

**For the Fiscal Year Ended March 31, 2016**

---

**Annual Select<sup>®</sup> 2016**

**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)

	64 <sup>th</sup> term Fiscal year ended March 31, 2012	65 <sup>th</sup> term Fiscal year ended March 31, 2013	66 <sup>th</sup> term Fiscal year ended March 31, 2014	67 <sup>th</sup> term Fiscal year ended March 31, 2015	68 <sup>th</sup> term Fiscal year ended March 31, 2016
Net sales (Thousands of yen)	18,206,220	19,910,824	24,701,145	25,949,597	25,751,064
Ordinary income (loss) (Thousands of yen)	502,273	792,085	2,186,555	1,934,068	1,677,050
Profit (loss) attributable to owners of parent (Thousands of yen)	333,245	736,745	1,730,848	1,263,651	1,070,894
Comprehensive income (Thousands of yen)	355,485	1,275,219	2,509,821	2,059,833	645,376
Net assets (Thousands of yen)	13,173,151	14,274,895	16,566,125	18,303,326	18,668,924
Total assets (Thousands of yen)	26,052,499	28,700,769	31,885,736	35,991,518	33,254,015
Net assets per share (Yen)	310.23	336.18	390.16	431.08	439.76
Basic earnings (loss) per share (Yen)	7.85	17.37	40.81	29.80	25.26
Diluted earnings per share (Yen)	—	—	—	—	—
Equity ratio (%)	50.5	49.7	51.9	50.8	56.1
Return on equity (ROE) (%)	2.6	5.4	11.2	7.3	5.8
Price earnings ratio (PER) (Times)	35.01	16.47	8.72	9.13	7.24
Net cash provided by (used in) operating activities (Thousands of yen)	(378,204)	1,345,270	2,170,274	(369,055)	2,472,156
Net cash provided by (used in) investing activities (Thousands of yen)	(221,002)	(69,225)	(538,442)	(519,642)	(422,209)
Net cash provided by (used in) financing activities (Thousands of yen)	(306,334)	997,730	(843,092)	(554,571)	(664,007)
Cash and cash equivalents at end of period (Thousands of yen)	3,148,048	4,888,834	5,659,627	4,266,025	5,675,849
Number of employees [Separately, average number of temporary employees] (Persons)	495	503	527	548	573

- Notes: 1. Net sales do not include consumption taxes.  
2. Diluted earnings per share is not provided because there were no potential shares.  
3. In line with the adoption of the “Accounting Standard for Business Combinations” (ASBJ Statement No.21, September 13, 2013), etc., “net income” has been changed to “profit attributable to owners of parent,” beginning the fiscal year ended March 31, 2016.

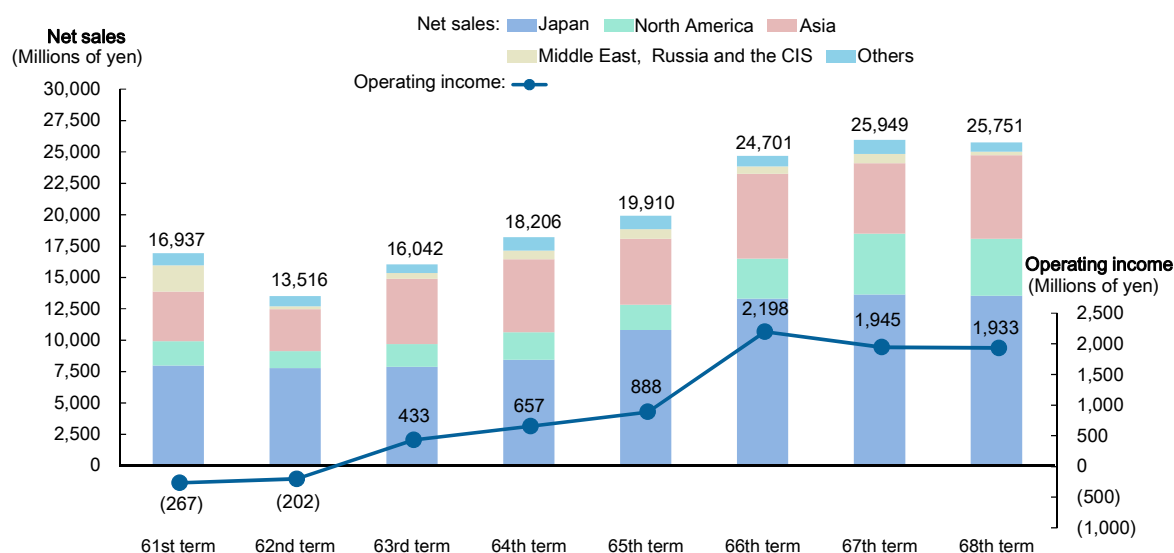
## II. Overview of Operations

In the business environment affecting SAKAI HEAVY INDUSTRIES, LTD. and its subsidiaries (the “Group”) during the fiscal year ended March 31, 2016 (April 1, 2015 to March 31, 2016), deceleration of the economy was seen in patches, caused by downward pressure such as leveling-off of the recovery in demand in advanced countries including Japan and the United States, sharp slowdown in the Chinese economy and the end of resources boom in emerging nations, the decline of crude oil prices and worsened financial situation of oil-producing countries, and frequent occurrence of geopolitical crisis.

Under such a turning point for the business environment, the Group not only concentrated on product supply in response to last-minute demand before the introduction of exhaust gas regulations in Japan, 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 were ¥25,751 million, a decrease of ¥198 million or 0.8% year on year, and operating income amounted to ¥1,933million, a decrease of ¥11 million or 0.6% year on year. Ordinary income was ¥1,677 million, a decrease of ¥257 million or 13.3% year on year, reflecting the absence of foreign exchange gains recorded in the previous fiscal year. Profit attributable to owners of parent was ¥1,070 million, a decrease of ¥192million or 15.3% year on year.

### Trend of operating results



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

Net sales in Japan were ¥13,542 million, a decrease of ¥103 million or 0.8% year on year. This is due to the decrease in government construction investment, which was actual construction demand, in spite of increased last-minute demand in medium size Roller before the exhaust gas regulations introduction.

Net sales to overseas markets totaled ¥12,208 million, a decrease of ¥94 million or 0.8% year on year, despite promoting active business development under the patchy market environment.

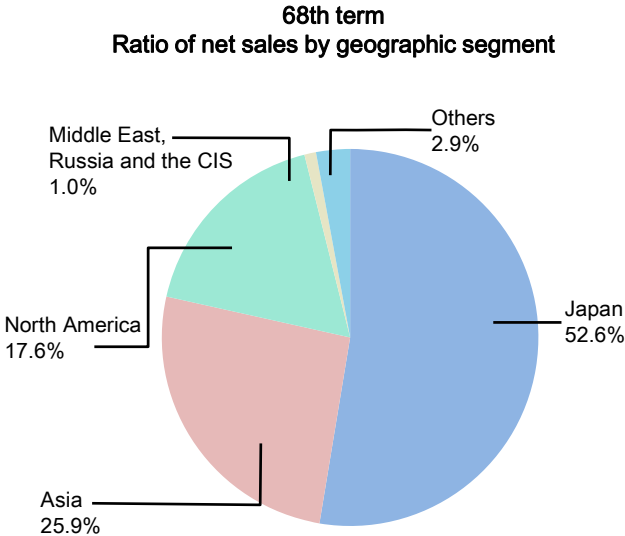
Net sales to North America were ¥4,531 million, a decrease of ¥321 million or 6.6% year on year. This reflected the drop in energy related demand offsetting the firm investment in road construction and housing construction against a backdrop of economic recovery.

Net sales to Asia reached ¥6,659 million, an increase of ¥1,047 million or 18.7% year on year, resulting from strengthened sales structure centered on the Indochina Peninsula.

Net sales to the Middle East, Russia, and the CIS were ¥266 million, a decrease of ¥465 million or 63.6% year on year as a result of worsened financial situation of oil-producing countries and influence of geopolitical crisis.

Net sales in the other markets were ¥750 million, a decrease of ¥354 million or 32.1% year on year,

reflecting the decrease in sales to Oceania due to the fall of resource price, despite ongoing market development in Central and South America and Africa.



Operating results by segment are as follows:

**Japan**

As a result of last-minute demand before the exhaust gas regulations introduction and the increase in exports to overseas markets due to weaker yen, total net sales in Japan were ¥21,546 million, an increase of ¥331 million or 1.6% year on year, and operating income was ¥1,358 million, an increase of ¥30 million or 2.3% year on year.

**Overseas**

In the United States, although total net sales were ¥4,716 million, a decrease of ¥444 million or 8.6% year on year, operating income grew to ¥104 million, an increase of ¥34 million or 49.9% year on year, as a result of the initiatives for improvement in revenue structure. In Indonesia, total net sales were ¥4,952 million, a decrease of ¥243 million or 4.7% year on year, and operating income was ¥382 million, a decrease of ¥136 million or 26.3% year on year. This reflected continued sluggish Indonesian domestic sales in spite of the expansion of exports to third countries. In China, total net sales reached ¥2,316 million, an increase of ¥589 million or 34.1% year on year, and operating income was ¥131 million, an increase of ¥40 million or 44.0% year on year, resulting from the expansion of exports to third countries and parts exports to Japanese factories while Chinese domestic sales remained slumping.

### III. Consolidated Financial Statements

#### (1) Consolidated Balance Sheets

(Thousands of yen)

	As of March 31, 2015	As of March 31, 2016
<b>Assets</b>		
Current assets		
Cash and deposits	4,408,438	5,742,375
Notes and accounts receivable - trade	11,273,234	9,477,908
Merchandise and finished goods	4,140,535	3,727,474
Work in process	1,916,002	1,690,730
Raw materials and supplies	3,687,508	2,806,485
Deferred tax assets	278,721	262,721
Other	523,512	467,621
Allowance for doubtful accounts	(1,120)	(21,566)
Total current assets	26,226,833	24,153,750
Non-current assets		
Property, plant and equipment		
Buildings and structures	6,292,366	6,270,147
Accumulated depreciation	(4,200,214)	(4,327,982)
Buildings and structures, net	2,092,151	1,942,165
Machinery, equipment and vehicles	3,579,090	3,550,560
Accumulated depreciation	(3,054,906)	(3,078,401)
Machinery, equipment and vehicles, net	524,183	472,158
Land	1,777,146	1,793,110
Leased assets	595,357	545,936
Accumulated depreciation	(273,575)	(302,628)
Leased assets, net	321,782	243,308
Other	1,437,044	1,518,809
Accumulated depreciation	(1,242,433)	(1,314,904)
Other, net	194,610	203,905
Total property, plant and equipment	4,909,874	4,654,648
Intangible assets	247,204	282,010
Investments and other assets		
Investment securities	3,405,764	2,830,359
Deferred tax assets	24,426	30,298
Long-term time deposits	18,000	100,000
Other	1,159,415	1,202,948
Total investments and other assets	4,607,606	4,163,605
Total non-current assets	9,764,684	9,100,264
Total assets	35,991,518	33,254,015

(Thousands of yen)

	As of March 31, 2015	As of March 31, 2016
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	6,780,982	4,745,760
Short-term loans payable	6,844,772	4,555,233
Income taxes payable	520,841	253,630
Deferred tax liabilities	23,500	14,300
Provision for product warranties	86,682	186,453
Other	1,546,295	1,349,681
Total current liabilities	15,803,074	11,105,058
Non-current liabilities		
Bonds payable	–	700,000
Long-term loans payable	745,247	1,957,435
Lease obligations	220,049	112,431
Deferred tax liabilities	594,916	408,276
Net defined benefit liability	85,431	87,914
Other	239,472	213,973
Total non-current liabilities	1,885,118	3,480,031
Total liabilities	17,688,192	14,585,090
<b>Net assets</b>		
Shareholders' equity		
Capital stock	3,115,199	3,115,199
Capital surplus	6,361,142	6,361,142
Retained earnings	6,842,676	7,637,998
Treasury shares	(52,840)	(54,601)
Total shareholders' equity	16,266,177	17,059,737
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,483,301	1,087,367
Foreign currency translation adjustment	532,132	496,531
Remeasurements of defined benefit plans	(5,041)	(2,375)
Total accumulated other comprehensive income	2,010,391	1,581,523
Non-controlling interests	26,757	27,663
Total net assets	18,303,326	18,668,924
Total liabilities and net assets	35,991,518	33,254,015

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

**(Consolidated Statements of Income)**

(Thousands of yen)

	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016
Net sales	25,949,597	25,751,064
Cost of sales	19,229,714	18,769,605
Gross profit	6,719,883	6,981,459
Selling, general and administrative expenses		
Haulage expenses	449,095	419,918
Salaries and bonuses	1,852,801	1,959,923
Technical research expenses	854,499	871,818
Other	1,617,852	1,795,954
Total selling, general and administrative expenses	4,774,248	5,047,615
Operating income	1,945,634	1,933,843
Non-operating income		
Interest income	4,212	3,638
Dividend income	65,100	72,349
Foreign exchange gains	118,849	–
Other	31,882	14,188
Total non-operating income	220,046	90,175
Non-operating expenses		
Interest expenses	137,119	136,500
bank charge	80,431	101,595
Foreign exchange losses	–	67,780
Other	14,061	41,092
Total non-operating expenses	231,612	346,968
Ordinary income	1,934,068	1,677,050
Extraordinary income		
Gain on sales of non-current assets	2,440	2,657
Gain on sales of investment securities	0	4,350
Total extraordinary income	2,440	7,007
Extraordinary losses		
Loss on disposal of non-current assets	26,370	2,222
Total extraordinary losses	26,370	2,222
Profit before income taxes	1,910,138	1,681,836
Income taxes - current	711,260	608,718
Income taxes - deferred	(69,034)	(1,053)
Total income taxes	642,226	607,664
Profit	1,267,912	1,074,172
Profit attributable to non-controlling interests	4,260	3,278
Profit attributable to owners of parent	1,263,651	1,070,894

**(Consolidated Statements of Comprehensive Income)**

(Thousands of yen)

	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016
Profit	1,267,912	1,074,172
Other comprehensive income		
Valuation difference on available-for-sale securities	371,333	(395,933)
Foreign currency translation adjustment	424,969	(35,528)
Remeasurements of defined benefit plans, net of tax	(4,380)	2,666
Total other comprehensive income	791,921	(428,796)
Comprehensive income	2,059,833	645,376
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,052,262	642,026
Comprehensive income attributable to non-controlling interests	7,571	3,349



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

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)
Profit attributable to owners of parent			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				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	1,111,968	110,473	(660)	1,221,780	21,576	16,566,125
Changes of items during period						
Dividends of surplus						(318,024)
Profit attributable to owners of parent						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

Fiscal year ended March 31, 2016

(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	6,842,676	(52,840)	16,266,177
Changes of items during period					
Dividends of surplus			(275,572)		(275,572)
Profit attributable to owners of parent			1,070,894		1,070,894
Purchase of treasury shares				(1,761)	(1,761)
Net changes of items other than shareholders' equity					
Total changes of items during period	-	-	795,321	(1,761)	793,560
Balance at end of current period	3,115,199	6,361,142	7,637,998	(54,601)	17,059,737

	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	1,483,301	532,132	(5,041)	2,010,391	26,757	18,303,326
Changes of items during period						
Dividends of surplus						(275,572)
Profit attributable to owners of parent						1,070,894
Purchase of treasury shares						(1,761)
Net changes of items other than shareholders' equity	(395,933)	(35,600)	2,666	(428,867)	906	(427,961)
Total changes of items during period	(395,933)	(35,600)	2,666	(428,867)	906	365,598
Balance at end of current period	1,087,367	496,531	(2,375)	1,581,523	27,663	18,668,924

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

(Thousands of yen)

	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016
<b>Cash flows from operating activities</b>		
Profit before income taxes	1,910,138	1,681,836
Depreciation	521,888	540,774
Increase (decrease) in allowance for doubtful accounts	(3,248)	21,490
Increase (decrease) in provision for product warranties	(59,944)	99,770
Increase (decrease) in net defined benefit liability	10,587	6,018
Interest and dividend income	(69,313)	(75,987)
Interest expenses	137,119	136,500
Loss (gain) on sales of non-current assets	(2,440)	(2,657)
Loss (gain) on disposal of non-current assets	26,370	2,222
Loss (gain) on sales of investment securities	(0)	(4,350)
Decrease (increase) in notes and accounts receivable - trade	(1,783,720)	1,667,569
Decrease (increase) in inventories	(1,225,451)	1,277,573
Increase (decrease) in notes and accounts payable - trade	936,998	(1,968,618)
Increase (decrease) in accrued expenses	19,236	3,232
Other, net	(52,457)	86,930
<b>Subtotal</b>	<b>365,763</b>	<b>3,472,305</b>
Interest and dividend income received	63,024	74,767
Interest expenses paid	(138,043)	(119,878)
Income taxes paid	(659,800)	(955,037)
<b>Net cash provided by (used in) operating activities</b>	<b>(369,055)</b>	<b>2,472,156</b>
<b>Cash flows from investing activities</b>		
Payments into time deposits	(12,006)	(12,003)
Proceeds from withdrawal of time deposits	-	5,442
Purchase of property, plant and equipment	(442,448)	(354,493)
Proceeds from sales of property, plant and equipment	3,437	2,715
Purchase of intangible assets	(68,891)	(61,936)
Purchase of investment securities	-	(6,391)
Proceeds from sales of investment securities	0	4,650
Payments of loans receivable	(500)	(800)
Collection of loans receivable	765	606
<b>Net cash provided by (used in) investing activities</b>	<b>(519,642)</b>	<b>(422,209)</b>
<b>Cash flows from financing activities</b>		
Net increase (decrease) in short-term loans payable	(618,429)	897,190
Proceeds from long-term loans payable	629,404	1,433,660
Repayments of long-term loans payable	(95,420)	(3,189,020)
Proceeds from issuance of bonds	-	680,288
Purchase of treasury shares	(2,217)	(1,761)
Cash dividends paid	(318,024)	(275,572)
Dividends paid to non-controlling interests	(2,390)	(2,443)
Other, net	(147,493)	(206,348)
<b>Net cash provided by (used in) financing activities</b>	<b>(554,571)</b>	<b>(664,007)</b>
Effect of exchange rate change on cash and cash equivalents	49,668	23,882
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(1,393,601)</b>	<b>1,409,823</b>
Cash and cash equivalents at beginning of period	5,659,627	4,266,025
Cash and cash equivalents at end of period	4,266,025	5,675,849

## IV. Products



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

### Contact us

SAKAI HEAVY INDUSTRIES, LTD.

International Business Headquarters

TELEPHONE: +81-3-3431-9971

FACSIMILE :+81-3-3436-6212

URL: [http://www.sakainet.co.jp/english/inquiry/e\\_inquiry.html](http://www.sakainet.co.jp/english/inquiry/e_inquiry.html)



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



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



VIBRATORY DOUBLE DRUM ROLLER  
**SW652/SW654** 7,100Kg(15,650Lb)



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



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



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

## V. Corporate Data

### Basic Information (as of March 31, 2016)

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:	573 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, 2016)

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 July 1, 2016)

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

\* Audit and Supervisory Committee Member \*\* Outside Director

**Stock Status (as of, March 31 2016)**

Total number of shares authorized:	149,900,000 shares
Total number of shares issued:	42,620,172 shares
Number of shareholders:	6,120

**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.	2,099	4.92
Nippon Life Insurance Company The Dai-ichi Life Insurance Company, Limited (Standing proxy: Trust & Custody Services Bank, Ltd.)	1,507	3.53
Ichiro Sakai	1,485	3.48
NICHIREKI CO., LTD.	1,108	2.60
The Master Trust Bank of Japan, Ltd. (Trust Account)	816	1.91
Japan Trustee Services Bank, Ltd. (Trust Account)	773	1.81
BNY GCM CLIENT ACCOUNT JPRD AC ISG (FE- AC) (Standing proxy: The Bank of Tokyo-Mitsubishi UFJ, Ltd.)	764	1.79
CBNY DFA INTL SMALL CAP VALUE PORTFOLIO	689	1.61
	675	1.58

\* 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.