

Consolidated Financial Results for the Three Months Ended June 30, 2021

SAKAI HEAVY INDUSTRIES, LTD.

Stock code: 6358

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

August 11, 2021

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1. Summary of Consolidated Financial Results for the Three Months Ended June 30,2021

Summary of Consolidated Financial Results

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the three months ended June 30, 2021 (from April 1, 2021 to June 30, 2021)

(1) Consolidated operating results (cumulative)

Percentages indicate year-on-year changes

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Three months ended June 30, 2021	6,089	33.4	202	451.0	214	–	154	–
Three months ended June 30, 2020	4,565	(14.4)	36	(74.4)	(52)	–	(122)	–

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Three months ended June 30, 2021	35.85		–	
Three months ended June 30, 2020	(28.49)		–	

(2) Consolidated financial position

	Total assets		Net assets		Equity ratio	
	Millions of yen		Millions of yen		%	
As of June 30, 2021	35,115		22,017		62.6	
As of March 31, 2021	35,101		22,038		62.7	

2. Cash dividends

	Annual dividends per share				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total
	Yen				
Year ended March 31, 2021	–	30.00	–	50.00	80.00
Year ending March 31, 2022	–	–	–	–	–
Year ending March 31, 2022 (Forecast)	–	60.00	–	60.00	120.00

3. Forecast of consolidated financial results for the year ending March 31, 2022 (from April 1, 2021 to March 31, 2022)

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
Six months ending September 30, 2021	11,600	14.1	300	56.8	250	47.6	180	–	41.74
Full year	23,500	8.7	900	28.3	800	21.4	520	–	120.57

Highlights of Consolidated Business Performance

1. Summary of Quarterly Business Performance

(1) Consolidated net sales: ¥6,089 million, up 33.4% YoY

Sales rebounded from a slump a year earlier brought about by a sharp downturn in the global economy amid the COVID-19 pandemic.

(2) Consolidated operating profit: ¥202 million, up 5.5 times YoY

An increase of 2.4 percentage points in the cost-of-sales ratio resulting from a change in the customer mix was more than offset by the increase in gross profit from strong sales.

(3) Sales in Japan: ¥2,765 million, up 13.9% YoY

Sales were helped by robust public spending.

(4) Sales in North America: ¥1,376 million, up 85.0% YoY

Demand for construction machinery rebounded thanks to robust investment in construction projects.

(5) Sales in Asia: ¥1,782 million, up 32.0% YoY

The economy turned around in China, South Korea, Thailand, Vietnam. The Indonesian economy showed signs of bottoming out.

2. Adapting to a Changing Business Environment

(1) Shifting to business management with a focus on a sound capital policy

Formulated the medium-term management policy with the goals of achieving net sales of ¥30 billion, ROE of 8%, a dividend payout ratio of 50%, DOE of 4%, and buying back treasury shares flexibly.

(2) Becoming more agile in dealing with volatile demand

Reduced inventory by 30.7% YoY to ¥6,767 million.

Highlights of Consolidated Business Performance

3. Medium- and Long-Term Growth Strategy

(1) Make more significant inroads into the Asian market:

Step up marketing and sales efforts out of the Indonesian office

(2) Expand the scope of overseas business:

Enter the road-maintenance machinery segment

(3) Pursue business opportunities in North America:

Increase our market share through stepped-up niche marketing

(4) Start developing next-generation businesses:

Focus on developing emergency brakes, a compaction management system, and autonomous vibratory rollers

4. Outlook for Business Environment

(1) Japan

Demand for construction machinery is projected to remain strong, buoyed by the Japanese government's ¥15-trillion initiative to accelerate the pace of building national resilience to prevent and mitigate natural disasters over the next five years.

(2) Overseas

Demand for construction machinery is likely to pick up, driven by infrastructure investment and major economic packages to drive green growth strategy in China, the EU, the United States, and other countries.

(3) Business risks

We anticipate the risk of running short of manufacturing materials and components amid disruptions in the supply chain and the risk of a growing cost pressure from rising materials costs and container shipping rates.

(4) Social requirements

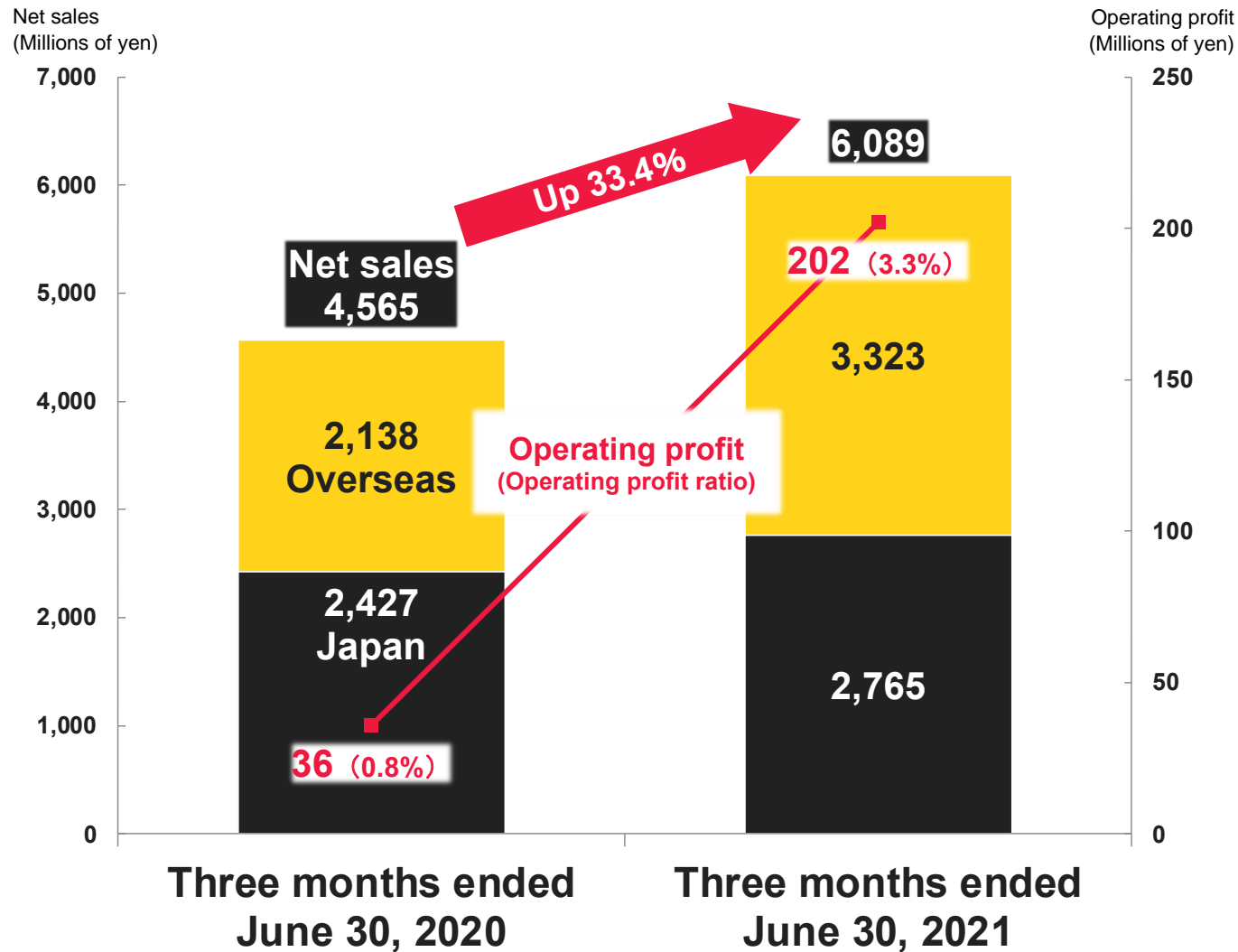
We need to transform our business management with a focus on DX, SDGs/ESG, and a sound capital policy to better respond to social requirements for adopting digital solutions and green business practices.

Consolidated Business Results

(Millions of yen)

	Three months ended June 30, 2020	Three months ended June 30, 2021	YoY change	
			Amount	%
Net sales	4,565	6,089	+1,523	+33.4%
Japan	2,427	2,765	+338	+13.9%
Overseas	2,138	3,323	+1,185	+55.4%
Operating profit	36	202	+165	+451.0%
Operating profit ratio	0.8%	3.3%		
Ordinary profit (loss)	(52)	214	+267	—
Profit (loss) attributable to owners of parent	(122)	154	+276	—
Cost-of-sales ratio	73.9%	76.3%		

Consolidated Business Results



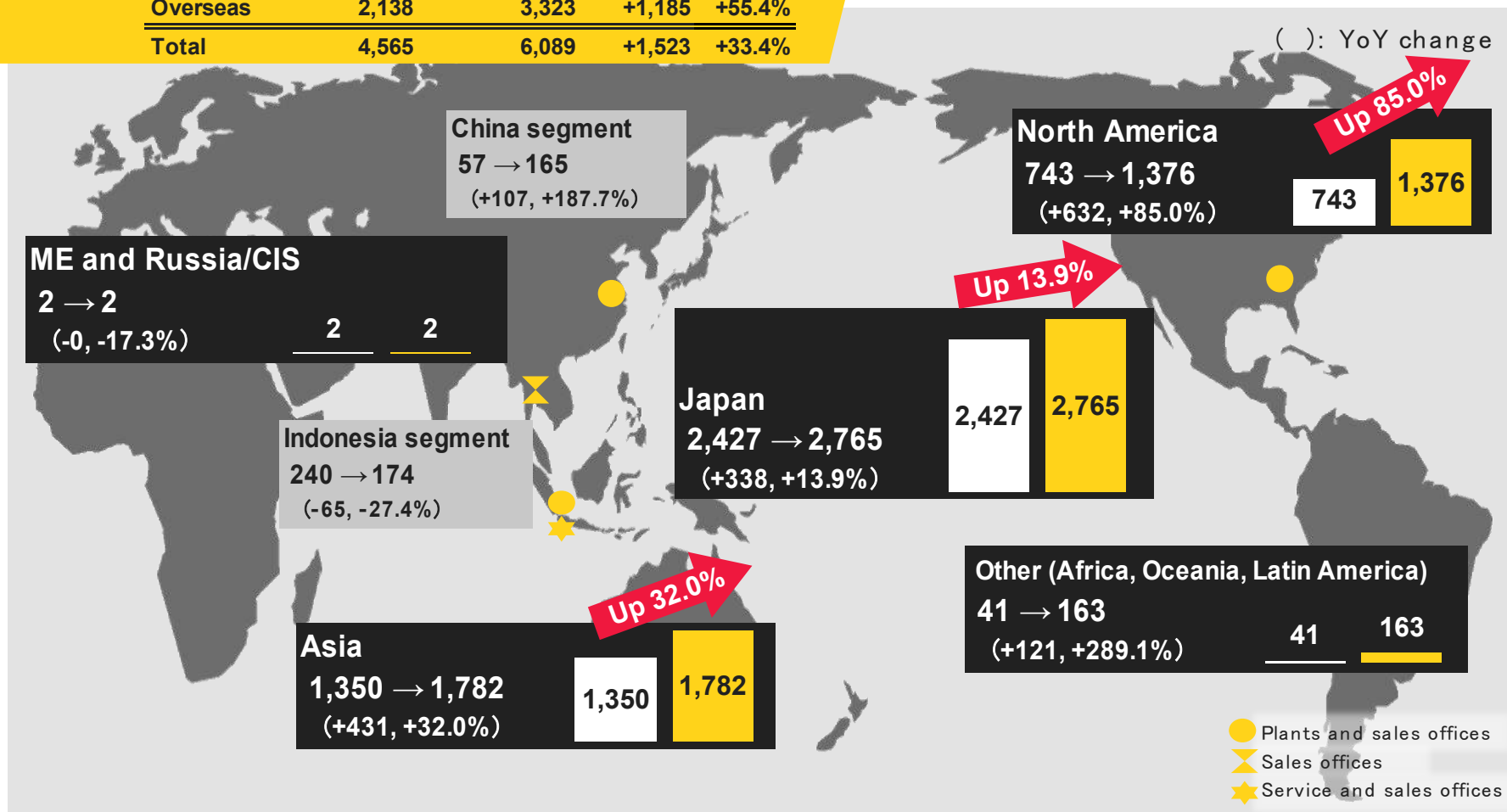
Sales by Region in which customers are located

(Millions of yen)

	Three months ended June 30, 2020	Three months ended June 30, 2021	YoY change	
			Amount	%
Japan	2,427	2,765	+338	+13.9%
Overseas	2,138	3,323	+1,185	+55.4%
North America	743	1,376	+632	+85.0%
Asia	1,350	1,782	+431	+32.0%
ME and Russia/CIS	2	2	(0)	(17.3%)
Other regions	41	163	+121	+289.1%
Total	4,565	6,089	+1,523	+33.4%

Sales by Region

(Millions of yen)	Three months ended June 30, 2020	Three months ended June 30, 2021	YoY change	
Japan	2,427	2,765	+338	+13.9%
Overseas	2,138	3,323	+1,185	+55.4%
Total	4,565	6,089	+1,523	+33.4%



Segment Information by Region in which our manufacturing facilities and sales offices are located

(Millions of yen)

Japan	Three months ended June 30, 2020	Three months ended June 30, 2021	YoY change	
			Amount	%
Sales to external customers	3,523	4,373	+849	+24.1%
Intercompany sales	65	412	+347	+532.3%
Total net sales	3,589	4,785	+1,196	+33.3%
Operating profit	48	100	+51	+107.3%

(Millions of yen)

North America	Three months ended June 30, 2020	Three months ended June 30, 2021	YoY change	
			Amount	%
Sales to external customers	743	1,376	+632	+85.0%
Intercompany sales	2	16	+14	+681.9%
Total net sales	745	1,392	+646	+86.7%
Operating profit	(40)	90	+131	— %

(Millions of yen)

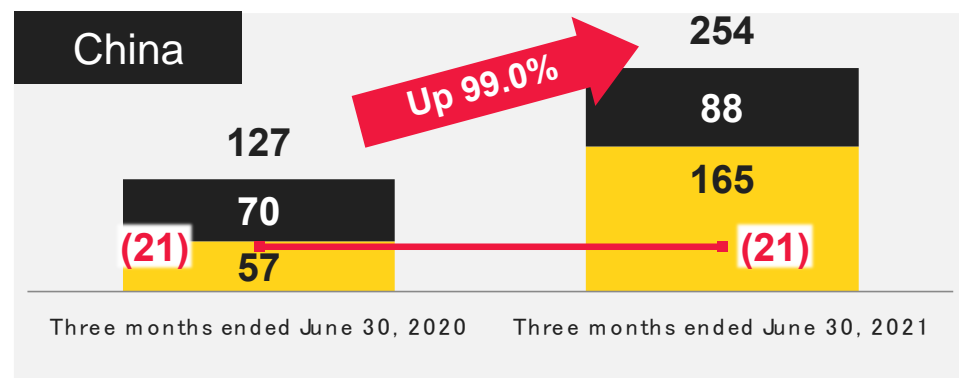
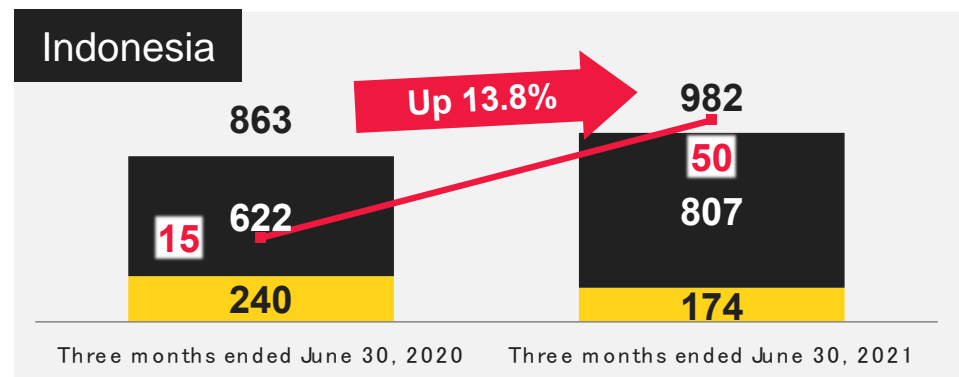
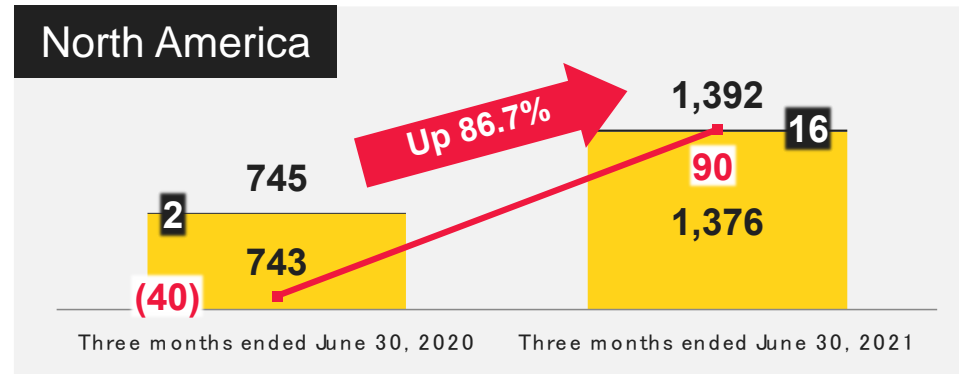
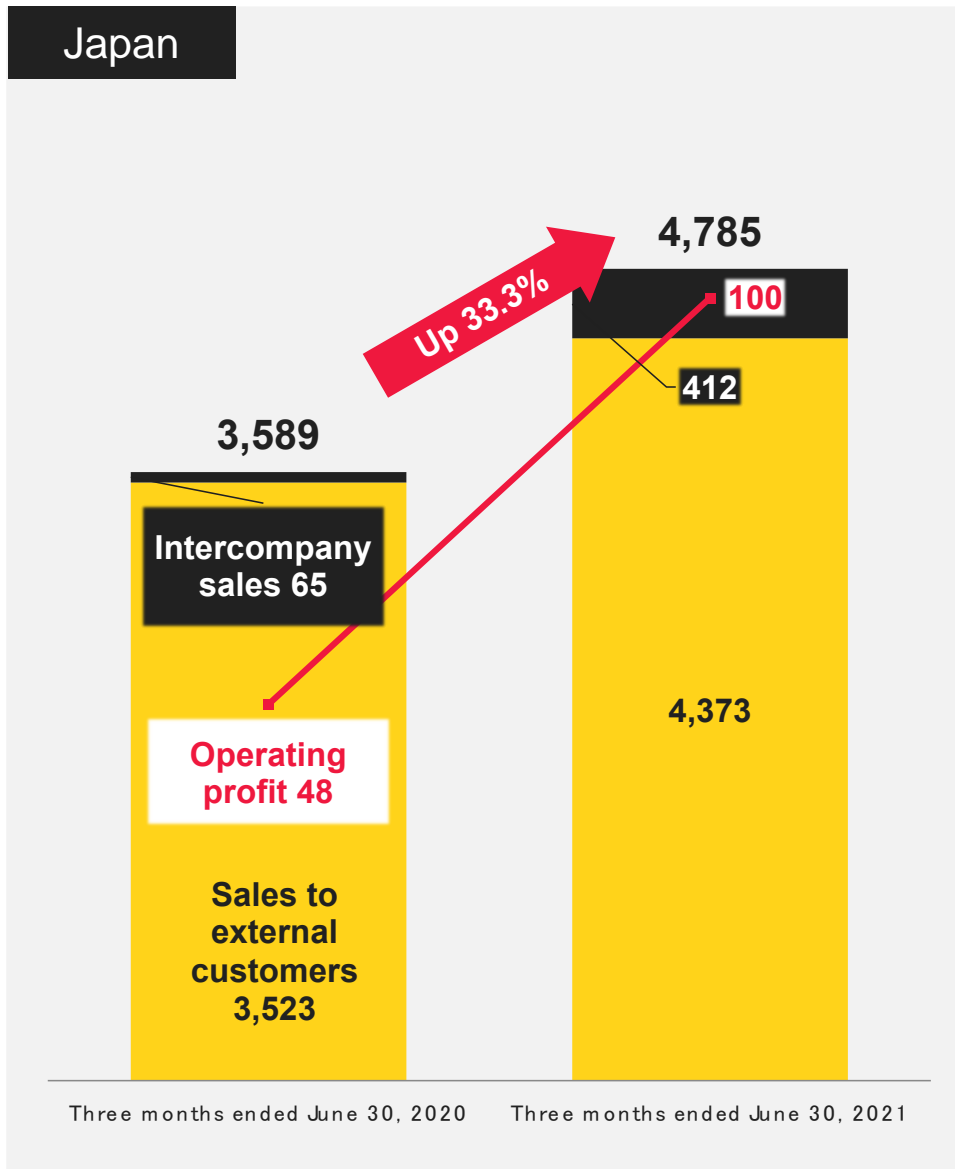
Indonesia	Three months ended June 30, 2020	Three months ended June 30, 2021	YoY change	
			Amount	%
Sales to external customers	240	174	(65)	(27.4%)
Intercompany sales	622	807	+185	+29.8%
Total net sales	863	982	+119	+13.8%
Operating profit	15	50	+35	+238.6%

(Millions of yen)

China	Three months ended June 30, 2020	Three months ended June 30, 2021	YoY change	
			Amount	%
Sales to external customers	57	165	+107	+187.7%
Intercompany sales	70	88	+18	+26.6%
Total net sales	127	254	+126	+99.0%
Operating profit	(21)	(21)	0	— %

Segment Information by Region

(Millions of yen)



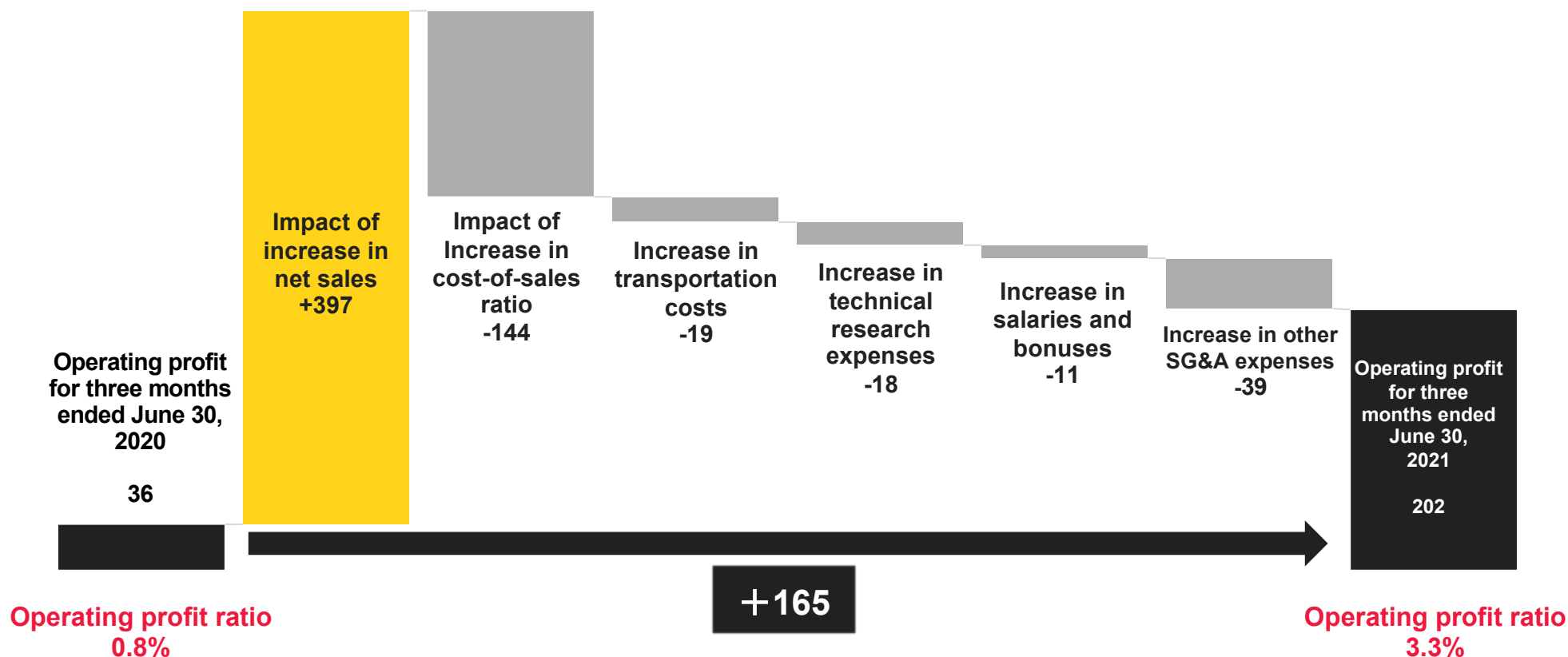
Breakdown of YoY Changes in Operating Profit

(Millions of yen)

	Three months ended June 30, 2020	Three months ended June 30, 2021	YoY change	Impact on operating profit	Note
Net sales	4,565	6,089	+1,523	+397	1,523 x (1 - 73.9%)
Cost-of-sales ratio	73.9%	76.3%	+2.37 percentage points	(144)	6,089 x 2.37%
Gross profit	1,190	1,443	+253		
SG&A expenses	1,153	1,241	+87	(87)	Transportation costs: up 19; Technical research expenses: up 18; Salaries and bonuses: up 11; Other SG&A expenses: up 39
Operating profit	36	202		+165	

Breakdown of YoY Changes in Operating Profit

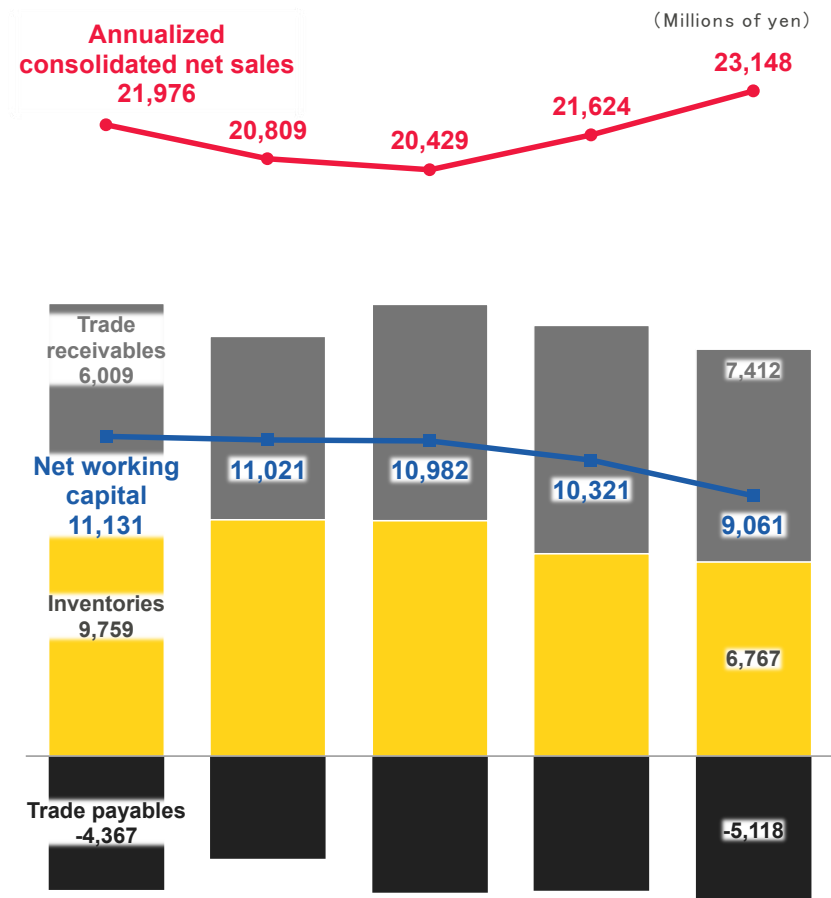
(Millions of yen)



Net Working Capital (Trade receivables + Inventories – Trade payables)

(Millions of yen)

	As of June 30, 2020	As of June 30, 2021	YoY change	
			Amount	%
Annualized consolidated net sales	21,976	23,148	+1,172	+5.3%
Trade receivables	6,009	7,412	+1,403	+23.3%
Inventories	9,759	6,767	(2,992)	(30.7%)
Trade payables	(4,637)	(5,118)	(481)	+10.4%
Net working capital	11,131	9,061	(2,070)	(18.6%)



As of Jun 30, 2020, As of Sep 30, 2020, As of Dec 31, 2020, As of Mar 31, 2021, As of Jun 30, 2021

Consolidated Business Forecast

No change from the earlier forecast

(Millions of yen)

	First half				Full year			
	Six months ended September 30, 2020 (Results)	Six months ending September 30, 2021 (Forecast)	YoY change (amount)	YoY change (%)	Fiscal year ended March 31, 2021 (Results)	Fiscal year ending March 31, 2022 (Forecast)	YoY change (amount)	YoY change (%)
Net sales	10,163	11,600	+1,436	+14.1%	21,624	23,500	+1,875	+8.7%
Operating profit	191	300	+108	+56.8%	701	900	+198	+28.3%
Ordinary profit	169	250	+80	+47.6%	659	800	+140	+21.4%
Profit (loss) attributable to owners of parent	(373)	180	+553	—	4	520	+515	—
Earnings per share	(¥87.01)	¥41.74	—	—	¥0.93	¥120.57	—	—

2. Implementing Key Initiatives Outlined in the Medium-Term Management Policy

KPIs Established in the Medium-Term Management Policy

(Millions of yen)

	Three months ended June 30, 2020 (Results)	Three months ended June 30, 2021 (Results)	Fiscal year ending March 31, 2022 (Forecast)	Target for fiscal year ending March 31, 2024	Target for fiscal year ending March 31, 2026
Net sales	4,565	6,089	23,500	26,500	30,000
Operating profit	36	202	900	2,000	3,100
Annualized return on equity (ROE) ¹	(2.2%)	2.8%	—	5.5%	8.0%
Share buybacks (through March 31, 2026)	—	87	340 ²	500 ~ 2,000 ³	

1. An annualized ROE applies to the corresponding fiscal year.

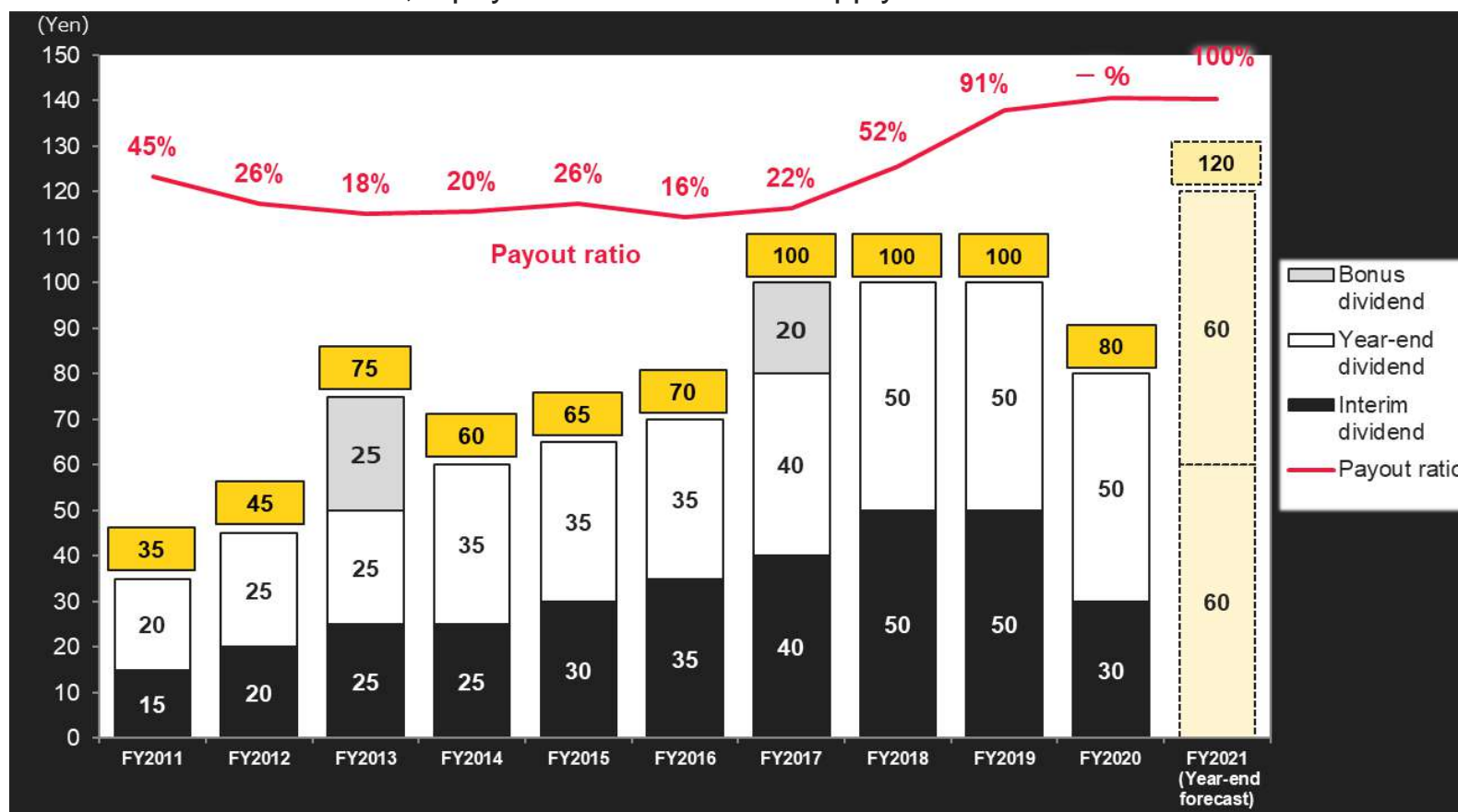
2. The amount of share buybacks projected for the fiscal year ending March 31, 2022, represents the amount of buybacks conducted for the year to date as of August 11, 2021.

3. The cumulative amount of buybacks projected through March 31, 2026

Dividends per Share

Our goal is to achieve an ROE of 8% in the medium term, and our dividend policy is as follows:

- 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.



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.

Progress in the Key Medium-Term Management Initiatives

(1) Share buybacks

Completed the first round of share buybacks with a ceiling of 130,000 shares for ¥500 million:

- ① June 17 to 23: Bought back 34,700 shares for ¥87.6 million.
- ② July 1 to 15: Bought back 95,300 shares for ¥252.8 million (a total of 130,000 shares for ¥340.4 million)

(2) Implementing a medium-term dividend policy

Announced a dividend forecast for the fiscal year ending March 31, 2022:

- ¥120 per share (up 50% YoY)
- Payout ratio: 100% (an estimated ROE of 2.3%)

(3) Disclosing financial information in English

- ① Convocation notice of general meeting of shareholders
- ② Medium-Term Management Policy
- ③ Annual Report
- ④ Quarterly earnings announcements

3. Supplementary Information:

The Medium-Term Management Policy

(Announced June 2, 2021)



Medium-Term Management Policy

June 2, 2021

SAKAI HEAVY INDUSTRIES, LTD.

Contents

Introduction

Background for creation of our medium-term management policy and holding of a briefing session

- 1 Corporate Profile
- 2 The Company's Business Environment
- 3 Our Corporate Vision
- 4 Business Strategies for Achieving Objectives
- 5 Capital Strategies for Achieving Objectives
- 6 ESG Supporting Sustainable Growth
- 7 Policy for Dialogue with Capital Markets

Background for creation of our medium-term management policy

As a company listed in the First Section of the Tokyo Stock Exchange, we have striven to maximize our corporate value, primarily by expanding our businesses.

We are aware that listed companies are now being required to make a commitment to maximize corporate value and achieve sustainable growth based on an advanced governance structure, as seen by developments such as the revision of the Corporate Governance Code and changes to the market categories of the Tokyo Stock Exchange.

We view this transformation regarding listed companies as a major opportunity for a “second listing.” We have created a medium-term management policy in order to enhance dialogue with the capital markets, and clearly express our commitment to meeting the expectations of our investors and shareholders.

We will continue to carry out growth strategies through our business activities, while at the same time striving to maximize our corporate value through the decisive execution of our capital policies.

Thank you for your understanding regarding our management, and for your continued cooperation and support.

June 2, 2021

Ichiro Sakai
President and Representing Director
SAKAI HEAVY INDUSTRIES, LTD.

01 Corporate Profile

Corporate Philosophy

**Contribute to the social project of global land development
through the road construction equipment business**

Our Business

Overview

A specialized manufacturer of road construction equipment, centered on the Japanese, Asian, and North American markets

Research and development, design, manufacturing, sales, service, and technical guidance for the construction machinery necessary for road construction and various types of compaction work

Our end users are paving and civil-engineering contractors.

Our commercial distribution is by direct sales, sales and service distributors, and construction-equipment rentals.



(As of March 31, 2021)

History

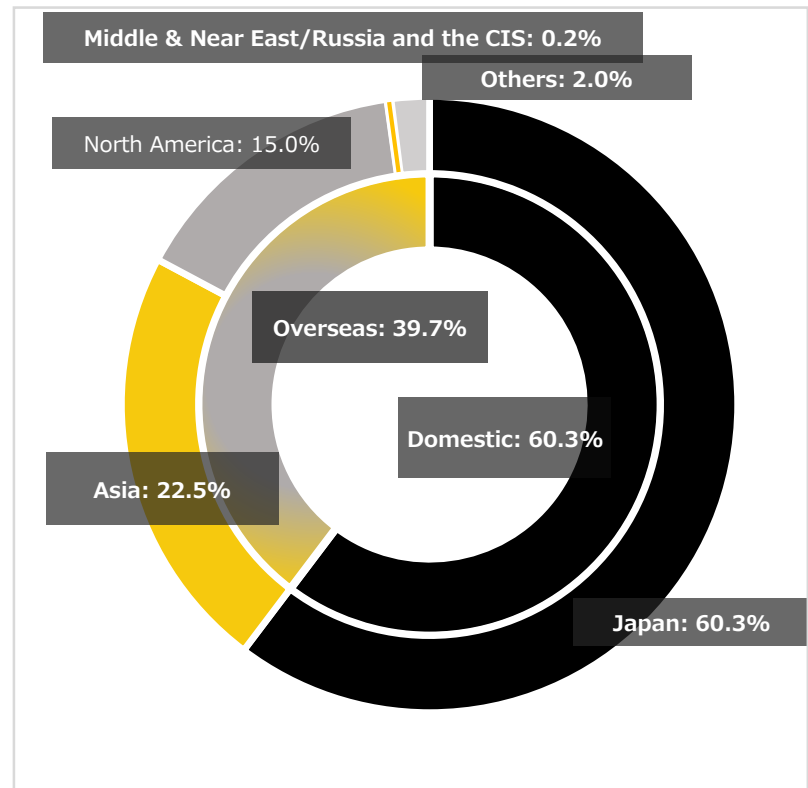
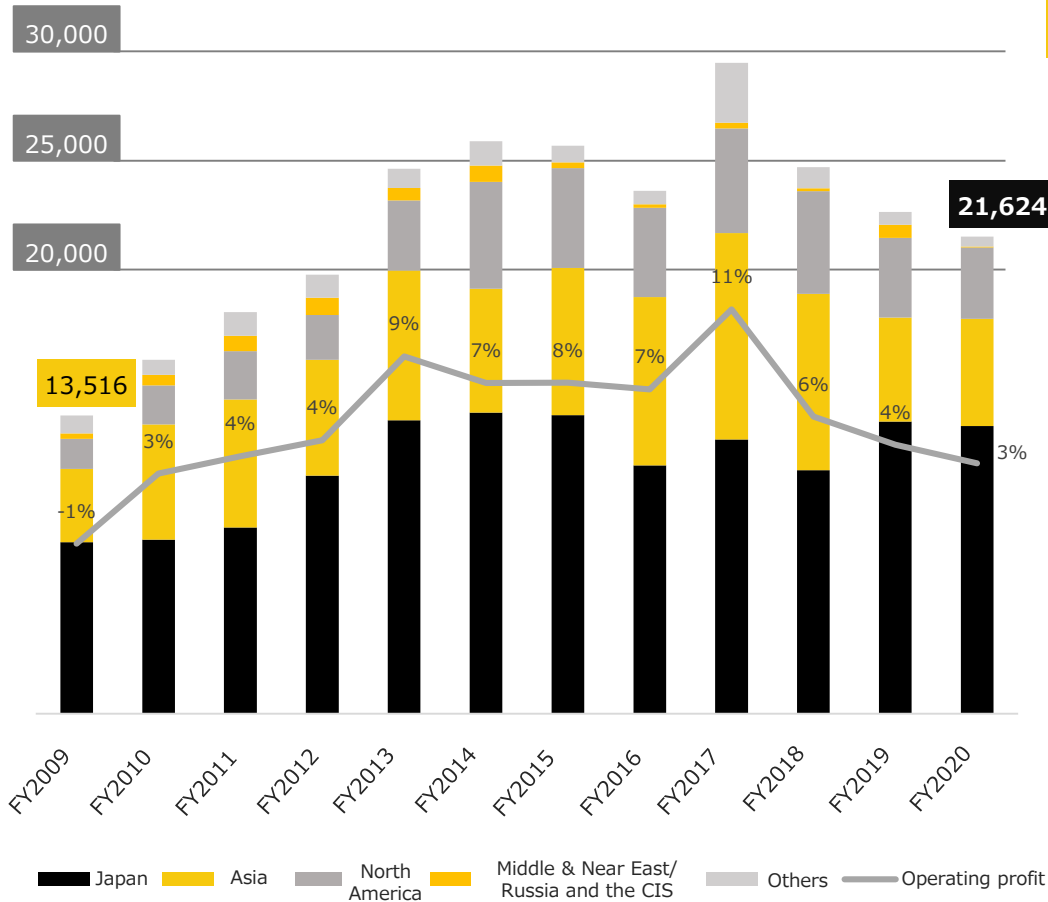
1918	The Company is founded by Kinnosuke Sakai, with the aim of manufacturing and repairing parts for automobiles, internal combustion engines, and steam locomotives.
1929	With the increasing scale of civil engineering works in Japan, the Company starts producing road rollers. Continued capital investment, driven by increasing demand leads to a dramatic growth in business.
1935	Initiated export of road rollers, etc. to Thailand.
1964	Listed on the Second Section of the Tokyo Stock Exchange.
1981	Listed on the First Section of the Tokyo Stock Exchange.

Status of the Consolidated Group

Consolidated (602 employees)	Japan (4 companies) / Overseas (5 companies)
Japan (338 employees)	SAKAI HEAVY INDUSTRIES, LTD. (the Company) SAKAI KIKOH CORPORATION TOKYO FUJI CO., LTD. COMODO CO., LTD.
United States (48 employees)	SAKAI AMERICA, INC.
Indonesia (162 employees)	P.T. SAKAI INDONESIA P.T. SAKAI ROAD MACHINERY INDONESIA P.T. SAKAI SALES AND SERVICES ASIA
China (54 employees)	SAKAI HEAVY INDUSTRIES (SHANGHAI), LTD.

Since the global financial crisis, net sales have trended upward over the medium to long term

Sales by region for FY2020

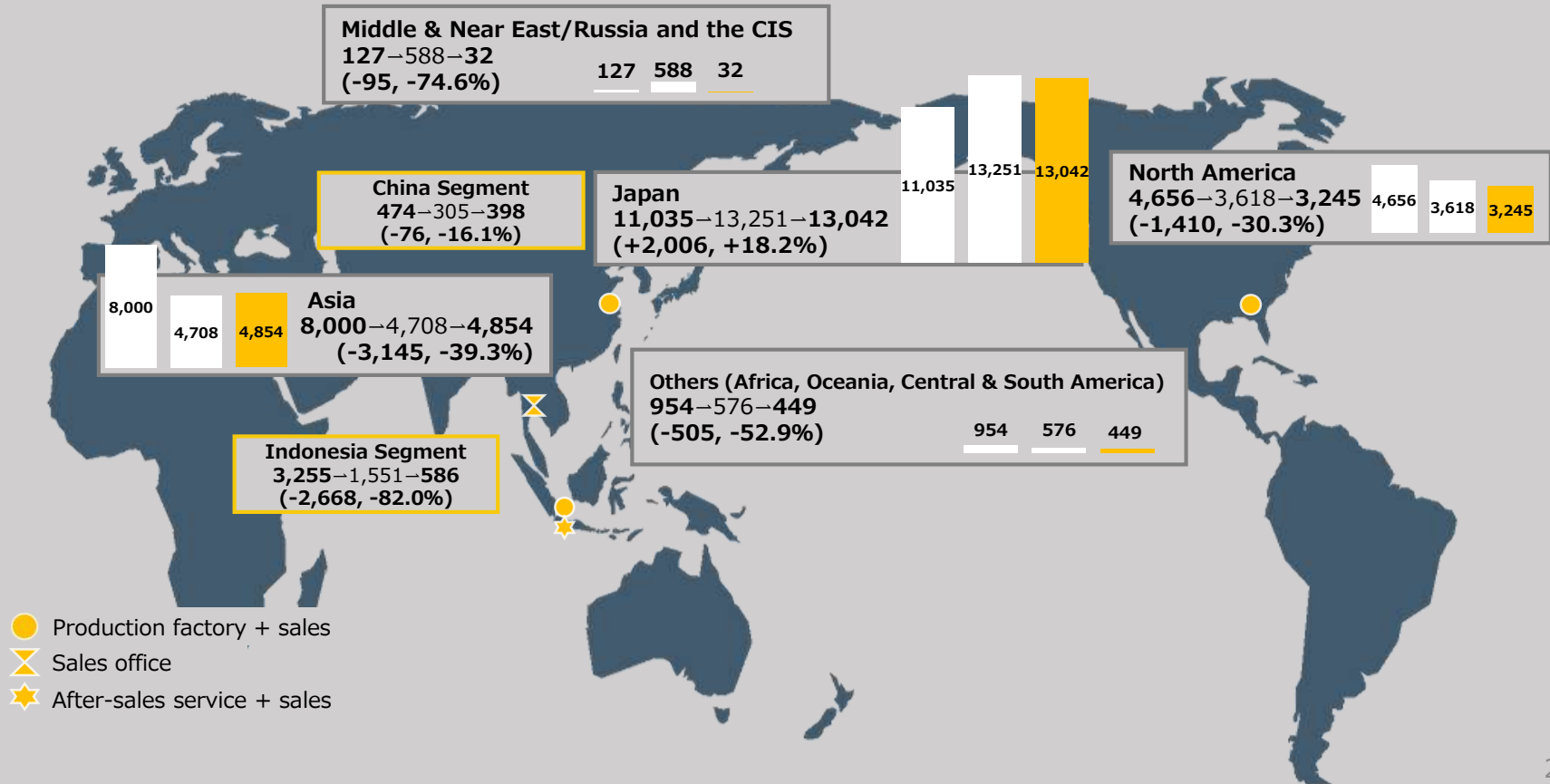


(Millions of yen)

Status of Global Business Development

(Millions of yen)	FY2018	FY2019	FY2020	Compared to two years ago	
Domestic	11,035	13,251	13,042	(2,006)	(18.2%)
Overseas	13,739	9,492	8,582	(-5,157)	(-37.5%)
Total	24,775	22,744	21,624	(-3,150)	(-12.7%)

() Compared to two years ago



Our Road Equipment



Tandem Roller (left)/Combined Roller (right)

Used in mid-sized and smaller urban paving works.



Road Planer

Used for road repair works.

Cuts damaged existing road surface to a width of 2 m and a depth of 15 cm.



Vibratory Roller for large-scale paving

Used for asphalt paving work, primarily on expressways.

High demand for large-scale paving work, primarily in the United States and China



Vibratory Single Drum Roller for large-scale earthworks

Used for road foundation work and large-scale civil engineering work, such as land development and dams.

Expertise in products and services
Trust backed by experience in engineering

Mechanical vibration technologies

and

Vibration isolating technologies

Deploying a global niche strategy through
selection and concentration

Please see following video for details:

“SAKAI Is:”

<https://www.youtube.com/watch?v=dkEx1muYo6E>

02 The Company's Business Environment

COVID-19 and global warming have triggered a

massive transformation of global society

Restrictions on activities on a global scale

have given digital technologies penetration in society

Decarbonization policies at a global level

determined and a major transition to an era of green growth

A more fluid geopolitical situation and supply-chain disruptions

As a company that emphasizes the development of technology, we view the current era of structural transformation, with accelerating DX, decarbonization, and energy efficiency, as a once-in-a-generation **chance** for business growth.

From simple competition in physical goods, **to competition in terms of the environment, quality, and productivity** of construction equipment work as a whole, over the medium to long term

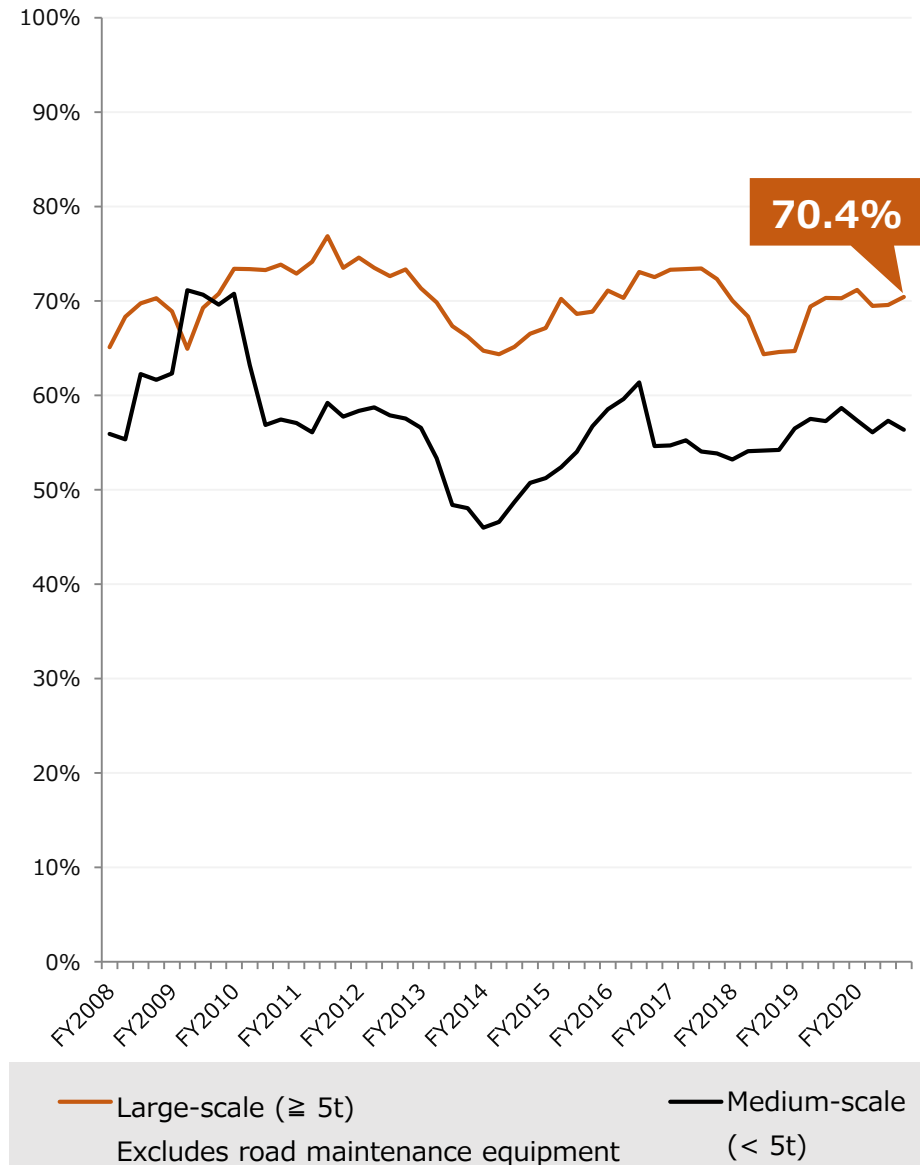
Solid Market Position

We are maintaining a **high market share**, backed by long years of trust and technology forged by the stringent quality requirements in Japan.

A five-year national resilience budget of 15 trillion yen is expected to create **stable market conditions**.

In addition to the horizontal rollout of automatic emergency brake system equipped models, our policy is to develop **high value-added businesses through next-generation technology**

such as a rolling compaction management system for ICT construction and autonomous vibratory rollers.



Further developing our business, fueled by the post-Covid policies in each country

United States

Post-Covid economic policies are providing a tailwind, including a \$1.7 trillion jobs plan and a \$300 billion-scale medium-term road improvement plan, which represents a 34% increase over the previous plan.

We aim to expand our businesses by capitalizing on a recovery in demand (recovery to the 9,000 range, from the current 6,000 range) and a larger market share (acquisition of an 8% share, from the current 5%).

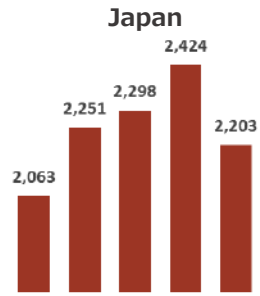
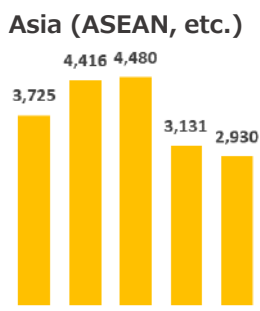
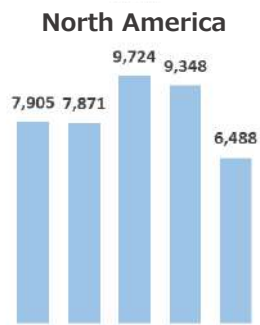
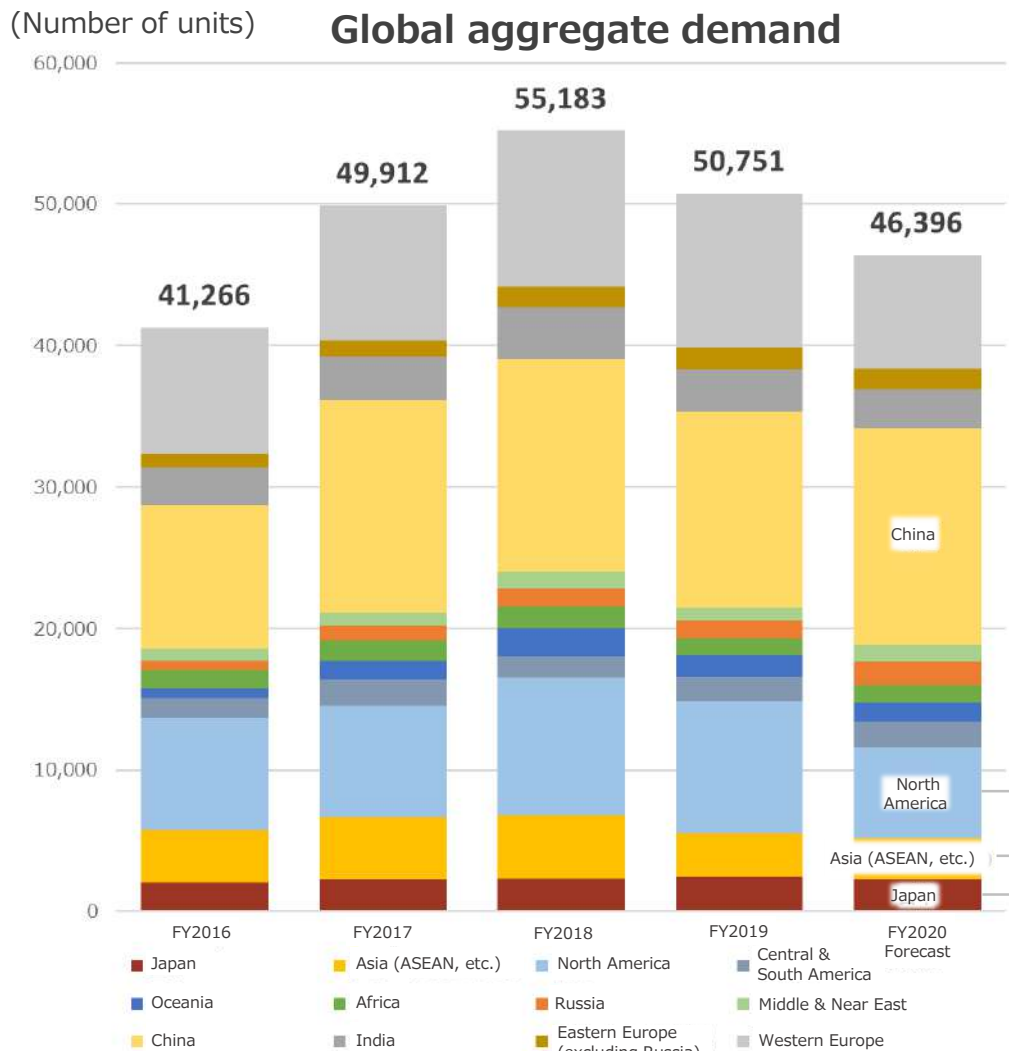
Southeast Asia

The Vietnamese, Thai, and Cambodian markets have already recovered from the Covid shock.

Indonesia, Malaysia, and the Philippines have also announced policies of aggressive infrastructure investment budgets.

We are aiming for a 40% market share (from the current 30%) in Indonesia, by strengthening our manufacturing and sales/service capabilities as a key ASEAN location, and leveraging our 50-year history in Indonesia.

Global roller demand statistics for FY2016 to FY2020



Source: Research performed by the Company

03 Our Corporate Vision

01 Vision

A global niche corporation that is world top-class

in road construction equipment

Over the next five years, we will aim for **net sales at the ¥30 billion level**, and **long-term growth** into a **company with ¥50 billion in sales**.

02 Maintain listing in the Prime Market

Break away from traditional stability-oriented management, and transition to qualitatively and quantitatively

global standard corporate management

- | | |
|--------------------------|--|
| Increase | Maintain and improve our brand value and creditworthiness. |
| corporate value | Hire talented human resources. |
| shareholder value | Enable flexible procurement of financing through the stock market. |

Business Challenges and Objectives

Our current challenge is **expanding our market share**, especially **in overseas markets**.

While all of the major global players in the industry other than us are conglomerates, we will expand our market share by leveraging the experience, trust, and advanced day-to-day technology development results we have built as an independent enterprise in the road construction equipment industry.

Growth Strategy

Create added value by growing our overseas market share, expanding overseas business domains, and developing next-generation businesses.

Capital Strategy Objectives

Execute a disciplined financial strategy based on ROE.

Procure the necessary financing to invest in growth, while maintaining an awareness of ROIC.

Dividend policy based on awareness of the dividend on equity ratio (DOE)

Medium to Long-Term Objectives

Achieve net sales of ¥30 billion and an ROE of 8%, while **maintaining** a stable dividend payout ratio of 50% (DOE of 4%)

KPI	FY2020 Results	FY2023 Targets	FY2025 Targets
Net sales	¥21.6 billion	¥26.5 billion	¥30.0 billion
Operating profit	¥0.7 billion	¥2.0 billion	¥3.1 billion
ROE	0.0 %	5.5%	8.0%
Dividend policy	<p>If ROE falls below 3%, the dividend payout ratio will be 100%.</p> <p>If ROE is between 3% and 6%, the DOE will be 3%.</p> <p>If ROE is above 6%, the dividend payout ratio will be 50%.</p>		
Share buybacks	Consider flexible share buybacks with an upper limit of ¥0.5 to ¥2 billion.		

04 Business Strategies for Achieving Objectives

Overall Policy

Growth strategy for achieving
**sales of
¥30 billion**

**Our policy is to
improve capital
efficiency**

based on our medium to long-term growth strategy and business portfolio

(We will set standards for our business portfolio, and engage in thorough, disciplined portfolio management.)

Transition to
**management
that emphasizes
return on capital**

(ROE and ROIC)

Initiatives by Area

Cultivate markets more fully, and expand our product domains

Southeast Asia

Enhance our Indonesia site, where a new factory started to operate in 2019, as a core location for sales, manufacturing, and service directed at the ASEAN region.

Expand overseas business domains through a strategy of expanding sales of road maintenance equipment.

Stabilize and develop next-generation businesses

Japan

- Maintain a 70% share of large rollers.
- Horizontally roll out models equipped with automatic emergency brake systems.
- Improve compaction quality using a rolling compaction management system.
- Commercialize autonomous (unmanned) vibratory rollers.

Expand our market share

North America

- Strengthen our North America logistics strategy and advance measures to increase our market share.
- Niche marketing strategy based on the Lanchester/Blue Ocean strategy
- Promote high-end engineering sales focused on improved pavement quality.

R&D Initiatives

Streamline our business strategy and R&D, aiming for **improved capital efficiency** (ROIC) over the medium to long term

Our policy is to continue active investment in DX/next-generation businesses, to meet today's needs (while also conducting joint development for lunar exploration with JAXA).

Improve our growth strategy and development productivity through a medium to long-term development roadmap (Module development/CAE)

Policy of maintaining a ratio of R&D to net sales of 3-4%

Rolling compaction management system

Compaction Meister (with CCV)

Remotely links work managers with worksites, allowing compaction quality to be confirmed and managed (e.g., number of rolling compactions) in real time.



Quality

Safety

Automatic emergency brake system

Performs an emergency stop of operating equipment if a person or obstacle is in the equipment's movement path. Promoting horizontal roll out of equipped models.

TW/SW354G TW/SW504G (since Sep. 2020) TZ704G (since Oct. 2018) R2-4G (since Oct. 2019)



**Smart
Compaction
Tryangle**

Productivity

Autonomous vibratory roller

Autonomous driving standard equipment development project

Through unmanned construction, we aim to create safe worksites, improve productivity through efficient compaction operations, and stabilize and improve quality, independent of operator skill.



* The "Smart Compaction Tryangle" is a term we coined to express the constant challenge of improving compaction quality, safety, and productivity using next-generation technologies.

05 Capital Strategies for Achieving Objectives

Basic Capital Policy Approach

Return profits to shareholders at level that supports our objective of an **8% ROE**.

Medium-term targets are an **8% ROE and 50% dividend payout ratio**.



Focusing on market trends for stock price, consider flexible share buybacks with an upper limit of ¥0.5 to ¥2 billion by FY2025.

Review investment securities from a business strategy perspective.

Also consider the use of leverage for investment in growth.

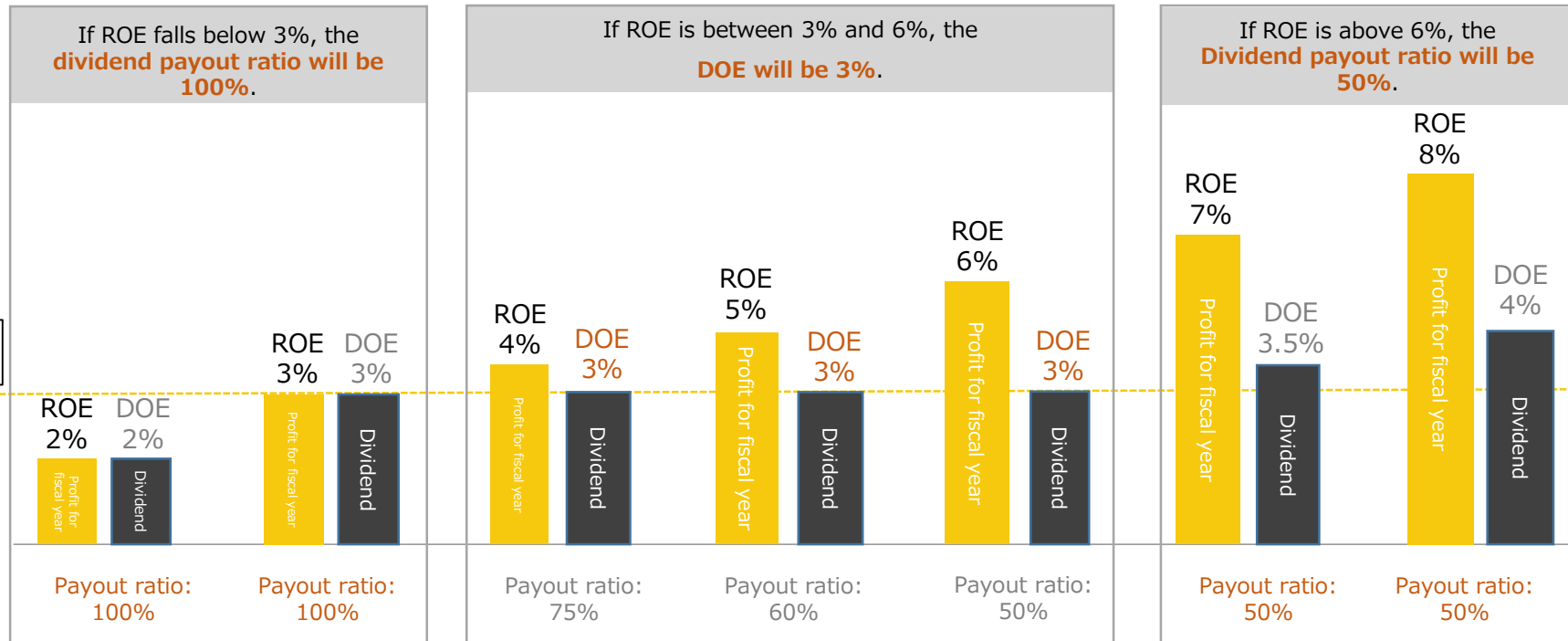
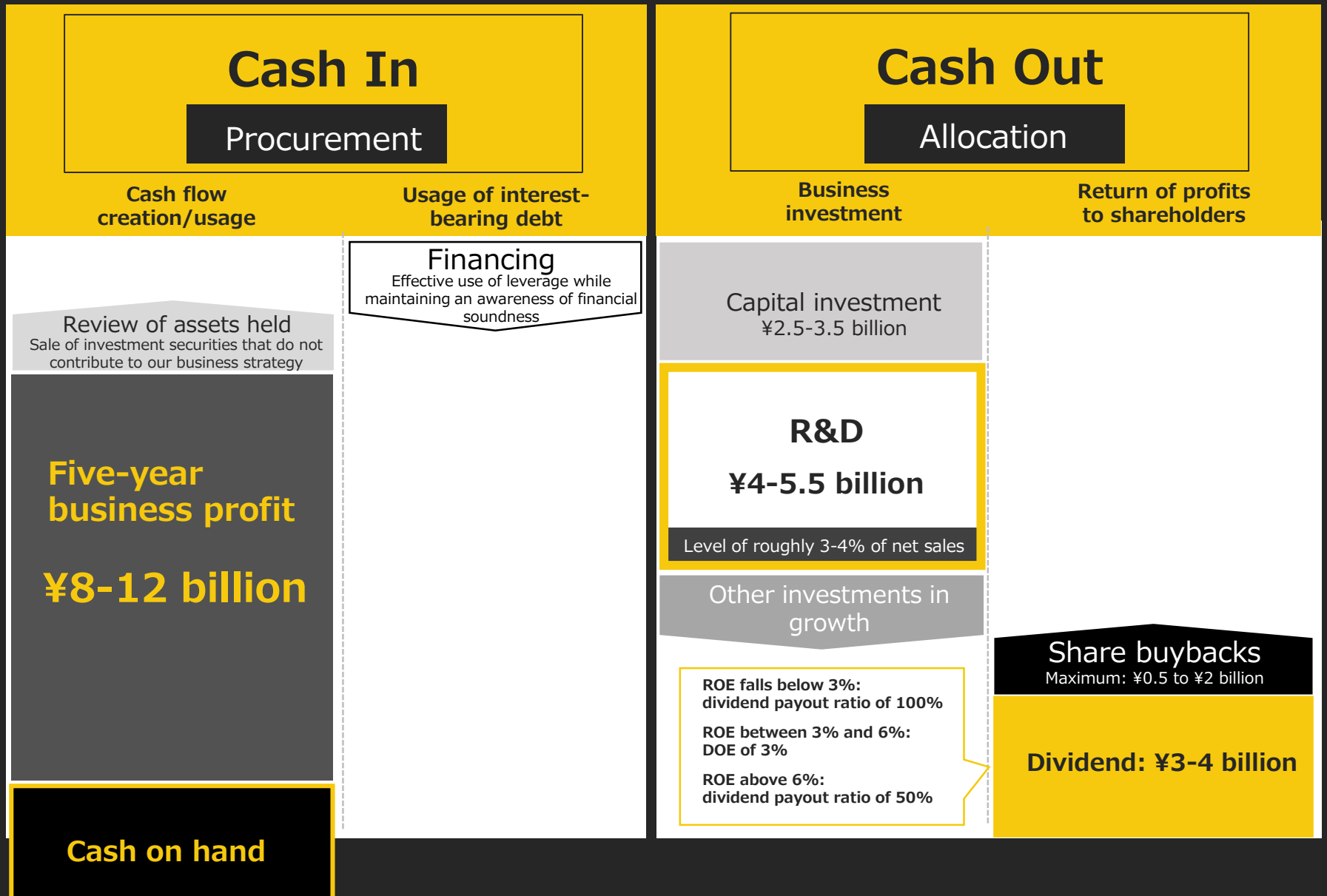


Image of Cash Procurement and Allocation



Improve TSR Increase shareholder value



Business Strategy



Top-line growth

Achieve **net sales of ¥30 billion** by steadily executing different business strategies for each area.



Improve profitability

Using **operating profit as the KPI**, aim to steadily increase profits from our main business. (Minimize increases in the break-even point.)

Active R&D initiatives that create high added value

Investment activities



Maintain **an awareness of ROIC** when investing in new businesses and performing R&D.

For the time being, maintain an R&D expense rate of roughly 3-4%.

Capital Strategy

Improve capital efficiency

For our business portfolio, thoroughly manage businesses by creating a medium-term policy.

Review investment securities that do not contribute to our business strategy or businesses.

Actively utilize leverage for investment in growth, while considering the balance between capital efficiency (utilization of loans) and resistance to drastic changes in the environment (equity capital).

Policy for returning profits to shareholders

Dividend policy

If ROE falls below 3%, the dividend payout ratio will be 100%.

If ROE is between 3% and 6%, the DOE will be 3%.

If ROE is above 6%, the dividend payout ratio will be 50%.

Share buybacks

Consider **flexible share buybacks with an upper limit of ¥0.5 to ¥2 billion** by FY2025.

06 **ESG** Supporting Sustainable Growth

R&D and manufacturing initiatives, with an awareness of reducing the environmental impact

from all construction work utilizing our construction equipment and other machinery

Response to Climate Change

Resource Utilization

Drastically reduce CO₂ emissions, by reducing energy consumption and converting to virtual factories for all construction work.

Equip worksites with autonomous vibratory rollers, to enable remote work using 5G and unmanned construction using AI.

Greatly reduce construction lead time through an ICT rolling compaction management system and real-time quality inspections.

Reduce the CO₂ emissions of our construction equipment.

Compliant with primary to quaternary regulations on diesel engine exhaust gas.

R&D on electric rollers is ongoing.

Recommend energy efficiency during construction via an ECO mode setting.

The CN team has begun activities to reduce CO₂ emissions from factories.

The products themselves have high circularity.
(Durability of 20-30 years; the steel structure is easy to repair)

Management policy of contributing to the social project of global land development through road construction

Worker Safety

Activities to Contribute to Society

Human Capital Development

Improve safety at construction worksites

Develop technologies that contribute to land development in terms of road construction
(each density increase of 1% prolongs road life by 10%)

Diversity

Prevent accidents involving death or injury at construction worksites through the adoption of “Guardman,” an automatic emergency brake system equipped roller.

Vertical vibratory roller for earthwork, rationalized through thicker compaction (from 30 cm to 60 cm); 4,000 vpm high-frequency vibrating roller which solves the difficulty of compacting the long-lifetime paving material, Superpave used in North America; vibrating tire roller that provides an enhanced ability to achieve compaction density under conditions where rolling is difficult.

Provides equipment and transfers construction technologies to emerging countries (Africa, Central America, and Asia) through ODA, enables rural road construction through the use of local materials, and transfers technology for stabilizer construction methods.

Due to the global expansion of our production sites, half of the Group’s personnel are foreign nationals. In addition, our Japanese sites also actively hire foreign nationals each year.

In addition to being a company with an Audit and Supervisory Committee
that realizes advanced governance, we carry out the following initiatives

Items Under Consideration

- Clarification of our basic standards and approach to performance-linked compensation
- Establishment of a compensation committee, comprising a majority of Outside Directors
- Methods for evaluating the effectiveness of the Board of Directors
- Establishing an Officer (Directors & Executive Officers) composition with an awareness of the skill matrix

Items Already Implemented

- Outside Directors comprise at least 1/3 of the Board of Directors.
- We have built a system that completely separates oversight from business execution, by establishing a Monitoring Board (comprising Directors only) dedicated to oversight, and a Management Board (Directors & Executive Officers) dedicated to business activities.

07 Policy for Dialogue with Capital Markets

We will carry out the following initiatives, aimed at maintaining our listing in the Prime Market.

01 Officer in Charge of IR/SR: Takao Yoshikawa, Executive Officer
(has been serving as the Officer in Charge of IR, to the present)

SAKAI HEAVY INDUSTRIES, LTD.

Head of IR Office: Takao Yoshikawa



sakai.ir@sakainet.co.jp



+81-3-3434-3401



+81-3-3436-6513

02 In addition to our Annual Reports, we will actively translate materials into English, including the notification of the convocation of the General Meeting of Shareholders (simplified version) as well as our financial statements (main portions).

SAKAI

MASTERS OF COMPACTION

Contact Us

SAKAI HEAVY INDUSTRIES, LTD.

IR Office: Takao Yoshikawa

Email: sakai.ir@sakainet.co.jp

Telephone: +81-3-3434-3401

Fax: +81-3-3436-6513

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.