

Consolidated Financial Results for the Nine Months Ended December 31, 2024

SAKAI HEAVY INDUSTRIES, LTD.

Stock code: 6358
URL <https://www.sakainet.co.jp/en/>

February 13, 2025

Summary of Consolidated Financial Results

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the nine months ended December 31, 2024 (from April 1, 2024 to December 31, 2024)

(1) Consolidated operating results (cumulative)

Percentages indicate year-on-year changes

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Earnings per share	Diluted earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen	Yen
Nine months ended December 31, 2024	20,243	(16.7)	1,368	(47.0)	1,413	(47.2)	1,435	(26.3)	168.56	—
Nine months ended December 31, 2023	24,301	9.8	2,580	62.7	2,676	68.7	1,947	66.1	229.39	—

Note: The Company made a two-for-one share split of its common shares effective October 1, 2024. Earnings per share have been calculated assuming that the share split was conducted at the beginning of the previous fiscal year.

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of December 31, 2024	43,766	29,732	67.8
As of March 31, 2024	44,237	29,165	65.8

2. Cash dividends

	Annual dividends per share				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Year ended March 31, 2024	—	90.00	—	195.00	285.00
Year ending March 31, 2025	—	85.00	—	—	—
Year ending March 31, 2025 (Forecast)	—	—	—	60.50	—

Note: For the fiscal year-end dividend per share for the year ending March 31, 2025 (forecast), the figure shown is the amount that takes into account the effect of the share split.

Without taking into account the share split, the fiscal year-end dividend per share for the year ending March 31, 2025 (forecast) would have been ¥121.00 with annual dividends per share of ¥206.00.

3. Forecast of consolidated financial results for the year ending March 31, 2025 (from April 1, 2024 to March 31, 2025)

Percentages indicate year-on-year changes

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	27,200	(17.6)	1,740	(47.6)	1,700	(48.9)	1,700	(30.3)	199.67

Note: For the earnings per share in the full-year forecast of consolidated financial results for the year ending March 31, 2025, the figure shown is the amount that takes into account the effect of the share split.

Without taking into account the share split, the earnings per share in the full-year forecast of consolidated financial results for the year ending March 31, 2025 would have been ¥399.34.

Highlights of Consolidated Business Performance

1. Summary of Consolidated Business Performance for the Nine Months Ended December 31, 2024

1) Consolidated net sales: ¥20,243 million, down 16.7% YoY

The Global Construction Machinery Market remained in the decelerating trend due to passing a peak of the economic expansion period after the COVID-19 pandemic and entering a period of adjustments.

2) Operating profit: ¥1,368 million, down 47.0% YoY

Operating profit declined due to decreased sales caused by a phase of adjustments in demand.

3) Profit: ¥1,435 million, down 26.3% YoY

Gain on sale of investment securities of ¥280 million.

4) Sales in Japan: ¥9,490 million, down 14.3% YoY

Although government construction investment remained strong against the backdrop of measures to accelerate national land resilience, adjustments to inventory for excess construction machinery continue in response to last-minute demand before repeated price revisions and the overtime cap on construction and logistics.

5) Sales in North America: ¥4,965 million, down 25.1% YoY

Adjustments to inventory by dealers further accelerated while interest rates remained high, despite the continued investment in road construction against the backdrop of the Infrastructure Investment and Jobs Act.

6) Sales in Asia: ¥4,715 million, down 14.3% YoY

Demand stagnated in the ASEAN markets overall due to the election year.

Highlights of Consolidated Business Performance

2. Adapting to a Changing Business Environment

1) Initiatives for enhancing the profitability of capital

(1) Progress of medium-term management policy

Five-year medium-term management policy: Net sales of ¥30 billion, operating profit of ¥3.1 billion, ROE of 8.0%

Results for the previous fiscal year (third year): Net sales of ¥33 billion, operating profit of ¥3.31 billion, ROE of 9.0%

Results for nine months ended December 31, 2024: Net sales of ¥20.2 billion, operating profit of ¥1.36 billion, ROE of 6.5%

Forecast for the current fiscal year (fourth year): Net sales of ¥27.2 billion, operating profit of ¥1.74 billion, ROE of 5.8%

(2) Progress of enhancing corporate value (PBR above 1)

Timely disclosure of policies regarding initiatives has been provided in the Status of Initiatives for Enhancing Profitability of Capital, dated April 13, 2023.

<https://www.sakainet.co.jp/en/news/item/2023april25.pdf>

At the end of March 2024: PBR 0.98 times (Share price ¥3,340) ← Share split considered

At the end of December 2024: PBR 0.68 times (Share price ¥2,370) ← Share split considered

2) Profit structure reform through sales price revisions, high added value, and efficiency

Cost-of-sales ratio improvement: 70.8%, improvement of 0.1% YoY

3) Increased investment in human capital

(1) Wage improvement and stabilized employment: Rise in wages (5.1% in the fiscal year ended March 31, 2024, 6.0% in the fiscal year ending March 31, 2025)

(2) Increasing on-site skilled labors and improving working conditions: Enhance factories and service areas, and establish healthy working environments.

4) Dealing with volatile demand

Inventory turnover: 2.2 times, down 0.58 times/21% YoY

Currently strengthening adjustments to optimize inventory levels, as the Construction Machinery Market entered a period of adjustments amid slowdowns in the world economy.

Highlights of Consolidated Business Performance

3. Mid- to Long-Term Growth Strategy

1) Make more significant inroads into the Asian market:

Expand the ASEAN market centered on our Indonesian hub (sales development in mine and pavement markets)

2) Expand the scope of overseas business:

Develop the overseas market for road maintenance equipment (increase in ODA initiatives, start local production, completion of standardization of the cement and asphalt emulsion stabilizer method in Indonesia)

3) Pursue business opportunities in North America:

Increase our market share through niche marketing (strengthen technical sales with differentiated products)

4) Develop next-generation businesses:

Focus on market development for emergency brakes, compaction management systems, and Automatic Cutter Control System. Commercialization of autonomous rollers and EV rollers started.

4. Outlook for Business Environment

1) Global Construction Machinery Market

Although a phase of adjustments continues due to passing the period of the increased demand after the COVID-19 pandemic in the short term, potential demand for construction machinery is expected to remain stable in the medium term due to factors such as large-scale infrastructure investment plans in Japan and the U.S., infrastructure investment and mine development becoming active in emerging countries, together with renewal of aging infrastructure and disaster-related countermeasures. As a result, the Global Construction Machinery Market is expected to bottom out through an economic cycle.

2) Risks and Countermeasures

Due to changes in balance of power in global politics, there are signs of new changes in global trade and the security situation, making the future direction of the world economy unpredictable.

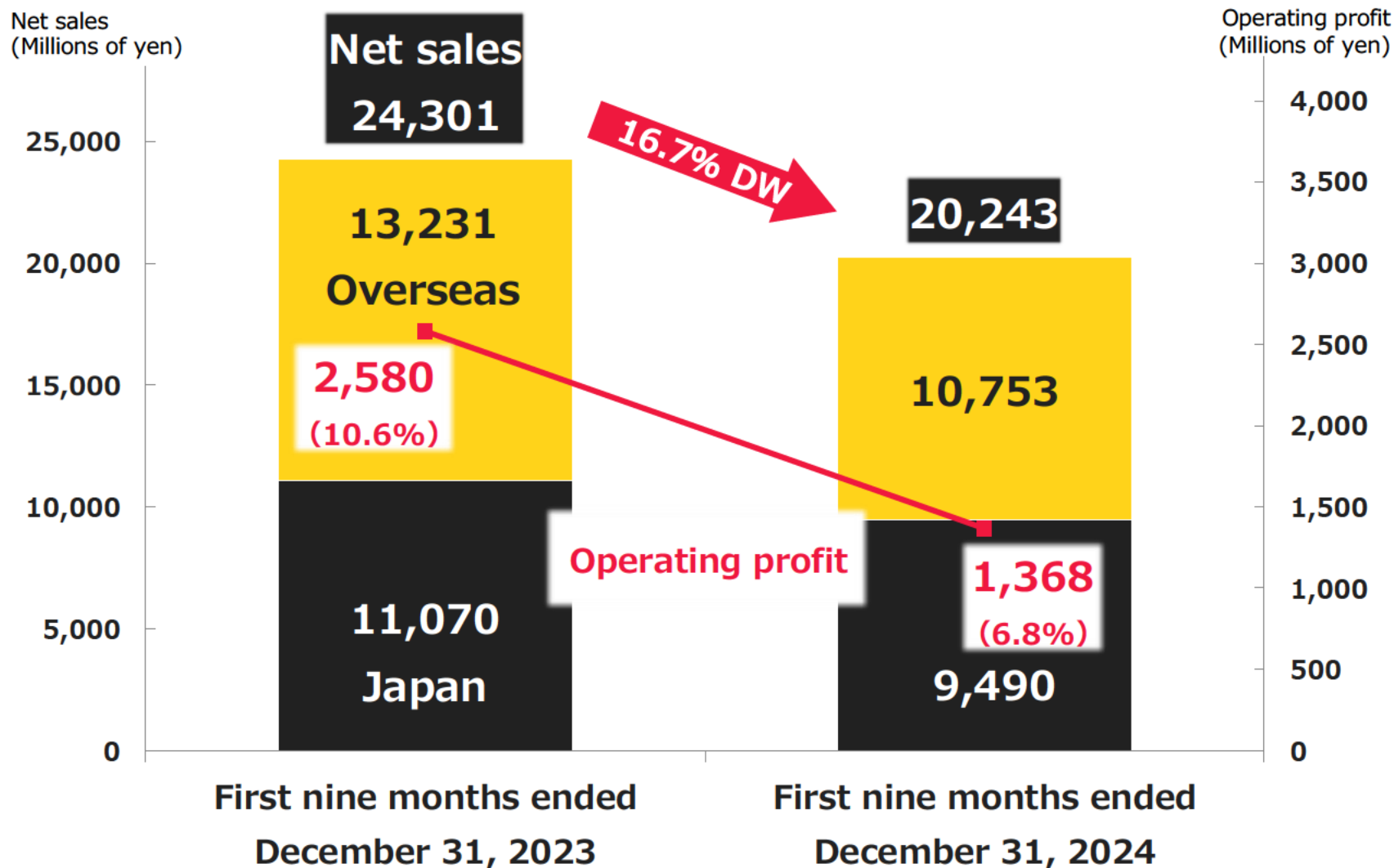
Under these circumstances, the Group will not only strengthen our profit structure and human organizational capabilities, but will also take measures to strengthen our competitiveness in response to changes in the market environment and stabilize manufacturing quality with the goal of further solidifying the foundations of our management during this period of demand adjustment and strengthening our corporate structure in preparation for the market recovery period.

Consolidated Business Performance

(Millions of yen)

	First nine months ended December 31, 2023	First nine months ended December 31, 2024	YoY change	
			Amount	%
Net sales	24,301	20,243	▲ 4,058	▲ 16.7%
Japan	11,070	9,490	▲ 1,579	▲ 14.3%
Overseas	13,231	10,753	▲ 2,478	▲ 18.7%
Operating profit	2,580	1,368	▲ 1,212	▲ 47.0%
<i>Operating profit ratio</i>	(10.6%)	(6.8%)		
Ordinary profit	2,676	1,413	▲ 1,263	▲ 47.2%
Profit attributable to owners of parent	1,947	1,435	▲ 511	▲ 26.3%
Cost-of-sales ratio	(70.9%)	(70.8%)		

Consolidated Business Performance (Graph)



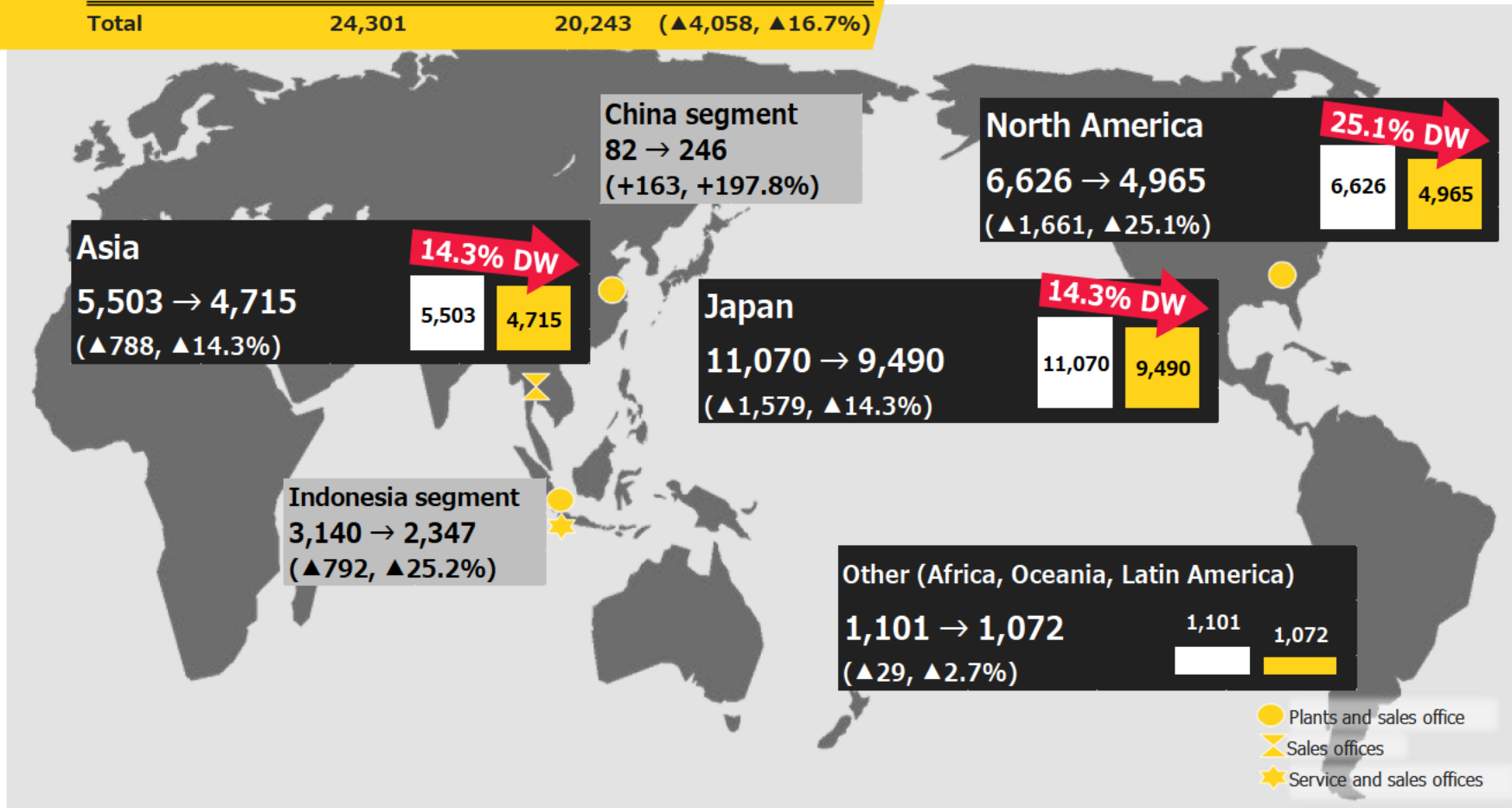
Sales by Region in Which Customers Are Located

(Millions of yen)

	First nine months ended December 31, 2023	First nine months ended December 31, 2024	YoY change	
			Amount	%
Japan	11,070	9,490	▲ 1,579	▲ 14.3%
Overseas	13,231	10,753	▲ 2,478	▲ 18.7%
North America	6,626	4,965	▲ 1,661	▲ 25.1%
Asia	5,503	4,715	▲ 788	▲ 14.3%
Other regions	1,101	1,072	▲ 29	▲ 2.7%
Total	24,301	20,243	▲ 4,058	▲ 16.7%

Sales by Region (Map)

(Millions of yen)	First nine months ended December 31, 2023	First nine months ended December 31, 2024	YoY change
Japan	11,070	9,490	(▲1,579, ▲14.3%)
Overseas	13,231	10,753	(▲2,478, ▲18.7%)
Total	24,301	20,243	(▲4,058, ▲16.7%)



Segment Information by Region in Which Our Manufacturing Facilities and Sales Offices Are Located

(Millions of yen)

Japan	First nine months ended December 31, 2023	First nine months ended December 31, 2024	YoY change	
			Amount	%
Sales to external customers	14,451	12,683	▲ 1,767	▲12.2%
Intercompany sales	3,324	2,665	▲ 658	▲19.8%
Total net sales	17,775	15,348	▲ 2,426	▲13.7%
Operating profit	843	294	▲ 549	▲65.1%

(Millions of yen)

North America	First nine months ended December 31, 2023	First nine months ended December 31, 2024	YoY change	
			Amount	%
Sales to external customers	6,626	4,965	▲ 1,661	▲25.1%
Intercompany sales	6	9	3	51.2%
Total net sales	6,633	4,975	▲ 1,657	▲25.0%
Operating profit	762	644	▲ 117	▲15.4%

(Millions of yen)

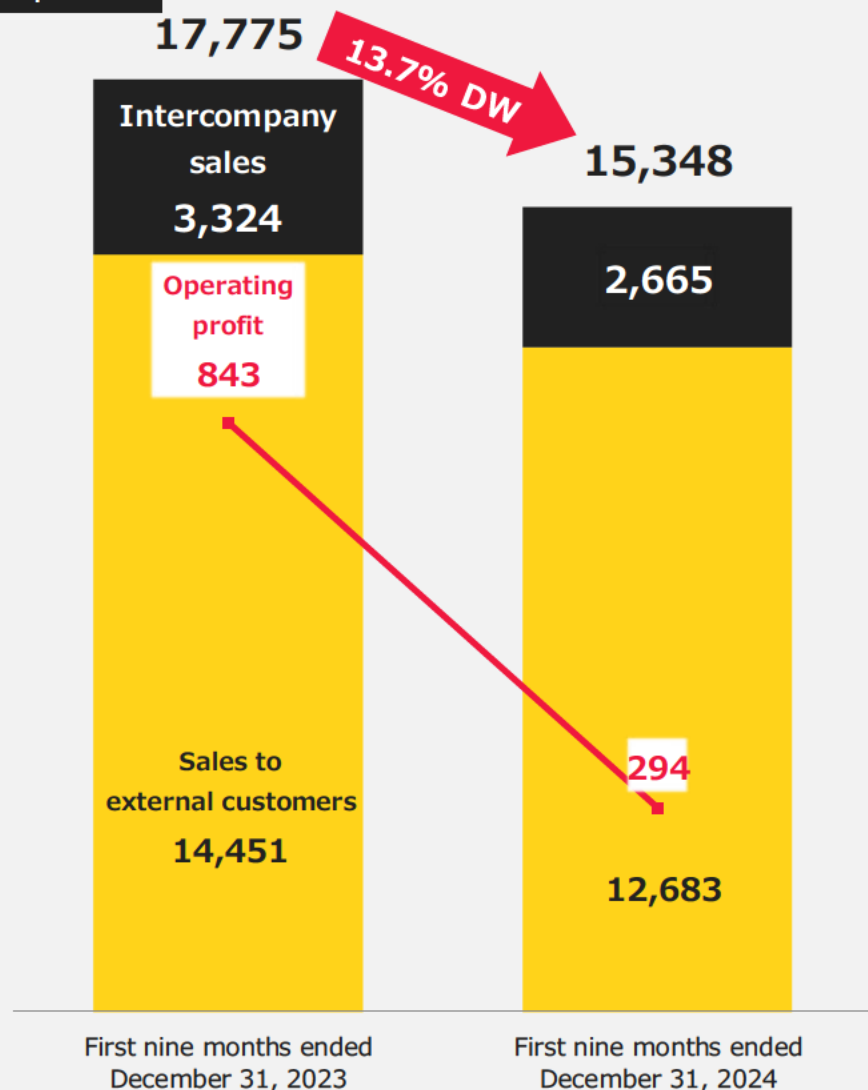
Indonesia	First nine months ended December 31, 2023	First nine months ended December 31, 2024	YoY change	
			Amount	%
Sales to external customers	3,140	2,347	▲ 792	▲25.2%
Intercompany sales	2,559	2,043	▲ 516	▲20.2%
Total net sales	5,700	4,391	▲ 1,308	▲23.0%
Operating profit	864	379	▲ 485	▲56.1%

(Millions of yen)

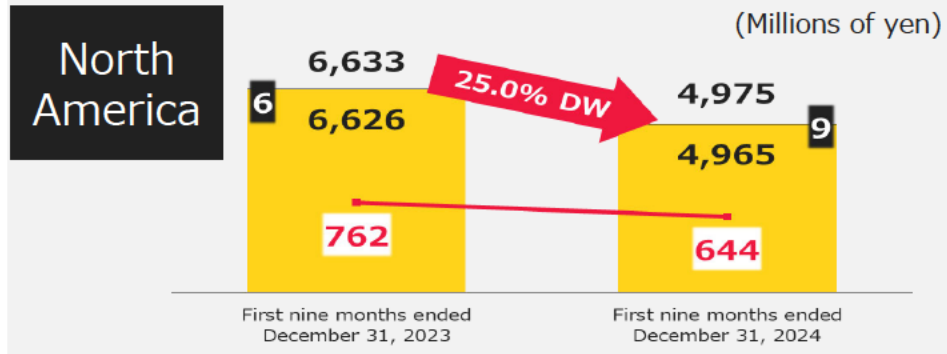
China	First nine months ended December 31, 2023	First nine months ended December 31, 2024	YoY change	
			Amount	%
Sales to external customers	82	246	163	197.8%
Intercompany sales	1,352	969	▲ 383	▲28.4%
Total net sales	1,435	1,215	▲ 220	▲15.3%
Operating profit	183	86	▲ 97	▲52.9%

Segment Information by Region (Graph)

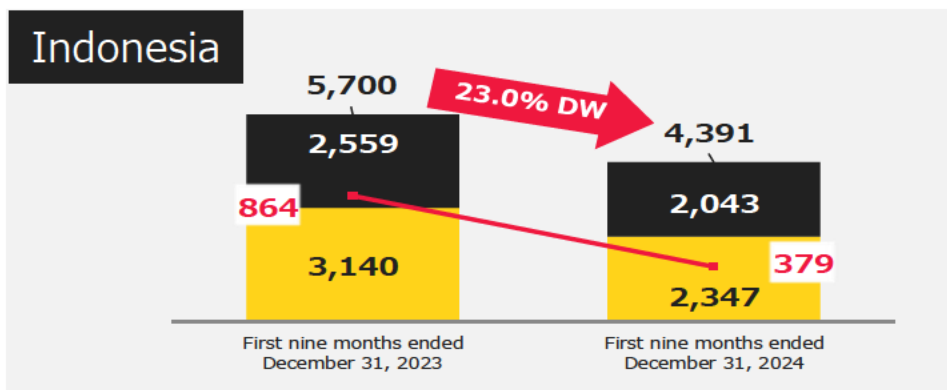
Japan



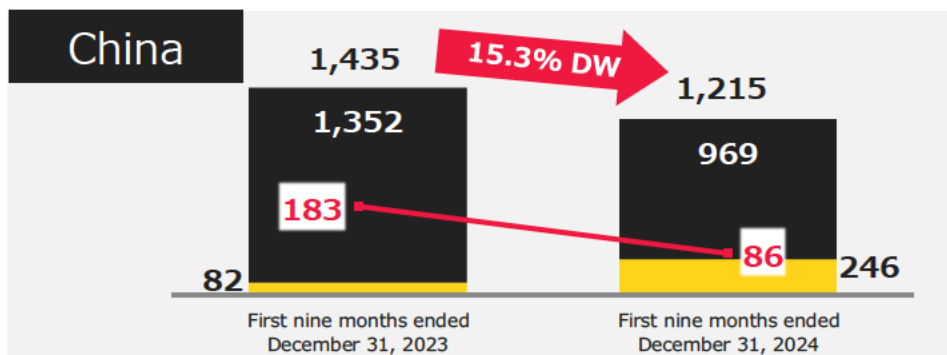
North America



Indonesia



China



Breakdown of YoY Changes in Operating Profit

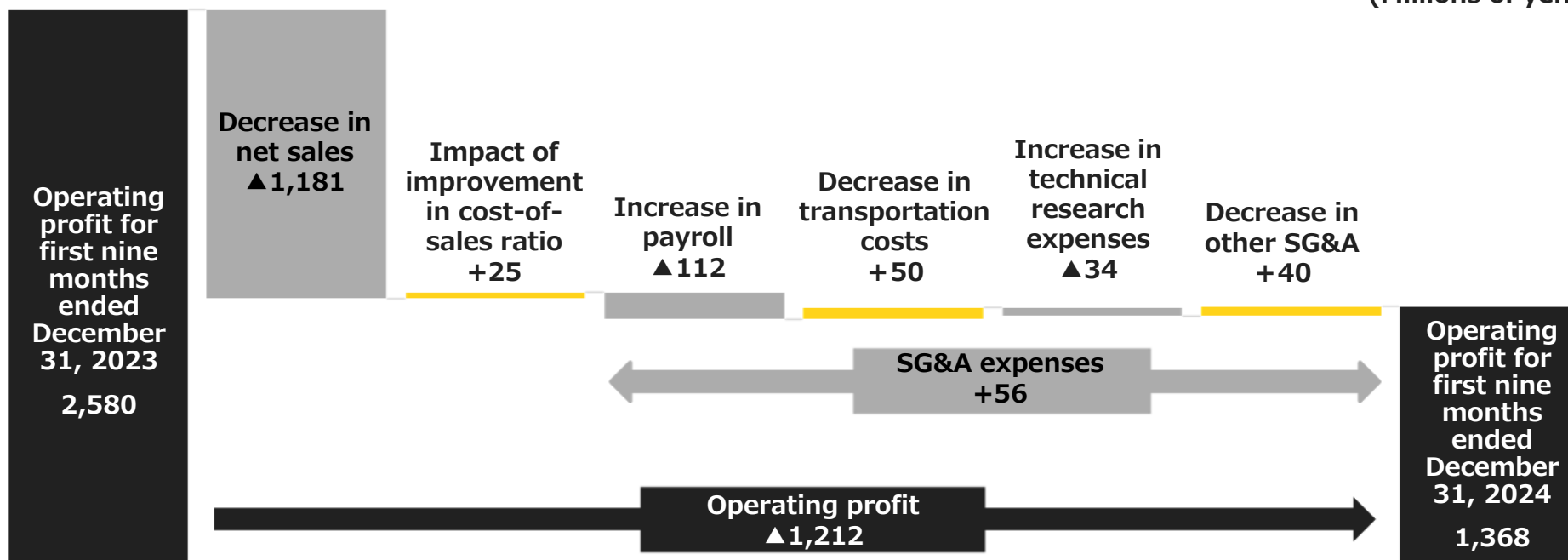
- Gross profit decreased by ¥1,181 million, in line with YoY decrease in net sales of ¥4,058 million.
- The cost-of-sales ratio improved by 0.1%, and gross profit rose by ¥25 million.
- SG&A expenses increased by ¥56 million following the increased investment in human capital (increased payroll).
- As a result, operating profit decreased by ¥1,212 million YoY to ¥1,368 million.

(Millions of yen)

	First nine months ended December 31, 2023	First nine months ended December 31, 2024	YoY change	Impact on operating profit	Note
Net sales	24,301	20,243	▲ 4,058	▲ 1,181	▲4,058 x (1 - 70.9%)
Cost-of-sales ratio	70.9%	70.8%	▲0.1%	+25	20,243 x ▲0.1%
Gross profit	7,076	5,920	▲ 1,156		
SG&A expenses	4,496	4,552	56	▲ 56	Payroll: up 112; Transportation costs: down 50; Technical research expenses: up 34; Other SG&A: down 40
Operating profit	2,580	1,368		▲ 1,212	

Breakdown of YoY Changes in Operating Profit (Graph)

(Millions of yen)



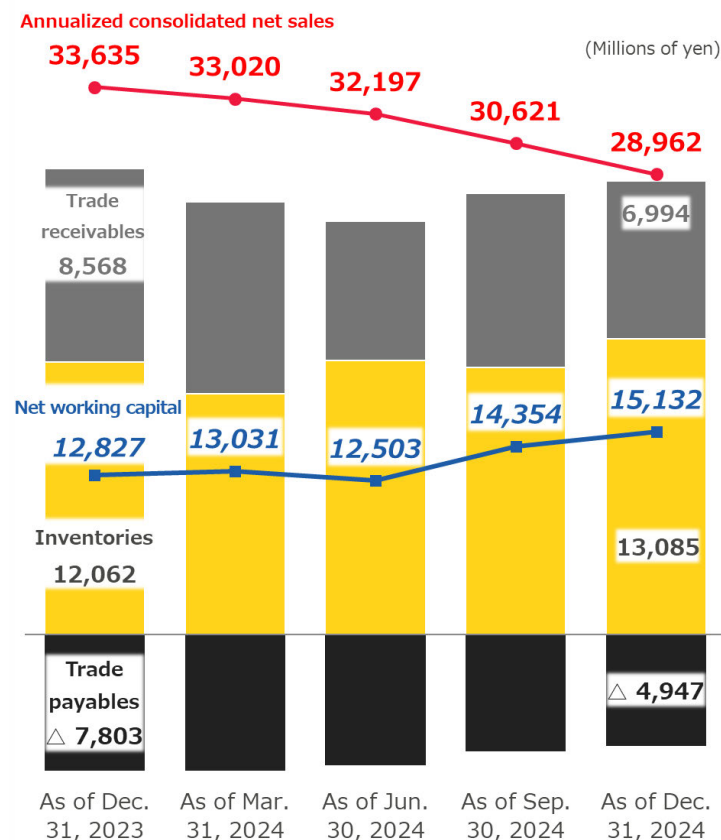
Operating profit ratio
10.6%

Operating profit ratio
6.8%

Net Working Capital (Trade Receivables + Inventories - Trade Payables)

- Net working capital invested in sales activities increased by ¥2,305 million, up 18.0% YoY to ¥15,132 million, in line with a YoY decrease in trade receivables of ¥1,574 million, a YoY increase in inventories of ¥1,023 million, and a YoY decrease in trade payables of ¥2,856 million.
- Inventory turnover decreased by 0.58 times (down 21%) YoY to 2.2 times. Currently strengthening adjustments to optimize inventory.
- The significant decrease in trade payables is due to production adjustments and adoption of the 60-day rule under the Subcontract Act.

	(Millions of yen)			
	As of December 31, 2023	As of December 31, 2024	YoY change	
			Amount	%
Annualized consolidated net sales	33,635	28,962	▲4,673	▲13.9%
Trade receivables	8,568	6,994	▲1,574	▲18.4%
Inventories	12,062	13,085	1,023	8.5%
Trade payables	▲7,803	▲4,947	2,856	▲36.6%
Net working capital	12,827	15,132	2,305	18.0%
Inventory turnover	2.79 times	2.21 times	▲0.58 times	
Net working capital/Sales ratio	38.1%	52.2%	14.1%	



Consolidated Business Forecast

- Sales Forecast for the Full Year: We downwardly revised the forecast on November 13, 2024, based on the consolidated financial results for the first half of the fiscal year.
- Although a phase of adjustments continues due to passing the period of the increased demand after the COVID-19 pandemic in the short term, potential demand for construction machinery is expected to remain stable in the medium term due to factors such as large-scale infrastructure investment plans in Japan and the U.S., infrastructure investment and mine development becoming active in emerging countries, together with renewal of aging infrastructure and disaster-related countermeasures. As a result, the Global Construction Machinery Market is expected to bottom out through an economic cycle in the future.

(The assumed exchange rate for the second half of the current fiscal year used in the consolidated business forecast is ¥140 per US\$.)

(Millions of yen)

	First nine months				Full year			
	Nine months ended December 31, 2023 (Results)	Nine months ended December 31, 2024 (Results)	YoY change		Fiscal year ended March 31, 2024 (Results)	Fiscal year ending March 31, 2025 (Forecast)	YoY change	
			Amount	%			Amount	%
Net sales	24,301	20,243	▲ 4,058	▲ 16.7%	33,020	27,200	▲ 5,820	▲ 17.6%
Operating profit	2,580	1,368	▲ 1,212	▲ 47.0%	3,318	1,740	▲ 1,578	▲ 47.6%
Ordinary profit	2,676	1,413	▲ 1,263	▲ 47.2%	3,324	1,700	▲ 1,624	▲ 48.9%
Profit attributable to owners of parent	1,947	1,435	▲ 511	▲ 26.3%	2,440	1,700	▲ 740	▲ 30.3%
Earnings per share (Yen)	¥229.39	¥168.56	▲¥60.83	▲ 26.5%	¥287.37	¥199.67	▲¥87.70	▲ 30.5%

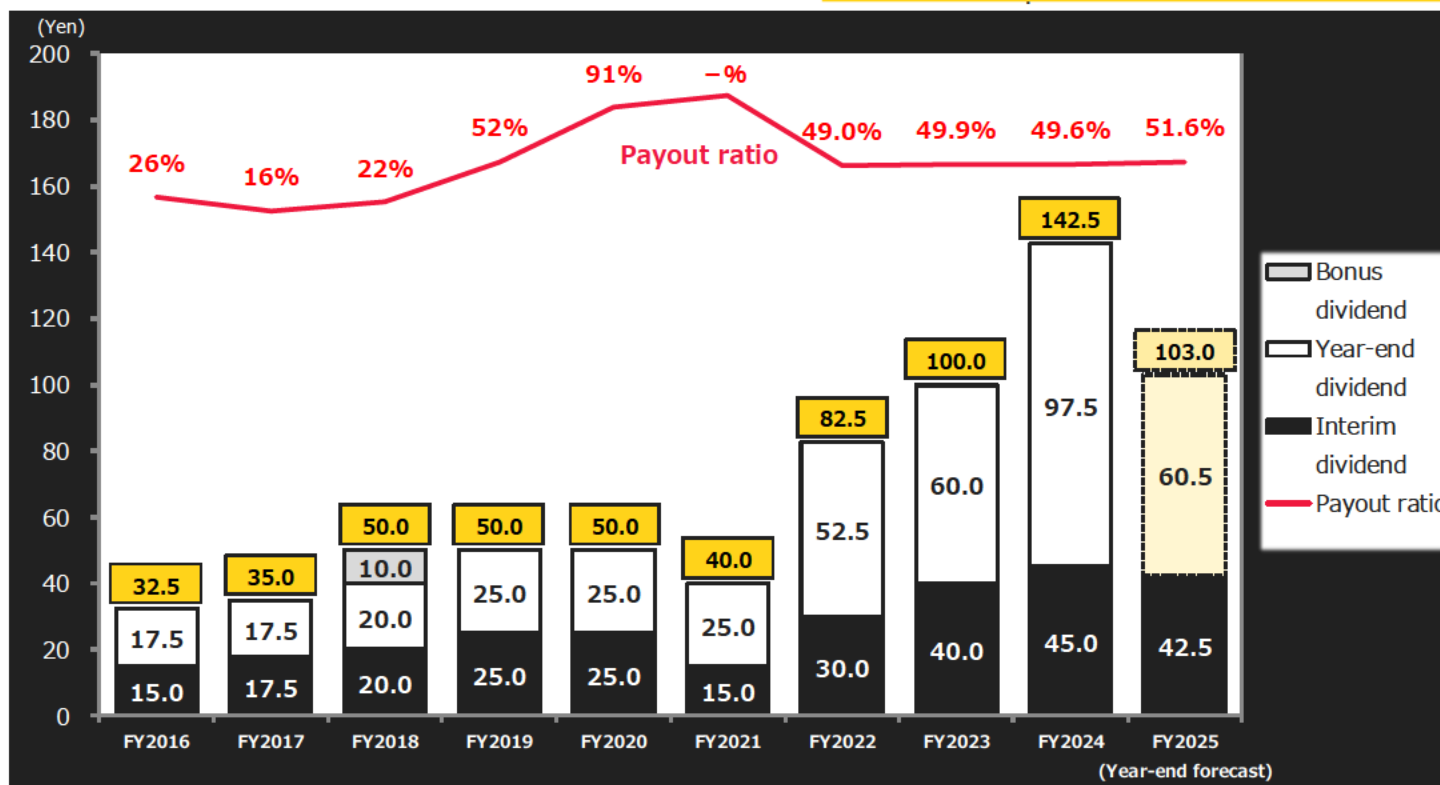
Note: We made a two-for-one share split effective October 1, 2024. Earnings per share have been calculated assuming that the share split was conducted at the beginning of the previous fiscal year.

Dividends per Share

- Since the announcement of the Medium-Term Management Policy on June 2, 2021, we have set a dividend policy as follows, with a target of 8% ROE.

When ROE falls below 3%	: A payout ratio of 100% will apply.
When ROE is between 3% and 6%	: A DOE of 3% will apply.
When ROE exceeds 6%	: A payout ratio of 50% will apply.

- ROE in the revised full-year forecast of financial results as of November 13, 2024 is expected to fall to 5.8%. In accordance with the dividend policy described at left, we set a full-year dividend forecast at DOE of 3%, and revised the dividend per share downward from ¥107.50 to ¥103.



Note: We made a ten-for-one share consolidation effective October 1, 2017. Dividend payouts for the periods prior to the share consolidation are adjusted to be in line with the post-consolidation payouts.

We made a two-for-one share split effective October 1, 2024. Dividend payouts for the periods prior to the share split are adjusted to be in line with the post-split payouts.

KPIs Established in the Medium-Term Management Policy

- ROE is expected to fall to 5.8% for the current fiscal year while the Global Construction Machinery Market entered a phase of adjustments, despite achievement of the KPIs established in the Medium-Term Management policy for the previous fiscal year due to upside factors other than actual performance.
- We will aim for the profit structure to be able to continuously achieve ROE of 8% or more for achieving PBR 1 or above in a phase of changes for the next fiscal year and beyond.

(Millions of yen)

	Nine months ended December 31, 2023 (Results)	Nine months ended December 31, 2024 (Results)	Fiscal year ended March 31, 2024 (Results)	Fiscal year ending March 31, 2025 (Forecast)	Target for the fiscal year ending March 31, 2026
Net sales	24,301	20,243	33,020	27,200	30,000
Operating profit	2,580	1,368	3,318	1,740	3,100
Return on equity (ROE) *1	9.7%	6.5%	9.0%	5.8%	8.0%
Share buybacks	—	—	—	Cumulative amount of share buybacks	
				340*2	500 ~ 2,000*3

*1 The annualized ROEs were calculated based on the year-to-date results of the corresponding fiscal year.

*2 The amount represents the cumulative amount of share buybacks that had been executed as of February 13, 2025.

*3 The amount represents the targets of the cumulative amount of share buybacks through March 31, 2026.

SAKAI

MASTERS OF COMPACTION

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Performance forecasts and other forward-looking statements in this document are based on information available at the time of this writing, as well as certain assumptions deemed reasonable. Actual performance and other results may differ depending on a variety of factors.