

For the Fiscal Year Ended March 31, 2015

Annual Select[®] 2015

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 SAKAI's technology which has supported this construction. Having introduced the very first road roller ever built in Japan some 90-odd years ago, we at SAKAI HEAVY INDUSTRIES, LTD were the original pioneers in road construction equipment. Maintaining this pioneering spirit until today, we have continued our unflagging effort to conduct technological research and develop innovative products to meet the ever increasing sophistication of highway construction, maintenance and repair.

Our goal as a company is to provide dependable products and services to our customers and the many end-users. As one of the foremost specialists in road construction equipment, we constantly strive to further enhance our technology and create valuable innovation for the advancement of the road construction business. We also believe it is our duty and role to promote our specialist technology developed for road construction equipment and help it find useful applications in peripheral businesses.

Today, the field of road construction requires more refinement and diversification and a greater consideration of the environment. We at SAKAI HEAVY INDUSTRIES, LTD. work to meet this challenge. By addressing the needs of our era and making every effort to contribute to the building of the nations of the entire world through our know-how, which has been acquired through years of experience, and our untiring exploration of innovative technology.



Ichiro Sakai
President and Representing Director

I. Summary of Selected Financial Data (Consolidated)

	63 rd term Fiscal year ended March 31, 2011	64 th term Fiscal year ended March 31, 2012	65 th term Fiscal year ended March 31, 2013	66 th term Fiscal year ended March 31, 2014	67 th term Fiscal year ended March 31, 2015
Net sales (Thousands of yen)	16,042,346	18,206,220	19,910,824	24,701,145	25,949,597
Ordinary income (loss) (Thousands of yen)	191,690	502,273	792,085	2,186,555	1,934,068
Net income (loss) (Thousands of yen)	89,073	333,245	736,745	1,730,848	1,263,651
Comprehensive income (Thousands of yen)	(2,735)	355,485	1,275,219	2,509,821	2,059,833
Net assets (Thousands of yen)	12,947,924	13,173,151	14,274,895	16,566,125	18,303,326
Total assets (Thousands of yen)	24,239,955	26,052,499	28,700,769	31,885,736	35,991,518
Net assets per share (Yen)	304.90	310.23	336.18	390.16	431.08
Net income (loss) per share (Yen)	2.10	7.85	17.37	40.81	29.80
Diluted net income per share (Yen)	—	—	—	—	—
Equity ratio (%)	53.4	50.5	49.7	51.9	50.8
Return on equity (ROE) (%)	0.7	2.6	5.4	11.2	7.3
Price earnings ratio (PER) (Times)	86.19	35.01	16.47	8.72	9.13
Net cash provided by (used in) operating activities (Thousands of yen)	1,007,904	(378,204)	1,345,270	2,170,274	(369,055)
Net cash provided by (used in) investing activities (Thousands of yen)	51,056	(221,002)	(69,225)	(538,442)	(519,642)
Net cash provided by (used in) financing activities (Thousands of yen)	(1,241,253)	(306,334)	997,730	(843,092)	(554,571)
Cash and cash equivalents at end of period (Thousands of yen)	4,077,342	3,148,048	4,888,834	5,659,627	4,266,025
Number of employees (Persons)	494	495	503	527	548

- Notes: 1. Net sales do not include consumption taxes.
2. Diluted net income per share is not provided because there were no potential shares.

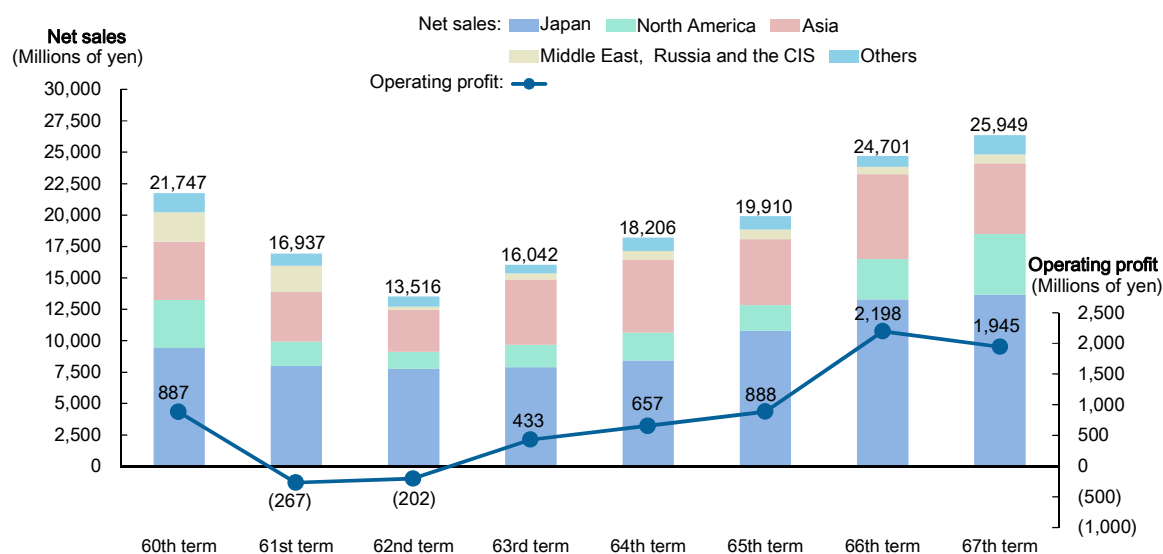
II. Overview of Operations

In the business environment affecting SAKAI HEAVY INDUSTRIES, LTD. and its subsidiaries (the “Group”) during the fiscal year ended March 31, 2015 (April 1, 2014 to March 31, 2015), the construction machinery markets developed vibrantly in Japan and North America, which are currently enjoying continued robust economic recoveries. On the other hand, performance was patchy in the markets of the emerging economies, with some corrections occurring as a result of resource price falls accompanying a slowdown in the Chinese economy.

Under these conditions, the Group not only concentrated on product supply to the Japanese and North American markets but also actively worked to develop overseas markets for medium- to long-term growth strategies and to put in place the necessary business structures for these new markets.

As a result, net sales on a consolidated basis for the fiscal year under review reached ¥25,949 million, an increase of ¥1,248 million or 5.1% year on year, reflecting sales growth in both Japan and overseas. As for the Group’s income, although income ended within the range that had been forecasted, a year-on-year comparison shows improved revenues but decreased income. This was a result of allocating recent profit for anticipatory investments aimed at ensuring sustainable growth such as new market development overseas, research and development, and capital expenditure. Specifically, operating income was ¥1,945 million, a decrease of ¥252 million or 11.5% year on year, while ordinary income was ¥1,934 million (compared with an ordinary income of ¥2,186 million in the previous fiscal year), a decrease of 11.5% year on year. After taxes, net income was ¥1,263 million (compared with ¥1,730 million in the previous fiscal year), a decrease of 27.0% year on year, reflecting the lower tax rate of the previous fiscal year.

Trend of operating results



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

Net sales in Japan reached ¥13,645 million, an increase of ¥335 million or 2.5% year on year, reflecting a high level of demand due to reconstruction programs following the earthquake, initiatives aimed at building national resilience, and demand ahead of the introduction of exhaust gas regulations.

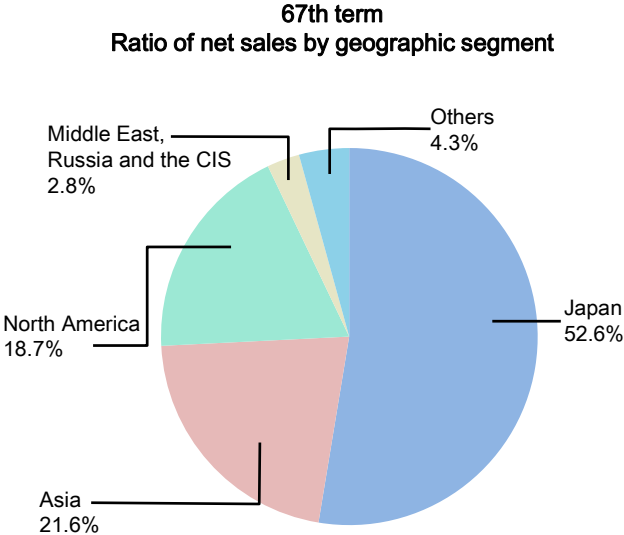
Net sales to overseas markets reached ¥12,303 million, an increase of ¥912 million or 8.0% year on year. This reflected the sales and development of new markets in North America offsetting the decrease in sales to Asia.

Net sales to North America reached ¥4,853 million, an increase of ¥1,667 million or 52.3% year on year, reflecting firm investment in road construction and housing construction against a backdrop of economic recovery.

Net sales to Asia were ¥5,612 million down ¥1,165 million or 17.2% year on year reflecting a downturn in sales in the Indonesian and CLM market, which had been vibrant.

Net sales to the Middle East, Russia and the CIS reached ¥732 million, an increase of ¥176 million or 31.7% year on year as a result of ongoing market development centered in Saudi Arabia in an environment of market destabilization resulting from the geopolitical crisis.

Net sales in the other markets reached ¥1,105 million, an increase of ¥234 million or 26.9% year on year, reflecting market development in Africa and Central and South America, despite weaker sales to Australia.



Operating results by segment are as follows:

Japan

As a result of active efforts to meet the increased production in Japan and respond to the development of markets related to sales to overseas, total net sales in Japan were ¥21,215 million, down by ¥97 million or 0.5% year on year. As a result of the execution of anticipatory investments aimed at future growth, operating income was ¥1,327 million, down 23.3% year on year (operating income was ¥1,732 million in the previous fiscal year).

Overseas

In the United States, sales grew under a vibrant market environment. Total net sales in the United States reached ¥5,160 million, an increase of ¥1,935 million or 60.0% year on year while operating income was ¥69 million, constituting a loss-to-profit turnaround of ¥135 million compared with an operating loss of ¥65 million in the previous fiscal year. In Indonesia, total net sales were ¥5,195 million, down ¥62 million or 1.2% year on year, and operating income was ¥519 million, down ¥45 million or 8.0%, which reflected a 40% reduction in Indonesian domestic sales being covered by growth in both product exports to third countries and parts exports to North American factories. In China, total net sales reached ¥1,727 million, up ¥532 million or 44.5% year on year while operating income was ¥91 million, constituting a loss-to-profit turnaround of ¥100 million compared with an operating loss of ¥9 million in the previous fiscal year, reflecting Chinese domestic sales hitting bottom and a growth in product exports to North American and parts exports to Japanese factories.

III. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Thousands of yen)

	As of March 31, 2014	As of March 31, 2015
Assets		
Current assets		
Cash and deposits	5,730,223	4,408,438
Notes and accounts receivable - trade	9,162,496	11,273,234
Merchandise and finished goods	3,603,223	4,140,535
Work in process	1,460,369	1,916,002
Raw materials and supplies	2,719,132	3,687,508
Deferred tax assets	232,066	278,721
Other	227,122	523,512
Allowance for doubtful accounts	(3,822)	(1,120)
Total current assets	23,130,812	26,226,833
Non-current assets		
Property, plant and equipment		
Buildings and structures	5,591,205	6,292,366
Accumulated depreciation	(4,080,770)	(4,200,214)
Buildings and structures, net	1,510,434	2,092,151
Machinery, equipment and vehicles	3,432,944	3,579,090
Accumulated depreciation	(3,018,574)	(3,054,906)
Machinery, equipment and vehicles, net	414,369	524,183
Land	1,711,040	1,777,146
Leased assets	550,171	595,357
Accumulated depreciation	(240,845)	(273,575)
Leased assets, net	309,325	321,782
Other	1,404,512	1,427,014
Accumulated depreciation	(1,238,085)	(1,242,433)
Other, net	166,426	184,580
Construction in progress	427,634	10,030
Total property, plant and equipment	4,539,231	4,909,874
Intangible assets	204,805	247,204
Investments and other assets		
Investment securities	2,942,570	3,405,764
Long-term loans receivable	150	–
Deferred tax assets	6,211	24,426
Long-term time deposits	76,000	18,000
Other	986,165	1,159,415
Allowance for doubtful accounts	(210)	–
Total investments and other assets	4,010,886	4,607,606
Total non-current assets	8,754,923	9,764,684
Total assets	31,885,736	35,991,518

(Thousands of yen)

	As of March 31, 2014	As of March 31, 2015
Liabilities		
Current liabilities		
Notes and accounts payable - trade	5,578,261	6,780,982
Short-term loans payable	4,075,351	6,844,772
Income taxes payable	303,226	520,841
Deferred tax liabilities	25,500	23,500
Provision for product warranties	146,626	86,682
Other	1,179,267	1,546,295
Total current liabilities	11,308,233	15,803,074
Non-current liabilities		
Long-term loans payable	2,920,326	745,247
Lease obligations	259,501	220,049
Deferred tax liabilities	507,749	594,916
Net defined benefit liability	62,553	85,431
Other	261,246	239,472
Total non-current liabilities	4,011,377	1,885,118
Total liabilities	15,319,611	17,688,192
Net assets		
Shareholders' equity		
Capital stock	3,115,199	3,115,199
Capital surplus	6,361,142	6,361,142
Retained earnings	5,897,050	6,842,676
Treasury shares	(50,623)	(52,840)
Total shareholders' equity	15,322,768	16,266,177
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,111,968	1,483,301
Foreign currency translation adjustment	110,473	532,132
Remeasurements of defined benefit plans	(660)	(5,041)
Total accumulated other comprehensive income	1,221,780	2,010,391
Minority interests	21,576	26,757
Total net assets	16,566,125	18,303,326
Total liabilities and net assets	31,885,736	35,991,518

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

(Consolidated Statements of Income)

(Thousands of yen)

	Fiscal year ended March 31, 2014	Fiscal year ended March 31, 2015
Net sales	24,701,145	25,949,597
Cost of sales	18,065,246	19,229,714
Gross profit	6,635,898	6,719,883
Selling, general and administrative expenses		
Haulage expenses	401,939	449,095
Salaries and bonuses	1,723,874	1,852,801
Technical research expenses	762,194	854,499
Other	1,549,734	1,617,852
Total selling, general and administrative expenses	4,437,742	4,774,248
Operating income	2,198,156	1,945,634
Non-operating income		
Interest income	4,098	4,212
Dividend income	50,951	65,100
Foreign exchange gains	145,437	118,849
Other	14,957	31,882
Total non-operating income	215,444	220,046
Non-operating expenses		
Interest expenses	126,330	137,119
bank charge	96,431	80,431
Other	4,283	14,061
Total non-operating expenses	227,045	231,612
Ordinary income	2,186,555	1,934,068
Extraordinary income		
Gain on sales of non-current assets	311	2,440
Gain on sales of investment securities	-	0
Surrender value of insurance	41	-
Total extraordinary income	352	2,440
Extraordinary losses		
Loss on disposal of non-current assets	36,934	26,370
Loss on valuation of golf club membership	400	-
Total extraordinary losses	37,334	26,370
Income before income taxes and minority interests	2,149,572	1,910,138
Income taxes - current	455,342	711,260
Income taxes - deferred	(41,110)	(69,034)
Total income taxes	414,232	642,226
Income before minority interests	1,735,340	1,267,912
Minority interests in income	4,491	4,260
Net income	1,730,848	1,263,651

(Consolidated Statements of Comprehensive Income)

(Thousands of yen)

	Fiscal year ended March 31, 2014	Fiscal year ended March 31, 2015
Income before minority interests	1,735,340	1,267,912
Other comprehensive income		
Valuation difference on available-for-sale securities	335,703	371,333
Foreign currency translation adjustment	438,777	424,969
Remeasurements of defined benefit plans, net of tax	–	(4,380)
Total other comprehensive income	774,481	791,921
Comprehensive income	2,509,821	2,059,833
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,501,709	2,052,262
Comprehensive income attributable to minority interests	8,111	7,571

(3) Consolidated Statements of Changes in Equity

Fiscal year ended March 31, 2014

(Thousands of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	3,115,199	6,361,142	4,378,266	(46,580)	13,808,027
Changes of items during period					
Dividends of surplus			(212,065)		(212,065)
Net income			1,730,848		1,730,848
Purchase of treasury shares				(4,042)	(4,042)
Net changes of items other than shareholders' equity					
Total changes of items during period	–	–	1,518,783	(4,042)	1,514,741
Balance at end of current period	3,115,199	6,361,142	5,897,050	(50,623)	15,322,768

	Accumulated other comprehensive income				Minority 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 current period	776,264	(324,684)	–	451,580	15,288	14,274,895
Changes of items during period						
Dividends of surplus						(212,065)
Net income						1,730,848
Purchase of treasury shares						(4,042)
Net changes of items other than shareholders' equity	335,703	435,157	(660)	770,200	6,288	776,488
Total changes of items during period	335,703	435,157	(660)	770,200	6,288	2,291,229
Balance at end of current period	1,111,968	110,473	(660)	1,221,780	21,576	16,566,125

Fiscal year ended March 31, 2015

(Thousands of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	3,115,199	6,361,142	5,897,050	(50,623)	15,322,768
Changes of items during period					
Dividends of surplus			(318,024)		(318,024)
Net income			1,263,651		1,263,651
Purchase of treasury shares				(2,217)	(2,217)
Net changes of items other than shareholders' equity					
Total changes of items during period	-	-	945,626	(2,217)	943,409
Balance at end of current period	3,115,199	6,361,142	6,842,676	(52,840)	16,266,177

	Accumulated other comprehensive income				Minority 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 current period	1,111,968	110,473	(660)	1,221,780	21,576	16,566,125
Changes of items during period						
Dividends of surplus						(318,024)
Net income						1,263,651
Purchase of treasury shares						(2,217)
Net changes of items other than shareholders' equity	371,333	421,658	(4,380)	788,611	5,180	793,791
Total changes of items during period	371,333	421,658	(4,380)	788,611	5,180	1,737,201
Balance at end of current period	1,483,301	532,132	(5,041)	2,010,391	26,757	18,303,326

(4) Consolidated Statements of Cash Flows

(Thousands of yen)

	Fiscal year ended March 31, 2014	Fiscal year ended March 31, 2015
Cash flows from operating activities		
Income before income taxes and minority interests	2,149,572	1,910,138
Depreciation	395,115	521,888
Increase (decrease) in allowance for doubtful accounts	1,034	(3,248)
Increase (decrease) in provision for product warranties	78,114	(59,944)
Increase (decrease) in net defined benefit liability	(5,575)	10,587
Interest and dividend income	(55,049)	(69,313)
Interest expenses	126,330	137,119
Loss (gain) on sales of non-current assets	(311)	(2,440)
Loss (gain) on disposal of non-current assets	36,934	26,370
Loss (gain) on sales of investment securities	-	(0)
Loss on valuation of golf club memberships	400	-
Decrease (increase) in notes and accounts receivable - trade	(1,471,782)	(1,783,720)
Decrease (increase) in inventories	1,040,149	(1,225,451)
Increase (decrease) in notes and accounts payable - trade	416,065	936,998
Increase (decrease) in accrued expenses	(9,678)	19,236
Other, net	(143,927)	(52,457)
Subtotal	2,557,392	365,763
Interest and dividend income received	53,668	63,024
Interest expenses paid	(128,209)	(138,043)
Income taxes paid	(312,577)	(659,800)
Net cash provided by (used in) operating activities	2,170,274	(369,055)
Cash flows from investing activities		
Payments into time deposits	(16,506)	(12,006)
Proceeds from withdrawal of time deposits	120,207	-
Purchase of property, plant and equipment	(607,139)	(442,448)
Proceeds from sales of property, plant and equipment	27,280	3,437
Purchase of intangible assets	(67,101)	(68,891)
Proceeds from sales of investment securities	-	0
Payments of loans receivable	-	(500)
Collection of loans receivable	4,817	765
Net cash provided by (used in) investing activities	(538,442)	(519,642)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(452,424)	(618,429)
Proceeds from long-term loans payable	230,000	629,404
Repayments of long-term loans payable	(275,550)	(95,420)
Purchase of treasury shares	(4,042)	(2,217)
Cash dividends paid	(212,065)	(318,024)
Cash dividends paid to minority shareholders	(1,823)	(2,390)
Other, net	(127,186)	(147,493)
Net cash provided by (used in) financing activities	(843,092)	(554,571)
Effect of exchange rate change on cash and cash equivalents	(17,945)	49,668
Net increase (decrease) in cash and cash equivalents	770,793	(1,393,601)
Cash and cash equivalents at beginning of period	4,888,834	5,659,627
Cash and cash equivalents at end of period	5,659,627	4,266,025

IV. Products



VIBRATORY PNEUMATIC TIRED ROLLER
GW750 9,240Kg(20,370Lb)



VIBRATORY SINGLE DRUM ROLLER
SV900DV 19,950Kg(43,980Lb)



VIBRATORY SINGLE DRUM ROLLER
SV520D 10,100Kg(22,265Lb)



VIBRATORY DOUBLE DRUM ROLLER
SW652 7,100Kg(15,650Lb)



VIBRATORY DOUBLE DRUM ROLLER
SW502 4,090Kg(9,020Lb)



ROAD RECLAIMER
PM550 22,500Kg(49,600Lb)



ROAD PLANER
ER552F 28,090Kg(61,930Lb)

Contact us

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V. Corporate Data

Basic Information (as of March 31, 2015)

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
Capital stock:	3,115 million yen
Number of employees:	548 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, 2015)

JAPAN	Sapporo Sendai Tokyo Nagoya Osaka Hiroshima Fukuoka
OVERSEAS	Bangkok, Thailand Manama, Bahrain

Consolidated subsidiaries:

SAKAI AMERICA, INC.
P.T. SAKAI INDONESIA
P.T. SAKAI ROAD MACHINERY INDONESIA
SAKAI HEAVY INDUSTRIES (SHANGHAI), LTD.
Sakai kikoh Corporation
TOKYO FUJI CO., LTD.
COMODO CO., LTD.
SAKAI Engineering., Ltd.

Directors (as of June 26, 2015)

President and Representing Director	Ichiro Sakai
Senior Managing Director	Kiyomichi Doi
Managing Director	Hideki Iwakuma
Managing Director	Yukihiko Tomitori
Managing Director	Ryosuke Watanabe
Director	Kazushi Kiyomiya
Director	Yukinori Tsukimoto
Director	Yoshinobu Kurosawa
Director	Tsuguo Sugawara
Director	Kenichi Mizuuchi
Director	Toshihiko Akimoto
Director*	Hideyoshi Watanabe
Director* **	Ryuichi Tokunaga
Director* **	Makoto kikkawa

* Audit and Supervisory Committee Member ** Outside Director

Stock Status (as of, March 31 2015)

Total number of shares authorized:	149,900,000 shares
Total number of shares issued:	42,620,172 shares
Number of shareholders:	6,231

Major shareholders (Top 10)

Shareholder name	Number of shares held (Thousands)	Share-holding ratio (%)
Mizuho Bank, Ltd. (Standing proxy: Trust & Custody Services Bank, Ltd.)	2,099	4.92
The Bank of Tokyo-Mitsubishi UFJ, Ltd. The Dai-ichi Life Insurance Company, Limited (Standing proxy: Trust & Custody Services Bank, Ltd.)	2,099	4.92
Nippon Life Insurance Company	1,485	3.48
Ichiro Sakai	1,407	3.30
NORTHERN TRUST CO. (AVFC) RE FIDELITY FUNDS (Standing proxy: The Hongkong and Shanghai Banking Corporation Limited, Tokyo Branch)	1,100	2.58
NICHIREKI CO., LTD.	833	1.95
The Master Trust Bank of Japan, Ltd. (Trust Account)	816	1.91
Yuken Kogyo Co., Ltd.	806	1.89
Japan Trustee Services Bank, Ltd. (Trust Account)	671	1.57
	666	1.56

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