

For the Fiscal Year Ended March 31, 2021

Annual Select[®] 2021

SAKAI HEAVY INDUSTRIES, LTD.

**Hamamatsu-cho Seiwa Bldg., 1-4-8 Shibadaimon,
Minato-ku, Tokyo 105-0012
(Securities Code: 6358)
+81-3-3434-3401**

Corporate Profile

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

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

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



Ichiro Sakai
President and Representing Director

I. Summary of Selected Financial Data (Consolidated)

	69 th term Fiscal year ended March 31, 2017	70 th term Fiscal year ended March 31, 2018	71 st term Fiscal year ended March 31, 2019	72 nd term Fiscal year ended March 31, 2020	73 rd term Fiscal year ended March 31, 2021
Net sales (Thousands of yen)	23,699,366	29,504,006	24,775,064	22,744,492	21,624,456
Ordinary profit (loss) (Thousands of yen)	1,549,884	3,145,379	1,199,970	829,906	659,186
Profit (loss) attributable to owners of parent (Thousands of yen)	1,816,015	1,889,409	825,088	470,286	4,001
Comprehensive income (Thousands of yen)	2,236,001	2,147,830	236,623	15,551	402,360
Net assets (Thousands of yen)	20,605,337	22,475,618	22,285,287	21,919,981	22,038,259
Total assets (Thousands of yen)	35,819,124	39,277,509	35,402,964	35,448,327	35,101,001
Net assets per share (Yen)	4,854.74	5,278.82	5,218.13	5,103.57	5,100.49
Basic earnings (loss) per share (Yen)	428.44	444.96	193.77	109.95	0.93
Diluted earnings per share (Yen)	—	—	—	—	—
Equity ratio (%)	57.4	57.1	62.8	61.7	62.7
Return on equity (ROE) (%)	9.3	8.8	3.7	2.1	0.0
Price earnings ratio (PER) (Times)	7.96	10.51	14.07	22.01	2,413.98
Net cash provided by (used in) operating activities (Thousands of yen)	3,751,795	4,464,931	(3,633,169)	3,448,160	1,525,854
Net cash provided by (used in) investing activities (Thousands of yen)	(421,539)	(425,847)	(2,335,221)	(825,877)	(508,901)
Net cash provided by (used in) financing activities (Thousands of yen)	(705,877)	(906,239)	(1,173,694)	(226,644)	(812,505)
Cash and cash equivalents at end of period (Thousands of yen)	8,340,226	11,404,134	4,210,496	6,682,986	6,847,106
Number of employees (Persons)	601	626	628	633	602

- Notes:
1. Net sales do not include consumption taxes.
 2. Diluted earnings per share is not provided because there were no potential shares.
 3. The Company consolidated ten shares of common shares into one share of common shares as of October 1, 2017. Net assets per share and basic earnings per share are calculated as if the consolidation of shares was conducted at the beginning of the 69th term.
 4. The Company has applied the “Partial Amendments to Accounting Standard for Tax Effect Accounting” (ASBJ Statement No. 28, February 16, 2018) and relevant Guidances effective from the beginning of the 71st term, and the figures for the 70th term in this summary of selected financial data have been retrospectively adjusted to reflect the application of the aforementioned standard, etc.

II. Overview of Operations

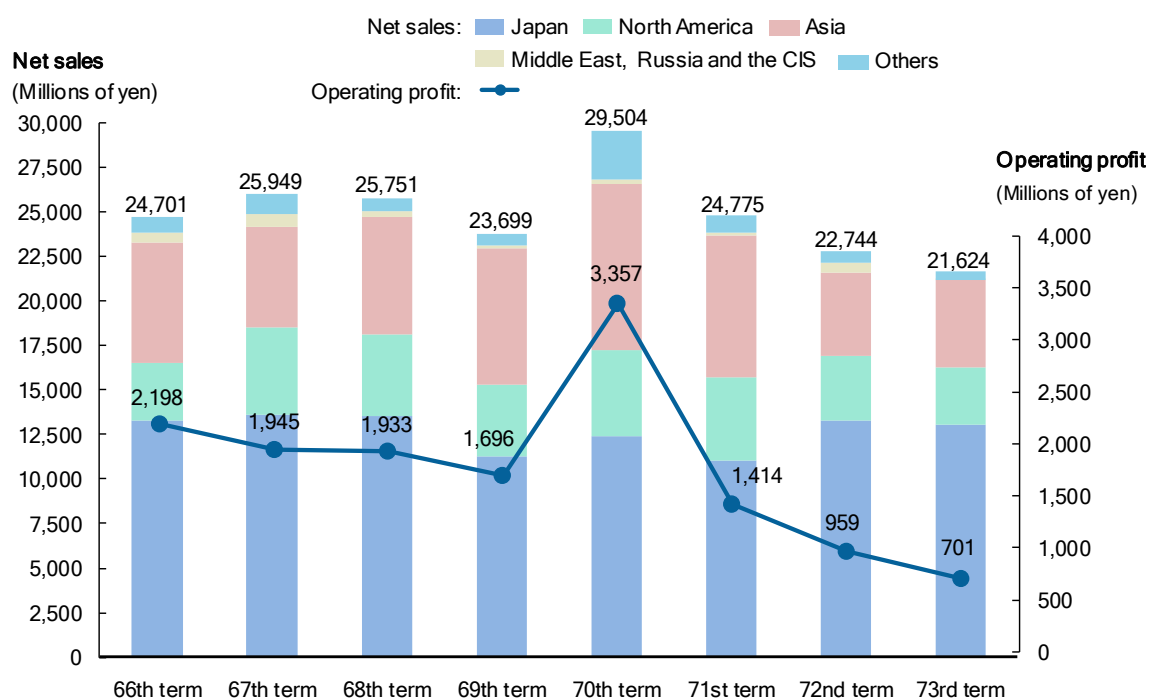
The business environment affecting SAKAI HEAVY INDUSTRIES, LTD. and its subsidiaries (the “Group”) during the fiscal year ended March 31, 2021 (April 1, 2020 to March 31, 2021) was in a period of great change that used the spread of the novel coronavirus disease (COVID-19) and global warming as an opportunity to transform global society. Big transformations have also progressed for behavioral patterns of global society and industrial regulations, such as the penetration of digital technologies for restricting activities on a global scale, the decision of policies for decarbonization and the great transformation to an era of green growth that keeps pace with major nations of the world, and the further fluidization of the global geopolitical situation and the disruption of the supply chain.

Under such conditions, the Group actively worked on initiatives for SDG issues through the digital transformation (DX) of business activities and the main business of the development of social infrastructure, and continued to promote “business management based on the major premise of change” and “medium- to long-term growth strategies based on overseas businesses and next-generation businesses.”

As a result, net sales for the fiscal year under review were ¥21,624 million, a decrease of 4.9% year on year, owing to a decrease in overseas sales due to the spread of COVID-19, despite solid sales in Japan.

In terms of profit, following the decrease of net sales and the decrease of expenses due to restrictions on movement, operating profit was ¥701 million, a decrease of 26.9% year on year, and ordinary profit was ¥659 million, a decrease of 20.6% year on year. As a result of the reversal of ¥380 million in deferred tax assets at a North American operating subsidiary, profit attributable to owners of parent was ¥4 million, a decrease of 99.1% year on year.

Trend of operating results



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

Net sales in Japan were ¥13,042 million, a decrease of 1.6% year on year, as a result of solid sales against the backdrop of the solid execution of public works.

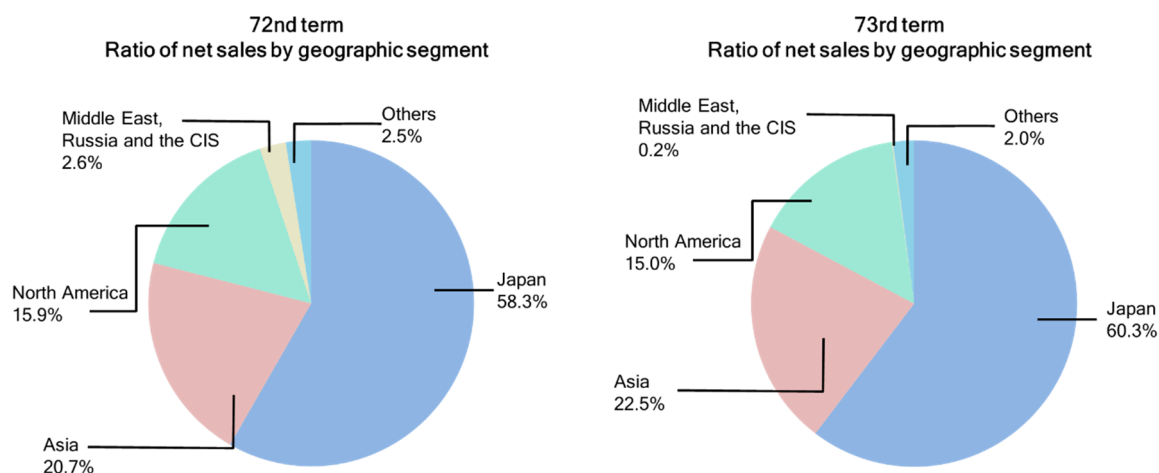
Net sales to overseas were ¥8,582 million, a decrease of 9.6% year on year, as patchy market conditions continued due to the spread of COVID-19.

Net sales to North America recovered to ¥3,245 million, a decrease of 10.3% year on year, due to demand for construction machinery eventually bottoming out after a sharp drop in spite of solid construction investment.

Net sales to Asia were ¥4,854 million, an increase of 3.1% year on year, due to demand recovering in Thailand, Vietnam, South Korea and China, and demand showing signs of bottoming out, even in Indonesia, where net sales have decreased significantly.

Net sales to the Middle East, Russia, and the CIS were ¥32 million, a decrease of 94.5% year on year, due to the stagnation of sales activities.

Net sales to other markets were ¥449 million, a decrease of 22.0% year on year, due to the stagnation of net sales to Africa, despite net sales to Central and South America and Oceania bottoming out.



Operating results by segment are as follows:

Japan

Total net sales in Japan were ¥18,505 million, a decrease of 2.1% year on year, and operating profit was ¥739 million, a decrease of 10.3% year on year, as a result of a decrease in parts exports to overseas factories despite solid sales in Japan.

Overseas

In the United States, total net sales were ¥3,272 million, a decrease of 10.2% year on year, as a result of our aggressive efforts to strengthen sales activities and streamline expenses in response to declining demand, while operating profit slightly returned to profitability.

In Indonesia, although exports to third countries saw a 20% increase, total net sales were ¥2,996 million, a decrease of 16.0% year on year, as a result of a 60% decrease in domestic sales due to the spread of COVID-19, while operating profit was ¥17 million, a decrease of 67.2% year on year.

In China, although domestic sales had an increase of 30% through strengthening sales activities under the policy of decoupling the U.S. and China businesses, this was not sufficient to offset the decrease in parts exports to the North America and factories of the Group. As a result, total net sales in China were ¥732 million, a decrease of 32.4% year on year, and operating loss was ¥82 million.

III. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Thousands of yen)

	As of March 31, 2020	As of March 31, 2021
Assets		
Current assets		
Cash and deposits	6,755,441	6,983,590
Notes and accounts receivable - trade	6,251,988	7,959,111
Merchandise and finished goods	4,922,324	3,646,537
Work in process	1,434,719	1,151,343
Raw materials and supplies	3,196,267	2,252,540
Other	1,025,624	934,664
Allowance for doubtful accounts	–	(204)
Total current assets	23,586,366	22,927,582
Non-current assets		
Property, plant and equipment		
Buildings and structures	7,612,445	7,885,995
Accumulated depreciation	(4,743,903)	(4,923,203)
Buildings and structures, net	2,868,542	2,962,791
Machinery, equipment and vehicles	3,636,272	3,728,821
Accumulated depreciation	(3,092,777)	(3,143,548)
Machinery, equipment and vehicles, net	543,495	585,273
Land	2,904,966	2,845,322
Leased assets	523,450	573,552
Accumulated depreciation	(271,042)	(358,888)
Leased assets, net	252,407	214,664
Other	1,593,471	1,502,440
Accumulated depreciation	(1,346,167)	(1,384,730)
Other, net	247,303	117,710
Total property, plant and equipment	6,816,715	6,725,762
Intangible assets	613,745	557,799
Investments and other assets		
Investment securities	2,695,310	3,625,519
Deferred tax assets	443,184	37,311
Other	1,293,005	1,227,026
Total investments and other assets	4,431,500	4,889,857
Total non-current assets	11,861,961	12,173,419
Total assets	35,448,327	35,101,001

(Thousands of yen)

	As of March 31, 2020	As of March 31, 2021
Liabilities		
Current liabilities		
Notes and accounts payable - trade	4,858,381	1,737,165
Electronically recorded obligations - operating	–	2,951,463
Short-term borrowings	4,628,906	5,105,785
Income taxes payable	332,068	173,071
Provision for product warranties	165,950	154,973
Other	1,470,012	1,365,684
Total current liabilities	11,455,319	11,488,144
Non-current liabilities		
Long-term borrowings	1,232,620	428,001
Lease obligations	302,271	311,433
Deferred tax liabilities	222,653	483,460
Retirement benefit liability	137,169	156,043
Other	178,312	195,659
Total non-current liabilities	2,073,027	1,574,598
Total liabilities	13,528,346	13,062,742
Net assets		
Shareholders' equity		
Share capital	3,191,658	3,221,868
Capital surplus	6,437,601	6,467,811
Retained earnings	11,109,401	10,769,680
Treasury shares	(61,846)	(62,626)
Total shareholders' equity	20,676,814	20,396,733
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,079,061	1,732,254
Foreign currency translation adjustment	118,860	(124,237)
Remeasurements of defined benefit plans	2,387	(7,417)
Total accumulated other comprehensive income	1,200,309	1,600,599
Non-controlling interests	42,857	40,925
Total net assets	21,919,981	22,038,259
Total liabilities and net assets	35,448,327	35,101,001

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

(Consolidated Statements of Income)

(Thousands of yen)

	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
Net sales	22,744,492	21,624,456
Cost of sales	16,719,076	16,215,578
Gross profit	6,025,416	5,408,878
Selling, general and administrative expenses		
Transportation costs	361,229	307,400
Salaries and bonuses	2,109,522	2,053,469
Technical research expenses	753,187	768,303
Other	1,841,554	1,578,456
Total selling, general and administrative expenses	5,065,493	4,707,629
Operating profit	959,923	701,249
Non-operating income		
Interest income	4,178	8,896
Dividend income	112,286	128,526
Other	37,917	43,767
Total non-operating income	154,383	181,190
Non-operating expenses		
Interest expenses	171,248	126,063
Foreign exchange losses	33,879	26,873
Bank charge	70,249	62,231
Other	9,022	8,084
Total non-operating expenses	284,399	223,253
Ordinary profit	829,906	659,186
Extraordinary income		
Gain on sale of non-current assets	12,995	45,149
Gain on sale of investment securities	-	17
Surrender value of insurance policies	8,400	-
Total extraordinary income	21,395	45,167
Extraordinary losses		
Loss on disposal of non-current assets	1,253	472
Total extraordinary losses	1,253	472
Profit before income taxes	850,048	703,881
Income taxes - current	358,096	314,545
Income taxes - deferred	21,615	384,881
Total income taxes	379,712	699,427
Profit	470,336	4,454
Profit attributable to non-controlling interests	50	453
Profit attributable to owners of parent	470,286	4,001

(Consolidated Statements of Comprehensive Income)

(Thousands of yen)

	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
Profit	470,336	4,454
Other comprehensive income		
Valuation difference on available-for-sale securities	(352,075)	653,193
Foreign currency translation adjustment	(96,731)	(245,482)
Remeasurements of defined benefit plans, net of tax	(5,978)	(9,805)
Total other comprehensive income	(454,785)	397,905
Comprehensive income	15,551	402,360
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	16,112	404,390
Comprehensive income attributable to non-controlling interests	(561)	(2,029)

(3) Consolidated Statements of Changes in Equity

Fiscal year ended March 31, 2020

(Thousands of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	3,158,962	6,404,905	11,085,205	(60,905)	20,588,168
Changes during period					
Issuance of new shares	32,696	32,696			65,392
Dividends of surplus			(427,471)		(427,471)
Profit attributable to owners of parent			470,286		470,286
Purchase of treasury shares				(940)	(940)
Change in scope of consolidation			(18,620)		(18,620)
Net changes in items other than shareholders' equity					
Total changes during period	32,696	32,696	24,195	(940)	88,646
Balance at end of period	3,191,658	6,437,601	11,109,401	(61,846)	20,676,814

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	1,431,136	215,040	8,365	1,654,543	42,576	22,285,287
Changes during period						
Issuance of new shares						65,392
Dividends of surplus						(427,471)
Profit attributable to owners of parent						470,286
Purchase of treasury shares						(940)
Change in scope of consolidation						(18,620)
Net changes in items other than shareholders' equity	(352,075)	(96,180)	(5,978)	(454,234)	281	(453,952)
Total changes during period	(352,075)	(96,180)	(5,978)	(454,234)	281	(365,306)
Balance at end of period	1,079,061	118,860	2,387	1,200,309	42,857	21,919,981

Fiscal year ended March 31, 2021

(Thousands of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	3,191,658	6,437,601	11,109,401	(61,846)	20,676,814
Changes during period					
Issuance of new shares	30,210	30,210			60,420
Dividends of surplus			(343,721)		(343,721)
Profit attributable to owners of parent			4,001		4,001
Purchase of treasury shares				(780)	(780)
Net changes in items other than shareholders' equity					
Total changes during period	30,210	30,210	(339,720)	(780)	(280,081)
Balance at end of period	3,221,868	6,467,811	10,769,680	(62,626)	20,396,733

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	1,079,061	118,860	2,387	1,200,309	42,857	21,919,981
Changes during period						
Issuance of new shares						60,420
Dividends of surplus						(343,721)
Profit attributable to owners of parent						4,001
Purchase of treasury shares						(780)
Net changes in items other than shareholders' equity	653,193	(243,097)	(9,805)	400,290	(1,931)	398,359
Total changes during period	653,193	(243,097)	(9,805)	400,290	(1,931)	118,278
Balance at end of period	1,732,254	(124,237)	(7,417)	1,600,599	40,925	22,038,259

(4) Consolidated Statements of Cash Flows

(Thousands of yen)

	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
Cash flows from operating activities		
Profit before income taxes	850,048	703,881
Depreciation	587,649	637,898
Increase (decrease) in allowance for doubtful accounts	(33,094)	195
Increase (decrease) in provision for product warranties	(3,672)	(10,976)
Increase (decrease) in retirement benefit liability	20,926	13,693
Interest and dividend income	(116,465)	(137,423)
Interest expenses	171,248	126,063
Loss (gain) on sale of non-current assets	(12,995)	(45,149)
Loss (gain) on disposal of non-current assets	1,253	472
Loss (gain) on sale of investment securities	–	(17)
Decrease (increase) in trade receivables	1,639,973	(1,717,379)
Decrease (increase) in inventories	259,973	2,456,923
Decrease (increase) in prepaid expenses	(227,122)	(32,675)
Decrease (increase) in accounts receivable - other	208,335	154,083
Increase (decrease) in trade payables	(30,895)	(143,411)
Increase (decrease) in accrued expenses	(179,091)	60,077
Other, net	163,565	(177,843)
Subtotal	3,299,636	1,888,413
Interest and dividends received	106,068	91,937
Interest paid	(168,985)	(114,299)
Income taxes refund (paid)	211,441	(340,196)
Net cash provided by (used in) operating activities	3,448,160	1,525,854
Cash flows from investing activities		
Payments into time deposits	(364)	(1)
Proceeds from withdrawal of time deposits	–	5,933
Purchase of property, plant and equipment	(776,535)	(546,800)
Proceeds from sale of property, plant and equipment	46,027	65,634
Purchase of intangible assets	(123,255)	(32,642)
Proceeds from sale of investment securities	27,500	22
Loan advances	(400)	(3,150)
Proceeds from collection of loans receivable	1,149	2,103
Net cash provided by (used in) investing activities	(825,877)	(508,901)

(Thousands of yen)

	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	324,874	28,782
Proceeds from long-term borrowings	430,450	40,000
Repayments of long-term borrowings	(452,956)	(408,943)
Purchase of treasury shares	(940)	(780)
Dividends paid	(427,471)	(343,721)
Other, net	(100,601)	(127,842)
Net cash provided by (used in) financing activities	(226,644)	(812,505)
Effect of exchange rate change on cash and cash equivalents	(3,978)	(40,327)
Net increase (decrease) in cash and cash equivalents	2,391,659	164,119
Cash and cash equivalents at beginning of period	4,210,496	6,682,986
Increase (decrease) in cash and cash equivalents resulting from change in scope of consolidation	80,830	—
Cash and cash equivalents at end of period	6,682,986	6,847,106

IV. Products



VIBRATORY PNEUMATIC TIRED ROLLER
GW750-2 9,040Kg (19,930Lb)



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



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



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



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



ROAD RECLAIMER
PM550-2 22,580Kg (49,780Lb)



ROAD PLANER
ER552F-2 28,170Kg (62,105Lb)

Contact us

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V. Corporate Data

Basic Information (as of March 31, 2021)

Trade name:	SAKAI HEAVY INDUSTRIES, LTD.
Established:	May 7, 1949
Listed market:	The First Section of Tokyo Stock Exchange (Securities Code: 6358)
Listed:	September 1964
Business year:	From April 1 to March 31 of the following year
Share capital:	3,221 million yen
Number of employees:	602 persons (Consolidated)
Head office:	Hamamatsu-cho Seiwa Bldg., 1-4-8 Shibadaimon, Minato-ku, Tokyo 105-0012
Telephone:	+81-3-3434-3401

Business Office (as of July 1, 2021)

JAPAN	Sapporo Sendai Tokyo Nagoya Osaka Hiroshima Fukuoka
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Subsidiaries:

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

Directors (as of July 1, 2021)

President and Representing Director	Ichiro Sakai
Director and Executive Vice President	Ryosuke Watanabe
Director*	Kazushi Kiyomiya
Outside Director*	Ryuichi Tokunaga
Outside Director*	Makoto Kikkawa

Executive Officers (as of July 1, 2021)

Senior Managing Executive Officer	Kenichi Mizuuchi
Managing Executive Officer	Yukinori Tsukimoto
Managing Executive Officer	Toshihiko Akimoto
Managing Executive Officer	Masahiro Tokita
Executive Officer	Takao Yoshikawa
Executive Officer	Yasunori Azumi
Executive Officer	Fumio Yamanaka
Executive Officer	Hiroshi Baba

* Audit and Supervisory Committee Member

Stock Status (as of March 31, 2021)

Total number of shares authorized:	14,990,000 shares
Total number of shares issued:	4,338,417 shares
Number of shareholders:	3,704

Major shareholders (Top 10)

Shareholder name	Number of shares held (Thousands)	Share-holding ratio (excluding treasury shares) (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	231	5.35
Custody Bank of Japan, Ltd. (Trust Account)	228	5.30
Mizuho Bank, Ltd. (Standing proxy: Custody Bank of Japan, Ltd.)	209	4.86
MUFG Bank, Ltd. Nippon Life Insurance Company (Standing proxy: The Master Trust Bank of Japan, Ltd.)	209	4.86
The Dai-ichi Life Insurance Company, Limited (Standing proxy: Custody Bank of Japan, Ltd.)	150	3.49
Ichiro Sakai	148	3.44
CREDIT SUISSE AG, DUBLIN BRANCH PRIME CLIENT ASSET EQUITY ACCOUNT (Standing proxy: Credit Suisse Japan)	128	2.98
MLI FOR CLIENT GENERAL OMNI NON COLLATERAL NON TREATY-PB (Standing proxy: BofA Securities Japan Co., Ltd.)	127	2.94
DFA INTL SMALL CAP VALUE PORTFOLIO (Standing proxy: Citibank, N.A., Tokyo Branch)	125	2.91
	82	1.92

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