

**For the Fiscal Year Ended March 31, 2019**

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**Annual Select<sup>®</sup> 2019**

**SAKAI HEAVY INDUSTRIES, LTD.**

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

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### **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)

	67 <sup>th</sup> term Fiscal year ended March 31, 2015	68 <sup>th</sup> term Fiscal year ended March 31, 2016	69 <sup>th</sup> term Fiscal year ended March 31, 2017	70 <sup>th</sup> term Fiscal year ended March 31, 2018	71 <sup>st</sup> term Fiscal year ended March 31, 2019
Net sales (Thousands of yen)	25,949,597	25,751,064	23,699,366	29,504,006	24,775,064
Ordinary profit (loss) (Thousands of yen)	1,934,068	1,677,050	1,549,884	3,145,379	1,199,970
Profit (loss) attributable to owners of parent (Thousands of yen)	1,263,651	1,070,894	1,816,015	1,889,409	825,088
Comprehensive income (Thousands of yen)	2,059,833	645,376	2,236,001	2,147,830	236,623
Net assets (Thousands of yen)	18,303,326	18,668,924	20,605,337	22,475,618	22,285,287
Total assets (Thousands of yen)	35,991,518	33,254,015	35,819,124	39,277,509	35,402,964
Net assets per share (Yen)	4,310.84	4,397.62	4,854.74	5,278.82	5,218.13
Basic earnings (loss) per share (Yen)	298.02	252.61	428.44	444.96	193.77
Diluted earnings per share (Yen)	–	–	–	–	–
Equity ratio (%)	50.8	56.1	57.4	57.1	62.8
Return on equity (ROE) (%)	7.3	5.8	9.3	8.8	3.7
Price earnings ratio (PER) (Times)	9.13	7.24	7.96	10.51	14.07
Net cash provided by (used in) operating activities (Thousands of yen)	(369,055)	2,472,156	3,751,795	4,464,931	(3,633,169)
Net cash provided by (used in) investing activities (Thousands of yen)	(519,642)	(422,209)	(421,539)	(425,847)	(2,335,221)
Net cash provided by (used in) financing activities (Thousands of yen)	(554,571)	(664,007)	(705,877)	(906,239)	(1,173,694)
Cash and cash equivalents at end of period (Thousands of yen)	4,266,025	5,675,849	8,340,226	11,404,134	4,210,496
Number of employees (Persons)	548	573	601	626	628

- 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 67<sup>th</sup> 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 this fiscal year ended March 31, 2019, and the figures for the 70<sup>th</sup> term in this summary of selected financial data have been retrospectively adjusted to reflect the application of the aforementioned standard, etc.

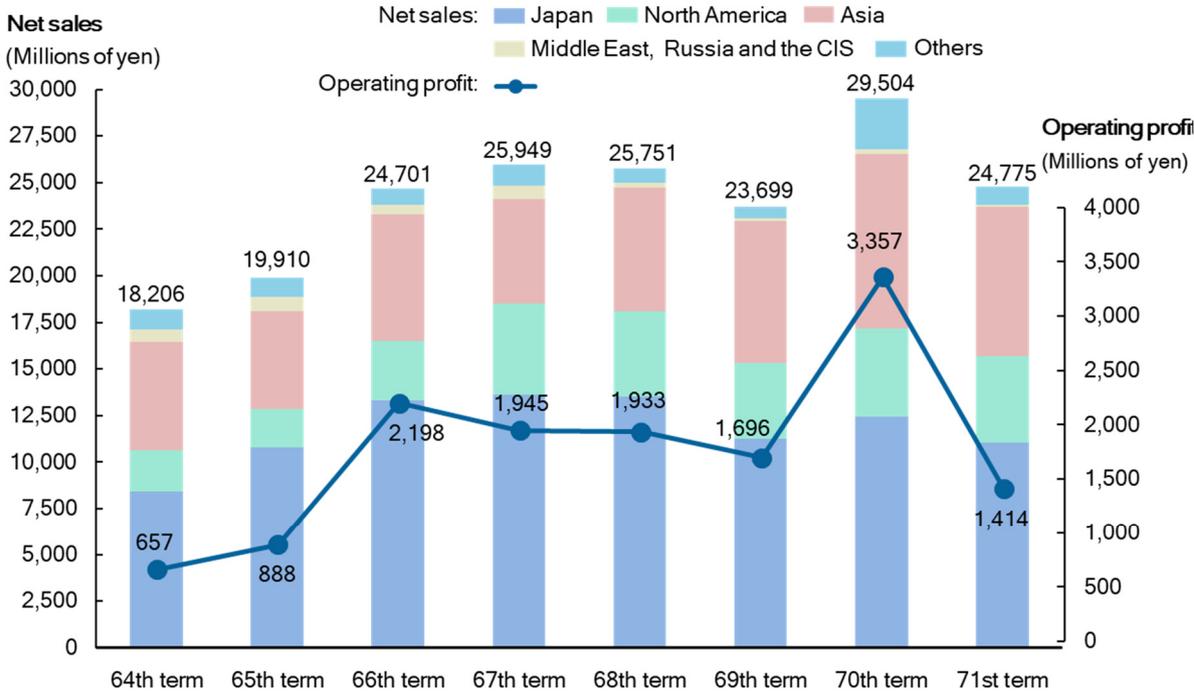
## II. Overview of Operations

In the business environment affecting SAKAI HEAVY INDUSTRIES, LTD. and its subsidiaries (the “Group”) during the fiscal year ended March 31, 2019 (April 1, 2018 to March 31, 2019), while the strong global economic growth rate of recent years appears to have peaked out, there is considerable upheaval going on as a result of structural adjustments in the global political, economic and environmental spheres, most notably, rising geopolitical tension centered on a U.S.-China cold-war structure, and radical changes in manufacturing structures accompanying a technological revolution.

Under such conditions, the Group has been actively responding to the changing business environment and proceeding with its medium- to long-term growth strategies through such efforts as adjusting the supply chain to North America, conducting R&D into next-generation technology, bringing the industry’s first emergency braking systems to the market, and investing to double production capacity at the Group’s operations in Indonesia.

This fiscal year under review, the Group’s operating results fell compared with the previous fiscal year as a result of the diminishment of two extraordinary demand factors pushing up results in the previous fiscal year: a rush in demand in relation to domestic emissions regulations and the demand for large projects in Africa. As a result, net sales for the fiscal year under review were ¥24,775 million, a decrease of 16.0% year on year, or an increase of 4.5% from the fiscal year ended March 31, 2017, owing to a general weakening in the Japanese and overseas markets and the aforementioned diminishment of extraordinary demand. Following the decrease of net sales, operating profit was ¥1,414 million, a decrease of 57.9% year on year, ordinary profit was ¥1,199 million, a decrease of 61.8% year on year, and profit attributable to owners of parent was ¥825 million, a decrease of 56.3% year on year.

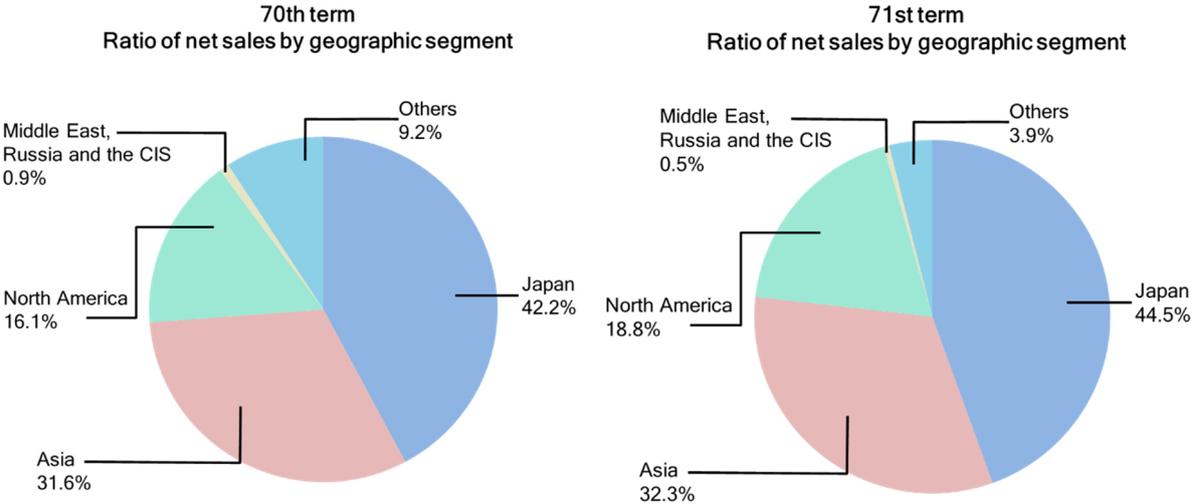
### Trend of operating results



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

Net sales in Japan were ¥11,035 million, a decrease of ¥1,404 million or 11.3% year on year, mainly due to the diminishment of actual demand owing to the slowdown in the execution of public works and a recoil-effect drop in demand following the extraordinary rush in demand to beat new emissions regulations.

Net sales to overseas markets were ¥13,739 million, a decrease of ¥3,324 million or 19.5% year on year, mainly due to weakening of emerging economies and the diminishment of extraordinary demand from Africa. Net sales to North America were ¥4,656 million, a decrease of ¥95 million or 2.0% year on year, mainly reflecting the peaking out of investment in private-sector construction on account of interest rate rises, which was slightly countered by expanding government infrastructural investment for roads, etc. Net sales to Asia were ¥8,000 million, a decrease of ¥1,344 million or 14.4% year on year, mainly due to slowing economic activity associated with interest rate hikes and the slowing demand due to the effect of important elections in major Asian countries, such as Indonesia, Thailand and Malaysia. Net sales to the Middle East, Russia, and the CIS were ¥127 million, a decrease of ¥132 million or 50.8% year on year, amid unstable regional conditions. Net sales to other markets were ¥954 million, a decrease of ¥1,752 million or 64.7% year on year, mainly reflecting the stalling of demand from Central and South America, diminishment of extraordinary demand from Africa despite strong demand from Oceania.



Operating results by segment are as follows:

**Japan**

Net sales in Japan were ¥19,602 million, a decrease of 16.8% year on year, reflecting a stalling in the execution of public works, and the recoil-effect drop in demand following the extraordinary demand rush to beat new emissions regulations in terms of domestic sales, as well as a decline in international sales resulting from a slowdown in the emerging economies and the diminishment of the extraordinary demand from Africa. Operating profit was ¥240 million, a decrease of 87.0% year on year following the decrease of net sales.

**Overseas**

In the United States, total net sales were ¥4,749 million, a decrease of 1.9% year on year, and operating profit was ¥251 million, a decrease of 1.8% year on year, remaining flat amid continuing expansion in high level construction investment. In Indonesia, total net sales were ¥6,619 million, a decrease of 20.5% year on year, and operating profit was ¥948 million, a decrease of 25.9% year on year, mainly due to a rapid slowdown in demand inside Indonesia and the diminishment of extraordinary demand from Africa. In China, total net sales were ¥1,673 million, a decrease of 12.9% year on year, and operating profit was ¥5 million, a decrease of 73.1% year on year, despite efforts to strengthen market development inside China in response to the adjustments to the U.S.-bound supply chain.

### III. Consolidated Financial Statements

#### (1) Consolidated Balance Sheets

(Thousands of yen)

	As of March 31, 2018	As of March 31, 2019
<b>Assets</b>		
Current assets		
Cash and deposits	11,546,159	4,282,830
Notes and accounts receivable - trade	9,021,465	7,907,766
Merchandise and finished goods	2,963,491	4,500,076
Work in process	1,386,235	1,832,262
Raw materials and supplies	3,043,335	3,570,391
Other	567,758	1,241,981
Allowance for doubtful accounts	(40,213)	(33,913)
Total current assets	28,488,233	23,301,394
Non-current assets		
Property, plant and equipment		
Buildings and structures	6,402,451	7,249,993
Accumulated depreciation	(4,504,550)	(4,584,140)
Buildings and structures, net	1,897,901	2,665,852
Machinery, equipment and vehicles	3,668,179	3,609,916
Accumulated depreciation	(3,167,626)	(3,171,525)
Machinery, equipment and vehicles, net	500,552	438,390
Land	1,782,918	2,922,653
Leased assets	479,352	438,161
Accumulated depreciation	(217,015)	(196,962)
Leased assets, net	262,336	241,198
Other	1,533,369	1,539,481
Accumulated depreciation	(1,384,008)	(1,373,812)
Other, net	149,361	165,668
Total property, plant and equipment	4,593,070	6,433,764
Intangible assets	542,042	644,545
Investments and other assets		
Investment securities	3,984,977	3,331,735
Deferred tax assets	464,298	435,272
Other	1,204,886	1,256,252
Total investments and other assets	5,654,162	5,023,260
Total non-current assets	10,789,276	12,101,570
Total assets	39,277,509	35,402,964

(Thousands of yen)

	As of March 31, 2018	As of March 31, 2019
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	6,804,460	4,922,344
Current portion of bonds	700,000	–
Short-term loans payable	4,605,363	4,344,125
Income taxes payable	766,211	67,435
Provision for product warranties	203,688	169,622
Other	1,828,913	1,406,560
Total current liabilities	14,908,637	10,910,088
Non-current liabilities		
Long-term loans payable	842,913	1,262,895
Lease obligations	233,798	307,498
Deferred tax liabilities	489,850	332,678
Net defined benefit liability	118,530	106,914
Other	208,160	197,601
Total non-current liabilities	1,893,253	2,207,588
Total liabilities	16,801,890	13,117,677
Net assets		
Shareholders' equity		
Capital stock	3,138,008	3,158,962
Capital surplus	6,383,951	6,404,905
Retained earnings	10,728,308	11,085,205
Treasury shares	(59,019)	(60,905)
Total shareholders' equity	20,191,248	20,588,168
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,966,909	1,431,136
Foreign currency translation adjustment	284,169	215,040
Remeasurements of defined benefit plans	(2,620)	8,365
Total accumulated other comprehensive income	2,248,457	1,654,543
Non-controlling interests	35,911	42,576
Total net assets	22,475,618	22,285,287
Total liabilities and net assets	39,277,509	35,402,964

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

**(Consolidated Statements of Income)**

(Thousands of yen)

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Net sales	29,504,006	24,775,064
Cost of sales	20,888,867	18,086,632
Gross profit	8,615,139	6,688,432
Selling, general and administrative expenses		
Haulage expenses	446,113	409,257
Salaries and bonuses	2,234,674	2,095,493
Technical research expenses	894,081	836,964
Other	1,682,615	1,931,899
Total selling, general and administrative expenses	5,257,484	5,273,614
Operating profit	3,357,654	1,414,817
Non-operating income		
Interest income	6,530	8,393
Dividend income	83,566	101,370
Other	12,661	33,437
Total non-operating income	102,758	143,200
Non-operating expenses		
Interest expenses	158,333	163,903
Foreign exchange losses	56,218	73,240
Bank charge	85,749	111,672
Other	14,732	9,231
Total non-operating expenses	315,033	358,047
Ordinary profit	3,145,379	1,199,970
Extraordinary income		
Gain on sales of non-current assets	26	10,386
Gain on sales of investment securities	13,522	10
Surrender value of insurance	9,738	–
Total extraordinary income	23,286	10,396
Extraordinary losses		
Loss on disposal of non-current assets	6,095	417
Total extraordinary losses	6,095	417
Profit before income taxes	3,162,570	1,209,949
Income taxes - current	1,026,887	297,189
Income taxes - deferred	237,065	81,441
Total income taxes	1,263,953	378,631
Profit	1,898,617	831,317
Profit attributable to non-controlling interests	9,208	6,229
Profit attributable to owners of parent	1,889,409	825,088

**(Consolidated Statements of Comprehensive Income)**

(Thousands of yen)

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Profit	1,898,617	831,317
Other comprehensive income		
Valuation difference on available-for-sale securities	362,777	(535,772)
Foreign currency translation adjustment	(116,647)	(69,907)
Remeasurements of defined benefit plans, net of tax	3,081	10,986
Total other comprehensive income	249,212	(594,694)
Comprehensive income	2,147,830	236,623
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,139,474	231,064
Comprehensive income attributable to non-controlling interests	8,355	5,559

### (3) Consolidated Statements of Changes in Equity

Fiscal year ended March 31, 2018

(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	9,157,295	(56,169)	18,577,467
Changes of items during period					
Issuance of new shares	22,809	22,809			45,619
Dividends of surplus			(318,396)		(318,396)
Profit attributable to owners of parent			1,889,409		1,889,409
Purchase of treasury shares				(2,849)	(2,849)
Net changes of items other than shareholders' equity					
Total changes of items during period	22,809	22,809	1,571,012	(2,849)	1,613,781
Balance at end of current period	3,138,008	6,383,951	10,728,308	(59,019)	20,191,248

	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 current period	1,604,131	399,963	(5,702)	1,998,392	29,477	20,605,337
Changes of items during period						
Issuance of new shares						45,619
Dividends of surplus						(318,396)
Profit attributable to owners of parent						1,889,409
Purchase of treasury shares						(2,849)
Net changes of items other than shareholders' equity	362,777	(115,793)	3,081	250,065	6,433	256,499
Total changes of items during period	362,777	(115,793)	3,081	250,065	6,433	1,870,281
Balance at end of current period	1,966,909	284,169	(2,620)	2,248,457	35,911	22,475,618

Fiscal year ended March 31, 2019

(Thousands of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	3,138,008	6,383,951	10,728,308	(59,019)	20,191,248
Changes of items 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 of items other than shareholders' equity					
Total changes of items during period	20,953	20,953	356,897	(1,885)	396,919
Balance at end of current 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 current period	1,966,909	284,169	(2,620)	2,248,457	35,911	22,475,618
Changes of items 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 of items other than shareholders' equity	(535,772)	(69,128)	10,986	(593,914)	6,664	(587,250)
Total changes of items during period	(535,772)	(69,128)	10,986	(593,914)	6,664	(190,331)
Balance at end of current period	1,431,136	215,040	8,365	1,654,543	42,576	22,285,287

#### (4) Consolidated Statements of Cash Flows

(Thousands of yen)

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Cash flows from operating activities		
Profit before income taxes	3,162,570	1,209,949
Depreciation	489,794	548,809
Increase (decrease) in allowance for doubtful accounts	29,356	(4,097)
Increase (decrease) in provision for product warranties	37,373	(34,065)
Increase (decrease) in net defined benefit liability	18,638	4,437
Interest and dividend income	(90,097)	(109,763)
Interest expenses	158,333	163,903
Loss (gain) on sales of non-current assets	(26)	(10,386)
Loss (gain) on disposal of non-current assets	6,095	417
Loss (gain) on sales of investment securities	(13,522)	(10)
Decrease (increase) in notes and accounts receivable - trade	(332,803)	1,132,868
Decrease (increase) in inventories	(174,340)	(2,493,251)
Decrease (increase) in prepaid expenses	34,690	(184,941)
Decrease (increase) in accounts receivable - other	25,234	(211,274)
Increase (decrease) in notes and accounts payable - trade	1,277,119	(1,873,132)
Increase (decrease) in accrued expenses	240,041	(245,472)
Other, net	157,665	(298,272)
Subtotal	5,026,121	(2,404,282)
Interest and dividend income received	87,749	107,487
Interest expenses paid	(156,215)	(170,554)
Income taxes paid	(492,723)	(1,165,820)
Net cash provided by (used in) operating activities	4,464,931	(3,633,169)
Cash flows from investing activities		
Payments into time deposits	(18,133)	(5,763)
Purchase of property, plant and equipment	(226,483)	(2,137,429)
Proceeds from sales of property, plant and equipment	82	15,879
Purchase of intangible assets	(157,657)	(134,975)
Proceeds from sales of investment securities	16,629	20
Payments of loans receivable	(8,830)	-
Collection of loans receivable	1,689	5,327
Purchase of shares of subsidiaries	(33,145)	(78,281)
Net cash provided by (used in) investing activities	(425,847)	(2,335,221)

(Thousands of yen)

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
<b>Cash flows from financing activities</b>		
Net increase (decrease) in short-term loans payable	(204,090)	517,600
Proceeds from long-term loans payable	321,700	200,000
Repayments of long-term loans payable	(608,990)	(608,814)
Redemption of bonds	–	(700,000)
Purchase of treasury shares	(2,849)	(1,885)
Cash dividends paid	(318,396)	(468,190)
Dividends paid to non-controlling interests	(1,921)	(4,427)
Proceeds from share issuance to non-controlling shareholders	–	5,642
Other, net	(91,690)	(113,617)
Net cash provided by (used in) financing activities	(906,239)	(1,173,694)
Effect of exchange rate change on cash and cash equivalents	(68,937)	(51,552)
Net increase (decrease) in cash and cash equivalents	3,063,907	(7,193,637)
Cash and cash equivalents at beginning of period	8,340,226	11,404,134
Cash and cash equivalents at end of period	11,404,134	4,210,496

## 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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URL: <https://www.sakainet.co.jp/en/>

## V. Corporate Data

### Basic Information (as of March 31, 2019)

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:	3,158 million yen
Number of employees:	628 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, 2019)

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, 2019)

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

### Executive Officers (as of July 1, 2019)

Managing Executive Officer	Hideki Iwakuma
Managing Executive Officer	Kenichi Mizuuchi
Managing Executive Officer	Yukinori Tsukimoto
Executive Officer	Toshihiko Akimoto
Executive Officer	Masahiro Tokita
Executive Officer	Takao Yoshikawa
Executive Officer	Yasunori Azumi
Executive Officer	Fumio Yamanaka

\* Audit and Supervisory Committee Member

**Stock Status (as of March 31, 2019)**

Total number of shares authorized:	14,990,000 shares
Total number of shares issued:	4,287,517 shares
Number of shareholders:	3,976

**Major shareholders (Top 10)**

Shareholder name	Number of shares held (Thousands)	Share-holding ratio (excluding treasury shares) (%)
Japan Trustee Services Bank, Ltd. (Trust Account)	249	5.85
Mizuho Bank, Ltd. (Standing proxy: Trust & Custody Services Bank, Ltd.)	209	4.92
MUFG Bank, Ltd.	209	4.92
Nippon Life Insurance Company (Standing proxy: The Master Trust Bank of Japan, Ltd.)	150	3.53
The Dai-ichi Life Insurance Company, Limited (Standing proxy: Trust & Custody Services Bank, Ltd.)	148	3.48
The Master Trust Bank of Japan, Ltd. (Trust Account)	122	2.87
Ichiro Sakai	117	2.75
DFA INTL SMALL CAP VALUE PORTFOLIO (Standing proxy: Citibank, N.A., Tokyo Branch)	89	2.10
NICHIREKI CO., LTD.	81	1.91
Japan Trustee Services Bank, Ltd. (Trust Account 5)	72	1.71

\* Annual Select is an English-language disclosure format developed by ZAIHON, INC. to increase the level of convenience of investors outside Japan based on Japanese-language statutory disclosure material, timely disclosure material prescribed by securities exchanges and voluntarily disclosed IR material. Annual Select is a registered trademark of ZAIHON, INC. Reproduction or copying without prior permission is prohibited.

\* While every best effort has been made to provide a translation meeting the quality standards required of professionals, the Company does not guarantee it is 100% accurate. Therefore, please verify the original Japanese text for any final judgments made based on this information.