

For the Fiscal Year Ended March 31, 2020

Annual Select[®] 2020

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)

	68 th term Fiscal year ended March 31, 2016	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
Net sales (Thousands of yen)	25,751,064	23,699,366	29,504,006	24,775,064	22,744,492
Ordinary profit (loss) (Thousands of yen)	1,677,050	1,549,884	3,145,379	1,199,970	829,906
Profit (loss) attributable to owners of parent (Thousands of yen)	1,070,894	1,816,015	1,889,409	825,088	470,286
Comprehensive income (Thousands of yen)	645,376	2,236,001	2,147,830	236,623	15,551
Net assets (Thousands of yen)	18,668,924	20,605,337	22,475,618	22,285,287	21,919,981
Total assets (Thousands of yen)	33,254,015	35,819,124	39,277,509	35,402,964	35,448,327
Net assets per share (Yen)	4,397.62	4,854.74	5,278.82	5,218.13	5,103.57
Basic earnings (loss) per share (Yen)	252.61	428.44	444.96	193.77	109.95
Diluted earnings per share (Yen)	—	—	—	—	—
Equity ratio (%)	56.1	57.4	57.1	62.8	61.7
Return on equity (ROE) (%)	5.8	9.3	8.8	3.7	2.1
Price earnings ratio (PER) (Times)	7.24	7.96	10.51	14.07	22.01
Net cash provided by (used in) operating activities (Thousands of yen)	2,472,156	3,751,795	4,464,931	(3,633,169)	3,448,160
Net cash provided by (used in) investing activities (Thousands of yen)	(422,209)	(421,539)	(425,847)	(2,335,221)	(825,877)
Net cash provided by (used in) financing activities (Thousands of yen)	(664,007)	(705,877)	(906,239)	(1,173,694)	(226,644)
Cash and cash equivalents at end of period (Thousands of yen)	5,675,849	8,340,226	11,404,134	4,210,496	6,682,986
Number of employees (Persons)	573	601	626	628	633

- 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 68th 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.

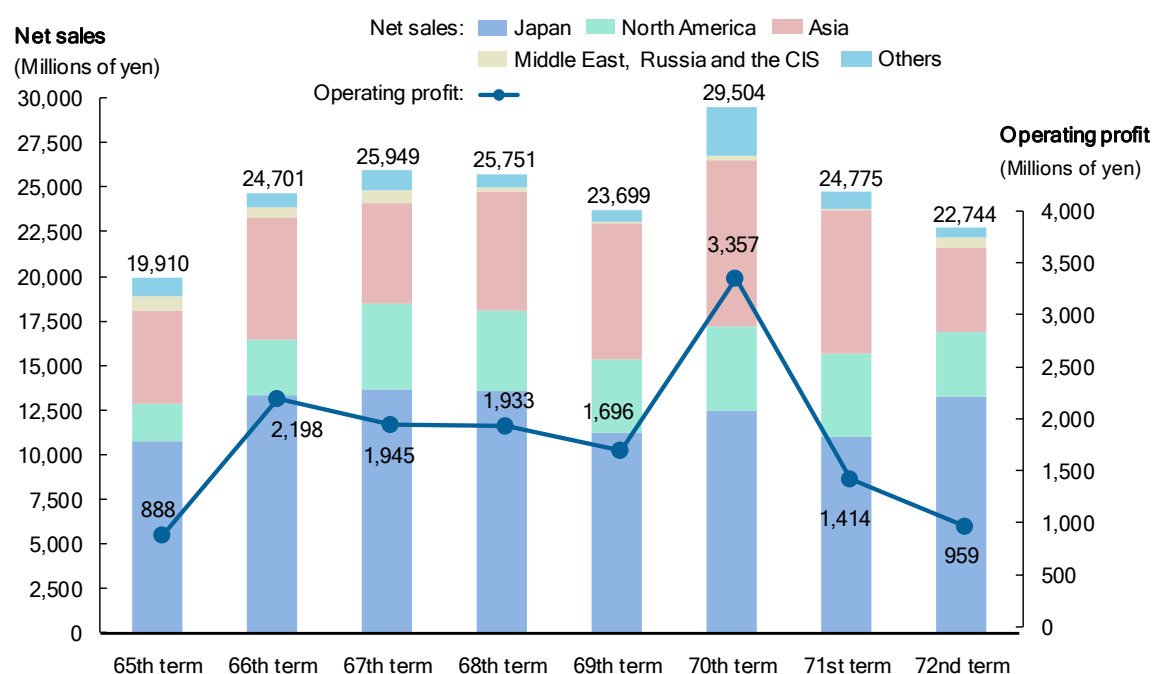
II. Overview of Operations

In the business environment affecting SAKAI HEAVY INDUSTRIES, LTD. and its subsidiaries (the “Group”) during the fiscal year ended March 31, 2020 (April 1, 2019 to March 31, 2020), the Japanese economy had been proceeding stably while the overseas economy was following a slowing trend under the effect of U.S.-China trade friction. However, in the fourth quarter, the spread of the new coronavirus disease (COVID-19) created an emergency situation in which socio-economic activity stopped on a global scale.

Under such conditions, the Group responded promptly to the emergency situation while steadily proceeding with its medium- to long-term growth strategies based on its overseas businesses and next-generation businesses.

Net sales for the fiscal year under review were ¥22,744 million, a decrease of 8.2% year on year, owing to a decrease in overseas sales, despite strong sales in Japan. In terms of profit, following the decrease of net sales, operating profit was ¥959 million, a decrease of 32.2% year on year, ordinary profit was ¥829 million, a decrease of 30.8% year on year, and profit attributable to owners of parent was ¥470 million, a decrease of 43.0% year on year.

Trend of operating results



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

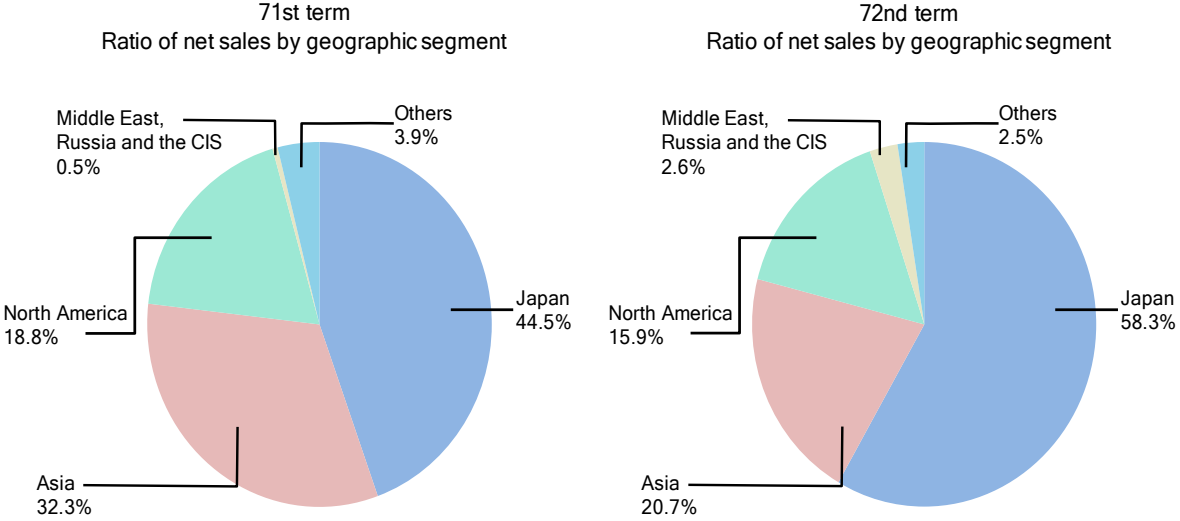
Net sales in Japan were ¥13,251 million, an increase of ¥2,216 million or 20.1% year on year, as a result of the end to the recoil-effect drop in demand following the extraordinary demand rush to beat new emissions regulations and vibrant public works driven by emergency measures to boost Japan’s resilience to disasters. Net sales to overseas markets were ¥9,492 million, a decrease of ¥4,246 million or 30.9% year on year, as a result of the COVID-19 crisis in addition to economic stagnation in Asia and emerging countries.

Net sales to North America were ¥3,618 million, a decrease of ¥1,037 million or 22.3% year on year, as a result of the sharp slowdown in demand in the fourth quarter.

Net sales to Asia were ¥4,708 million, a decrease of ¥3,291 million or 41.1% year on year, reflecting continued depressed demand.

Net sales to the Middle East, Russia, and the CIS were ¥588 million, an increase of ¥460 million or 4.6 times that of the previous fiscal year, reflecting official development assistance projects for the CIS, despite continued sluggish demand.

Net sales to other markets were ¥576 million, a decrease of ¥378 million or 39.7% year on year, mainly reflecting continued sluggish demand from Central and South America, Oceania, and Africa.



Operating results by segment are as follows:

Japan

Total net sales in Japan were ¥18,905 million, a decrease of 3.6% year on year, as a result of domestic sales performing strongly and mostly covering declines in international sales and inter-Group transactions. Operating profit was ¥824 million, 3.4 times that of the previous fiscal year.

Overseas

In the United States, total net sales were ¥3,643 million, a decrease of 23.3% year on year, and operating loss was ¥31 million, reflecting the sharp drop in demand. In Indonesia, total net sales were ¥3,567 million, a decrease of 46.1% year on year, reflecting continued stagnation in domestic sales and sales to third country markets, and operating profit was ¥54 million, a decrease of 94.3% year on year. In China, total net sales were ¥1,082 million, a decrease of 35.3% year on year, as a result of shrinking exports to the North American market despite the achievement of domestic market development, and operating profit was ¥17 million, 2.9 times that of the previous fiscal year.

III. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Thousands of yen)

	As of March 31, 2019	As of March 31, 2020
Assets		
Current assets		
Cash and deposits	4,282,830	6,755,441
Notes and accounts receivable - trade	7,907,766	6,251,988
Merchandise and finished goods	4,500,076	4,922,324
Work in process	1,832,262	1,434,719
Raw materials and supplies	3,570,391	3,196,267
Other	1,241,981	1,025,624
Allowance for doubtful accounts	(33,913)	—
Total current assets	23,301,394	23,586,366
Non-current assets		
Property, plant and equipment		
Buildings and structures	7,249,993	7,612,445
Accumulated depreciation	(4,584,140)	(4,743,903)
Buildings and structures, net	2,665,852	2,868,542
Machinery, equipment and vehicles	3,609,916	3,636,272
Accumulated depreciation	(3,171,525)	(3,092,777)
Machinery, equipment and vehicles, net	438,390	543,495
Land	2,922,653	2,904,966
Leased assets	438,161	523,450
Accumulated depreciation	(196,962)	(271,042)
Leased assets, net	241,198	252,407
Other	1,539,481	1,593,471
Accumulated depreciation	(1,373,812)	(1,346,167)
Other, net	165,668	247,303
Total property, plant and equipment	6,433,764	6,816,715
Intangible assets	644,545	613,745
Investments and other assets		
Investment securities	3,331,735	2,695,310
Deferred tax assets	435,272	443,184
Other	1,256,252	1,293,005
Total investments and other assets	5,023,260	4,431,500
Total non-current assets	12,101,570	11,861,961
Total assets	35,402,964	35,448,327

(Thousands of yen)

	As of March 31, 2019	As of March 31, 2020
Liabilities		
Current liabilities		
Notes and accounts payable - trade	4,922,344	4,858,381
Short-term borrowings	4,344,125	4,628,906
Income taxes payable	67,435	332,068
Provision for product warranties	169,622	165,950
Other	1,406,560	1,470,012
Total current liabilities	10,910,088	11,455,319
Non-current liabilities		
Long-term borrowings	1,262,895	1,232,620
Lease obligations	307,498	302,271
Deferred tax liabilities	332,678	222,653
Retirement benefit liability	106,914	137,169
Other	197,601	178,312
Total non-current liabilities	2,207,588	2,073,027
Total liabilities	13,117,677	13,528,346
Net assets		
Shareholders' equity		
Share capital	3,158,962	3,191,658
Capital surplus	6,404,905	6,437,601
Retained earnings	11,085,205	11,109,401
Treasury shares	(60,905)	(61,846)
Total shareholders' equity	20,588,168	20,676,814
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,431,136	1,079,061
Foreign currency translation adjustment	215,040	118,860
Remeasurements of defined benefit plans	8,365	2,387
Total accumulated other comprehensive income	1,654,543	1,200,309
Non-controlling interests	42,576	42,857
Total net assets	22,285,287	21,919,981
Total liabilities and net assets	35,402,964	35,448,327

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

(Consolidated Statements of Income)

(Thousands of yen)

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
Net sales	24,775,064	22,744,492
Cost of sales	18,086,632	16,719,076
Gross profit	6,688,432	6,025,416
Selling, general and administrative expenses		
Transportation costs	409,257	361,229
Salaries and bonuses	2,095,493	2,109,522
Technical research expenses	836,964	753,187
Other	1,931,899	1,841,554
Total selling, general and administrative expenses	5,273,614	5,065,493
Operating profit	1,414,817	959,923
Non-operating income		
Interest income	8,393	4,178
Dividend income	101,370	112,286
Other	33,437	37,917
Total non-operating income	143,200	154,383
Non-operating expenses		
Interest expenses	163,903	171,248
Foreign exchange losses	73,240	33,879
Bank charge	111,672	70,249
Other	9,231	9,022
Total non-operating expenses	358,047	284,399
Ordinary profit	1,199,970	829,906
Extraordinary income		
Gain on sales of non-current assets	10,386	12,995
Gain on sales of investment securities	10	-
Surrender value of insurance policies	-	8,400
Total extraordinary income	10,396	21,395
Extraordinary losses		
Loss on disposal of non-current assets	417	1,253
Total extraordinary losses	417	1,253
Profit before income taxes	1,209,949	850,048
Income taxes - current	297,189	358,096
Income taxes - deferred	81,441	21,615
Total income taxes	378,631	379,712
Profit	831,317	470,336
Profit attributable to non-controlling interests	6,229	50
Profit attributable to owners of parent	825,088	470,286

(Consolidated Statements of Comprehensive Income)

(Thousands of yen)

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
Profit	831,317	470,336
Other comprehensive income		
Valuation difference on available-for-sale securities	(535,772)	(352,075)
Foreign currency translation adjustment	(69,907)	(96,731)
Remeasurements of defined benefit plans, net of tax	10,986	(5,978)
Total other comprehensive income	(594,694)	(454,785)
Comprehensive income	236,623	15,551
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	231,064	16,112
Comprehensive income attributable to non-controlling interests	5,559	(561)

(3) Consolidated Statements of Changes in Equity

Fiscal year ended March 31, 2019

(Thousands of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	3,138,008	6,383,951	10,728,308	(59,019)	20,191,248
Changes during period					
Issuance of new shares	20,953	20,953			41,907
Dividends of surplus			(468,190)		(468,190)
Profit attributable to owners of parent			825,088		825,088
Purchase of treasury shares				(1,885)	(1,885)
Net changes in items other than shareholders' equity					
Total changes during period	20,953	20,953	356,897	(1,885)	396,919
Balance at end of period	3,158,962	6,404,905	11,085,205	(60,905)	20,588,168

	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	1,966,909	284,169	(2,620)	2,248,457	35,911	22,475,618
Changes during period						
Issuance of new shares						41,907
Dividends of surplus						(468,190)
Profit attributable to owners of parent						825,088
Purchase of treasury shares						(1,885)
Net changes in items other than shareholders' equity	(535,772)	(69,128)	10,986	(593,914)	6,664	(587,250)
Total changes during period	(535,772)	(69,128)	10,986	(593,914)	6,664	(190,331)
Balance at end of period	1,431,136	215,040	8,365	1,654,543	42,576	22,285,287

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

(4) Consolidated Statements of Cash Flows

(Thousands of yen)

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
Cash flows from operating activities		
Profit before income taxes	1,209,949	850,048
Depreciation	548,809	587,649
Increase (decrease) in allowance for doubtful accounts	(4,097)	(33,094)
Increase (decrease) in provision for product warranties	(34,065)	(3,672)
Increase (decrease) in retirement benefit liability	4,437	20,926
Interest and dividend income	(109,763)	(116,465)
Interest expenses	163,903	171,248
Loss (gain) on sales of non-current assets	(10,386)	(12,995)
Loss (gain) on disposal of non-current assets	417	1,253
Loss (gain) on sales of investment securities	(10)	–
Decrease (increase) in trade receivables	1,132,868	1,639,973
Decrease (increase) in inventories	(2,493,251)	259,973
Decrease (increase) in prepaid expenses	(184,941)	(227,122)
Decrease (increase) in accounts receivable - other	(211,274)	208,335
Increase (decrease) in trade payables	(1,873,132)	(30,895)
Increase (decrease) in accrued expenses	(245,472)	(179,091)
Other, net	(298,272)	163,565
Subtotal	(2,404,282)	3,299,636
Interest and dividends received	107,487	106,068
Interest paid	(170,554)	(168,985)
Income taxes (paid) refund	(1,165,820)	211,441
Net cash provided by (used in) operating activities	(3,633,169)	3,448,160
Cash flows from investing activities		
Payments into time deposits	(5,763)	(364)
Purchase of property, plant and equipment	(2,137,429)	(776,535)
Proceeds from sales of property, plant and equipment	15,879	46,027
Purchase of intangible assets	(134,975)	(123,255)
Proceeds from sales of investment securities	20	27,500
Loan advances	–	(400)
Collection of loans receivable	5,327	1,149
Purchase of shares of subsidiaries	(78,281)	–
Net cash provided by (used in) investing activities	(2,335,221)	(825,877)

(Thousands of yen)

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	517,600	324,874
Proceeds from long-term borrowings	200,000	430,450
Repayments of long-term borrowings	(608,814)	(452,956)
Redemption of bonds	(700,000)	—
Purchase of treasury shares	(1,885)	(940)
Dividends paid	(468,190)	(427,471)
Dividends paid to non-controlling interests	(4,427)	—
Proceeds from share issuance to non-controlling shareholders	5,642	—
Other, net	(113,617)	(100,601)
Net cash provided by (used in) financing activities	(1,173,694)	(226,644)
Effect of exchange rate change on cash and cash equivalents	(51,552)	(3,978)
Net increase (decrease) in cash and cash equivalents	(7,193,637)	2,391,659
Cash and cash equivalents at beginning of period	11,404,134	4,210,496
Increase (decrease) in cash and cash equivalents resulting from change in scope of consolidation	—	80,830
Cash and cash equivalents at end of period	4,210,496	6,682,986

IV. Products



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

Contact us

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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)

V. Corporate Data

Basic Information (as of March 31, 2020)

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:	3,191 million yen
Number of employees:	633 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, 2020)

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, 2020)

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, 2020)

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

* Audit and Supervisory Committee Member

Stock Status (as of March 31, 2020)

Total number of shares authorized:	14,990,000 shares
Total number of shares issued:	4,311,917 shares
Number of shareholders:	3,609

Major shareholders (Top 10)

Shareholder name	Number of shares held (Thousands)	Share-holding ratio (excluding treasury shares) (%)
Japan Trustee Services Bank, Ltd. (Trust Account)	219	5.12
Mizuho Bank, Ltd. (Standing proxy: Trust & Custody Services Bank, Ltd.)	209	4.89
MUFG Bank, Ltd.	209	4.89
The Master Trust Bank of Japan, Ltd. (Trust Account)	186	4.35
CREDIT SUISSE AG, DUBLIN BRANCH PRIME CLIENT ASSET EQUITY ACCOUNT (Standing proxy: Credit Suisse Japan)	169	3.94
MLI FOR CLIENT GENERAL OMNI NON COLLATERAL NON TREATY-PB (Standing proxy: Merrill Lynch Japan Securities Co., Ltd.)	156	3.64
Nippon Life Insurance Company (Standing proxy: The Master Trust Bank of Japan, Ltd.)	150	3.51
The Dai-ichi Life Insurance Company, Limited (Standing proxy: Trust & Custody Services Bank, Ltd.)	148	3.46
Ichiro Sakai	123	2.88
DFA INTL SMALL CAP VALUE PORTFOLIO (Standing proxy: Citibank, N.A., Tokyo Branch)	94	2.20

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