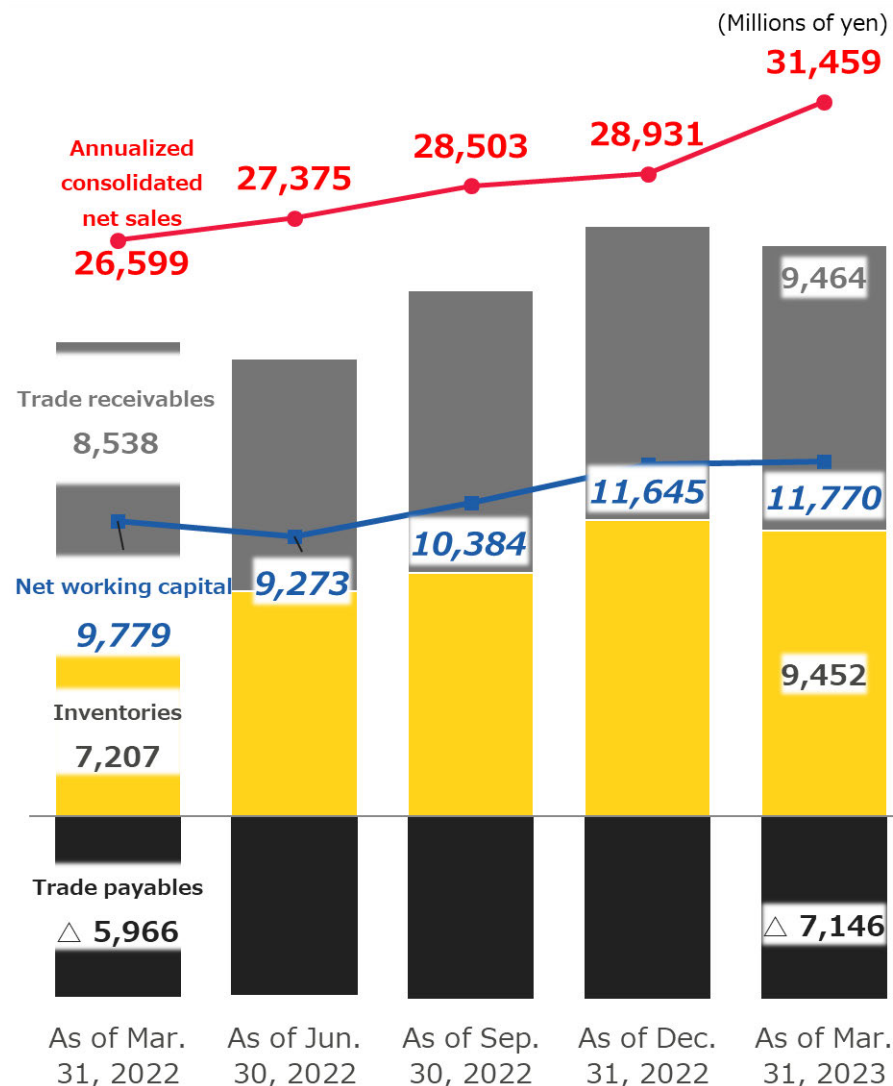
# Net Working Capital (Trade Receivables + Inventories – Trade Payables)

- Net working capital invested in sales activities increased by ¥1,991 million YoY to ¥11,770 million.
- Inventories increased by ¥2,245 million YoY to ¥9,452 million due to increased production and measures taken to address parts shortage.
- The ratio of net working capital to net sales remains stable at around 37%, similar to the previous year, and the working capital structure is within a reasonable range.

(Millions of yen)

	As of March 31, 2022	As of March 31, 2023	YoY change	
			Amount	%
Annualized consolidated net sales	26,599	31,459	4,860	18.3%
Trade receivables	8,538	9,464	926	10.8%
Inventories	7,207	9,452	2,245	31.2%
Trade payables	▲5,966	▲7,146	▲1,180	19.8%
Net working capital	9,779	11,770	1,991	20.4%

Inventory turnover	3.69 times	3.33 times	▲0.36 times
Net working capital/Sales ratio	36.8%	37.4%	0.6%



# Consolidated Business Forecast

- We anticipate firm demand in Japan, North America and Asia, so the net sales forecast is set at ¥33,000 million, representing a YoY increase of 4.9%.
- Amidst further price revisions, rationalization, increased business activities, and planned investments in human capital and digital transformation (DX), the operating profit forecast is set at ¥2,950 million, a YoY increase of 17.7%.

(Millions of yen)

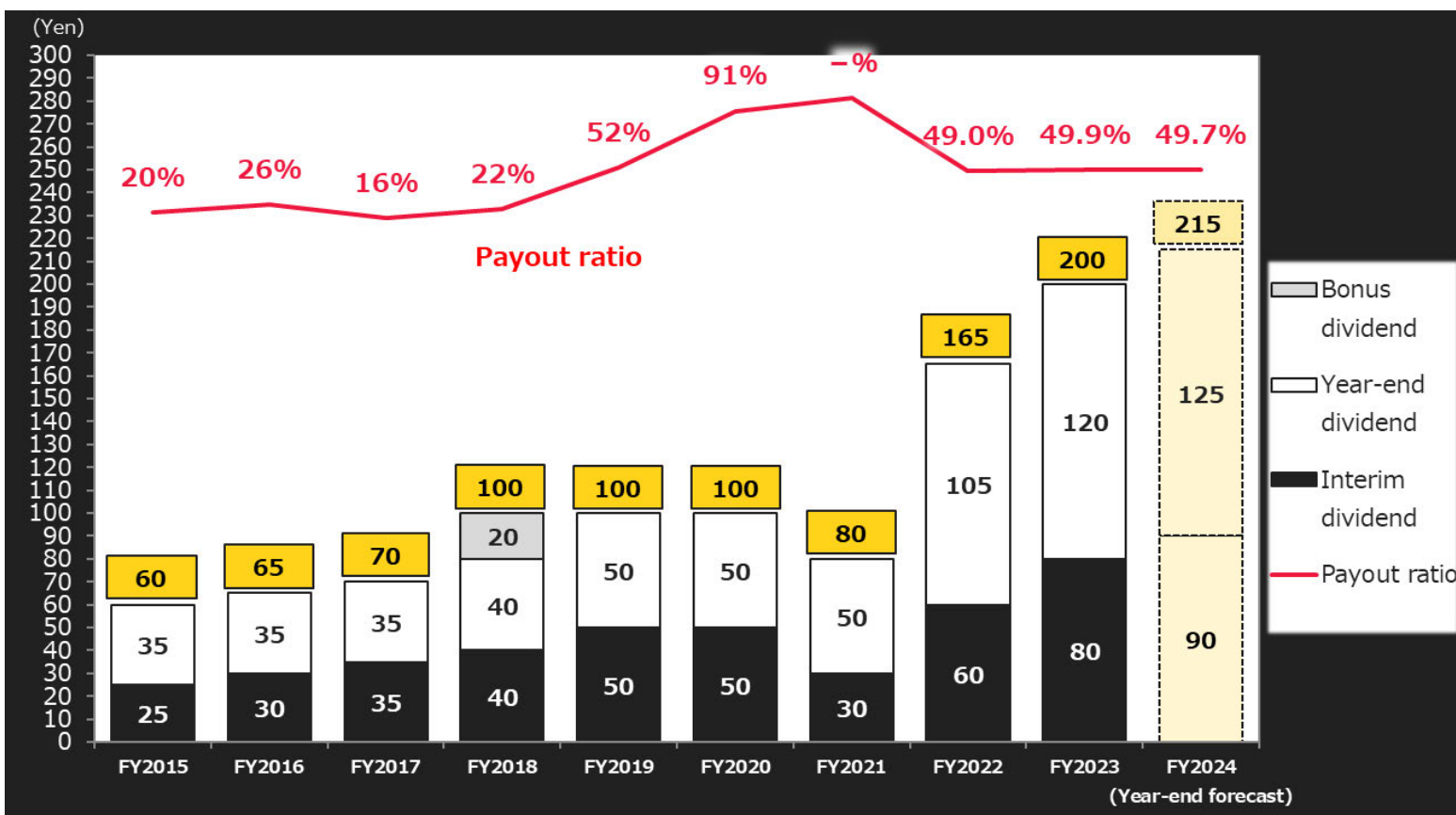
	Fiscal year ended March 31, 2022 (Results)	Fiscal year ended March 31, 2023 (Results)	Fiscal year ending March 31, 2024 (Forecast)	YoY change	
				Amount	%
Net sales	26,599	31,459	33,000	1,540	4.9%
Operating profit	1,383	2,506	2,950	443	17.7%
Ordinary profit	1,407	2,327	2,800	472	20.3%
Profit attributable to owners of parent	1,427	1,694	1,830	135	8.0%
Earnings per share (Yen)	¥336.87	¥400.75	¥432.82	¥32.07	8.0%



# Dividends per Share

- Since the announcement of the Medium-Term Management Policy on June 2, 2021, we have set a dividend policy as follows, with a target of 8% ROE:

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.



## KPIs Established in the Medium-Term Management Policy

- Net sales are on pace to exceed the plan in the second year of the medium-term management policy.
- Faced with profit structure deterioration due to structural increases in energy and material prices and high logistics costs, improvement in operating margin is lagging, and we are now promoting profit structure reform through sales price revisions and cost reductions.

(Millions of yen)

	Fiscal year ended March 31, 2022 (Results)	Fiscal year ended March 31, 2023 (Results)	Fiscal year ending March 31, 2024 (Forecast)	Target for the fiscal year ending March 31, 2024	Target for the fiscal year ending March 31, 2026
<b>Net sales</b>	26,599	31,459	33,000	26,500	30,000
<b>Operating profit</b>	1,383	2,506	2,950	2,000	3,100
<b>Return on equity (ROE)</b>	6.3%	7.0%	7.1%	5.5%	8.0%
<b>Share buybacks</b>	340	—	Cumulative amount of share buybacks		
			340* <sup>1</sup>	500 ~ 2,000* <sup>2</sup>	

\*1 The amount represents the cumulative amount of share buybacks that had been executed as of May 10, 2023.

\*2 The amount represents the targets of the cumulative amount of share buybacks through March 31, 2026.

# ESG Initiatives

## Initiatives to contribute to carbon neutrality

### CO<sub>2</sub> emissions reduction at construction sites (shift to EVs)

#### Electric roller

Demo machine completed.  
 Practical tests will be conducted at actual paving sites.  
 Data will be collected for commercialization purposes.



Exhibit at CSPI-EXPO Construction & Survey Productivity Improvement Expo (May 24 to 26, 2023, at Makuhari Messe)

#### Electric Walk Behind Roller

Created a concept model using portable and swappable batteries made by Honda Motor Co., Ltd.



## Initiatives to resolve social issues through business activities

### Launch of production of road maintenance and repair machines at Indonesian plant



In January 2024, we plan to start production of road planers in Indonesia.

They will contribute to road maintenance in Southeast Asia and the expansion of our business domain.

## Initiatives to strengthen governance

### Appointment of New Outside Director (June 29, 2023)

Haruyasu Asakura, who is an expert in capital markets, is nominated as an outside Director candidate. He will provide advice and monitoring from an investor's perspective.

Career	Apr. 1984	Joined Mitsubishi Corporation
	May 1999	Partner of Apax Globis Partners (now Globis Capital Partners)
	Feb. 2001	Managing Director of Carlyle Group
	July 2009	Member of the Board (COO) of INCJ, Ltd.
	Mar. 2016	President (CEO and CIO) of Marunouchi Capital
	Nov. 2022	Representative partner of HA Management LLC (current position)

**Reasons for appointment**  
 The Company has nominated Haruyasu Asakura as a candidate for outside Director in view of the fact that he has broad knowledge of capital markets and corporate value improvement based on his many years of experience in private equity funds, and the Company believes he is suitable to serve as an outside Director who is an Audit and Supervisory Committee Member.

## Compliance with the Continued Listing Criteria for the Tokyo Stock Exchange Prime Market

- As of the reference date of transition (June 30, 2021), the Company did not meet the criteria for "tradable share market capitalization" among the Continued Listing Criteria for the Prime Market. However, as of the end of March 2023, we have complied with all the criteria.

		Number of shareholders	Number of tradable shares (units)	Market capitalization of tradable shares (billion yen)	Tradable share ratio (%)	Daily average trading value (million yen)
Compliance status of the Company and transition	As of end of June 2021 (reference date of transition)	2,924	28,147	63	64.8	30
	As of end of March 2023 (*1, 2)	4,081	27,436	103	62.4	40
Continued Listing Criteria		800	20,000	100	35.0	20
Compliance status as of March 31, 2023		Compliant	Compliant	Compliant	Compliant	Compliant

\*1 The compliance status of the Company was calculated based on the distribution of the Company's share certificates, etc., as known by the Tokyo Stock Exchange as of the reference date.

\*2 The reference date for daily average trading value is December 31, 2022.

# SAKAI

## MASTERS OF COMPACTION

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