

Consolidated Financial Results for the Fiscal Year Ended March 31, 2024

SAKAI HEAVY INDUSTRIES, LTD.

Stock code: 6358

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

May 14, 2024

Summary of Consolidated Financial Results

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the year ended March 31, 2024 (from April 1, 2023 to March 31, 2024)

(1) Consolidated operating results

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	%
Year ended March 31, 2024	33,020	5.0	3,318	32.4	3,324	42.8	2,440	44.0
Year ended March 31, 2023	31,459	18.3	2,506	81.2	2,327	65.4	1,694	18.7

	Earnings per share	Profit attributable to owners of parent/equity	Ordinary profit/total assets	Operating profit/net sales
	Yen	%	%	%
Year ended March 31, 2024	574.74	9.0	7.8	10.1
Year ended March 31, 2023	400.75	7.0	5.9	8.0

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of March 31, 2024	44,237	29,165	65.8	6,844.48
As of March 31, 2023	40,804	25,295	61.8	5,957.01

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Year ended March 31, 2024	2,482	(353)	(1,422)	8,244
Year ended March 31, 2023	1,893	(399)	(2,242)	7,416

2. Cash dividends

	Annual dividends per share					Total cash dividends (Total)	Dividend payout ratio (Consolidated)	Ratio of dividends to net assets (Consolidated)
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Year ended March 31, 2023	–	80.00	–	120.00	200.00	847	49.9	3.5
Year ended March 31, 2024	–	90.00	–	195.00	285.00	1,211	49.6	4.5
Year ending March 31, 2025 (Forecast)	–	85.00	–	130.00	215.00		49.9	

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
Six months ending September 30, 2024	15,500	(7.7)	1,050	(46.6)	1,050	(50.2)	700	(54.4)	164.85
Full year	33,000	(0.1)	2,730	(17.7)	2,700	(18.8)	1,830	(25.0)	430.96

Highlights of Consolidated Business Performance

1. Summary of Consolidated Business Performance for the Fiscal Year Ended March 31, 2024

- 1) Consolidated net sales: ¥33,020 million, up 5.0% YoY**
Although sales in Japan and Asia began to decline, the drop was offset by increased sales in North America.
- 2) Operating profit: ¥3,318 million, up 32.4% YoY**
Progress in profit structure reform and the upside effect of yen depreciation.
- 3) Domestic sales: ¥14,320 million, down 5.8% YoY**
Although construction investment remained strong against the backdrop of measures to accelerate national land resilience, repeated price revisions and the 2024 construction and logistics problems brought investment in construction machinery to a standstill.
- 4) Sales in North America: ¥9,700 million, up 25.1% YoY**
High level of construction investment continues against the backdrop of the Infrastructure Investment and Jobs Act.
- 5) Sales in Asia: ¥7,566 million, down 2.9% YoY**
Slowdowns in the Chinese and ASEAN markets, despite the strong Indonesian market.

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 current fiscal year (third year): Net sales of ¥33 billion, operating profit of ¥3.31 billion, ROE of 9.0%

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

At the end of March 2023: PBR 0.68 times (Share price ¥4,010)

At the end of March 2024: PBR 0.98 times (Share price ¥6,680)

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/20230425EnhancingProfitabilityofCapital.pdf>

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

Cost-of-sales ratio improvement: 71.6%, improvement of 2.4% YoY

Profit structure reform progressed with penetration of sales price revisions in Japan and overseas, and normalization of transportation costs.

3) Strengthening product supply capabilities

(1) Enhancement of supply chain (stabilization through review of suppliers and dual sourcing)

(2) Modification of global business activities (stabilization of business structure in Japan and overseas through expansion of production capacity at domestic plants and expansion of parts business at Chinese plants)

4) Dealing with volatile demand

Inventory turnover: 3.10 times, down 0.23 times/7% YoY

Increase in parts for increased production and safety stock. Currently adjusting to an optimized inventory level due to easing of supply constraints.

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 (net sales down 2.9% YoY)

2) Expand the scope of overseas business:

Develop the overseas market for road maintenance equipment (start the local production in Indonesia)

3) Pursue business opportunities in North America:

Increase our market share through niche marketing (net sales up 25.1% YoY)

4) Develop next-generation businesses:

Focus on market development for emergency brakes, compaction management systems, and Automatic Cutter Control System.

Research and development on autonomous rollers and EV rollers is underway.

4. Outlook for Business Environment

1) Global Construction Machinery Market

In the domestic market, construction investment continues to be firm due to the five-year acceleration measures for national land resilience, but structural adjustment of the entire supply chain is still ongoing due to a wide range of cost increases, such as construction machinery, and the 2024 problem in construction and logistics, but after a temporary standstill, the market is expected to return to a recovery trend. In the North American market, high levels of government construction investment based on the Infrastructure Investment and Jobs Act are continuing, and a solid market environment is expected.

In the Asian market, although the Chinese market continues to be sluggish, the ASEAN market is expected to bottom out due to strong domestic demand.

2) Risks and Countermeasures

Domestically, prices, wages, and interest rates are expected to rise to balance the gap with those overseas. Globally, supply chain risks and resource and logistics costs are expected to remain high due to the ongoing fragmentation of the global economy caused by tensions in Ukraine and the Middle East.

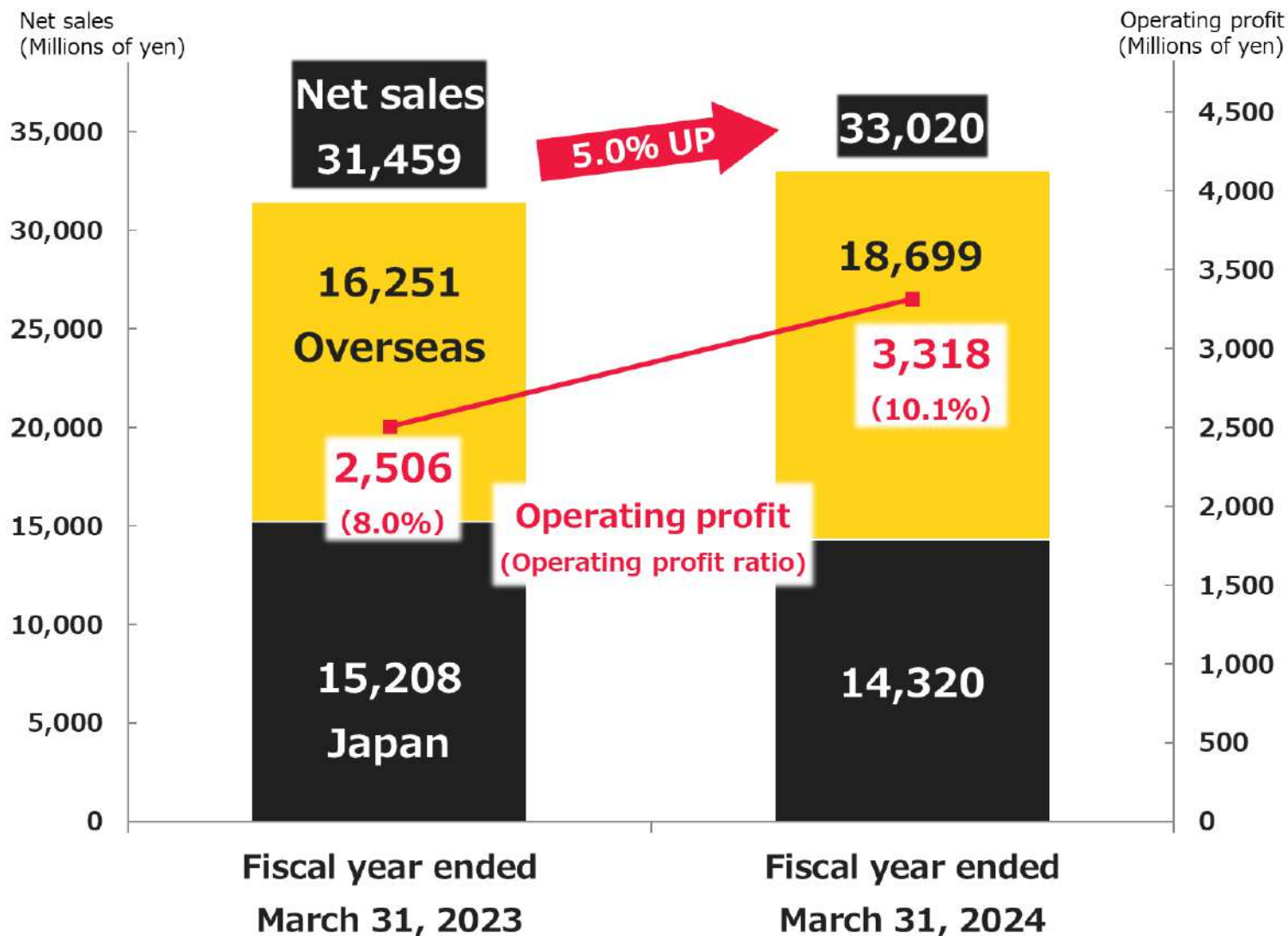
In order to transition to a management structure adapted to these changes in the times, we will move forward with the approach of adapting to a changing business environment.

Consolidated Business Performance

(Millions of yen)

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024	YoY change	
			Amount	%
Net sales	31,459	33,020	1,560	5.0%
Japan	15,208	14,320	▲ 888	▲ 5.8%
Overseas	16,251	18,699	2,448	15.1%
Operating profit	2,506	3,318	812	32.4%
<i>Operating profit ratio</i>	(8.0%)	(10.1%)		
Ordinary profit	2,327	3,324	996	42.8%
Profit attributable to owners of parent	1,694	2,440	746	44.0%
Cost-of-sales ratio	(74.0%)	(71.6%)		

Consolidated Business Performance (Graph)



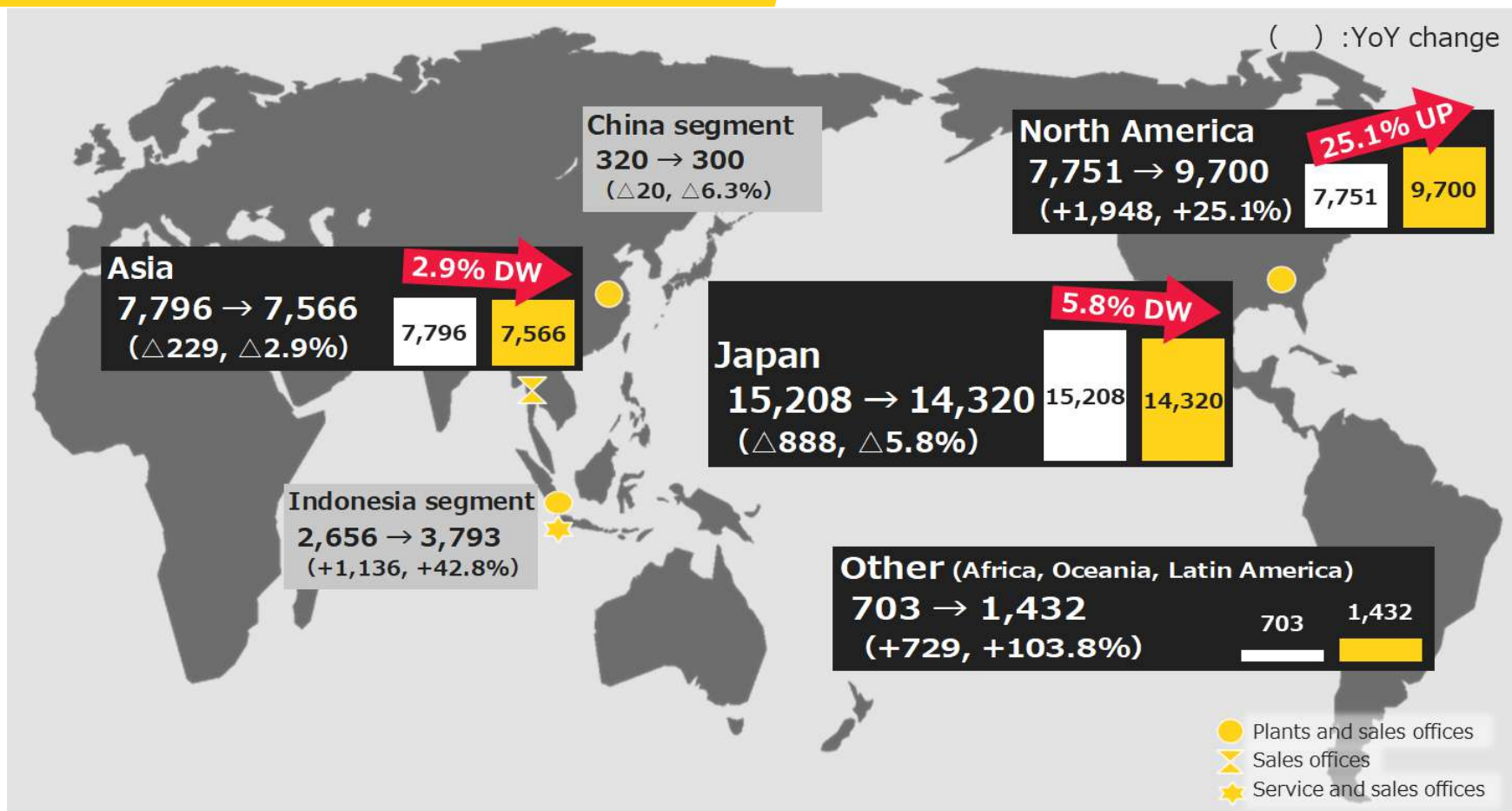
Sales by Region in Which Customers Are Located

(Millions of yen)

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024	YoY change	
			Amount	%
Japan	15,208	14,320	▲ 888	▲ 5.8%
Overseas	16,251	18,699	2,448	15.1%
North America	7,751	9,700	1,948	25.1%
Asia	7,796	7,566	▲ 229	▲ 2.9%
Other regions	703	1,432	729	103.8%
Total	31,459	33,020	1,560	5.0%

Sales by Region (Map)

(Millions of yen)	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024	YoY change
Japan	15,208	14,320	(▲888, ▲5.8%)
Overseas	16,251	18,699	(+2,448, +15.1%)
Total	31,459	33,020	(+1,560, +5.0%)



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

(Millions of yen)

Japan	Year ended March 31, 2023	Year ended March 31, 2024	YoY change	
			Amount	%
Sales to external customers	20,730	19,225	▲ 1,504	▲7.3%
Intercompany sales	3,826	4,185	359	9.4%
Total net sales	24,556	23,411	▲ 1,145	▲4.7%
Operating profit	836	983	146	17.5%

(Millions of yen)

North America	Year ended March 31, 2023	Year ended March 31, 2024	YoY change	
			Amount	%
Sales to external customers	7,751	9,700	1,948	25.1%
Intercompany sales	50	20	▲ 29	▲58.4%
Total net sales	7,802	9,721	1,919	24.6%
Operating profit	688	1,162	473	68.7%

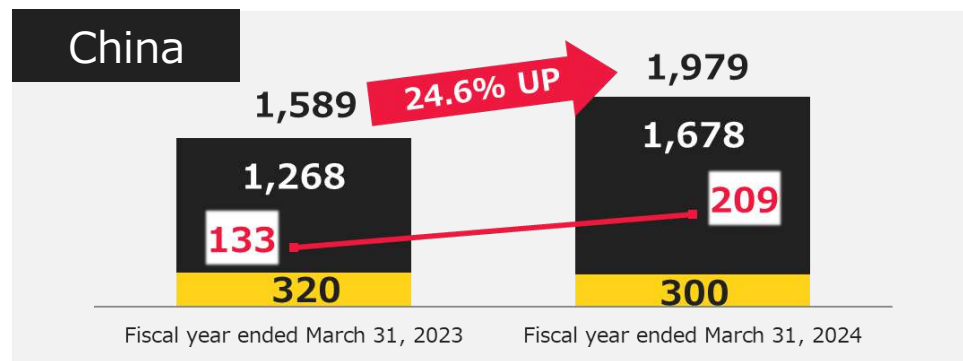
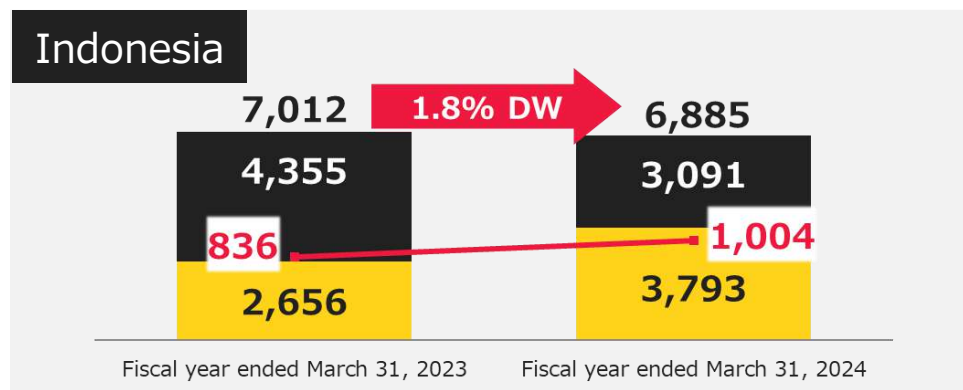
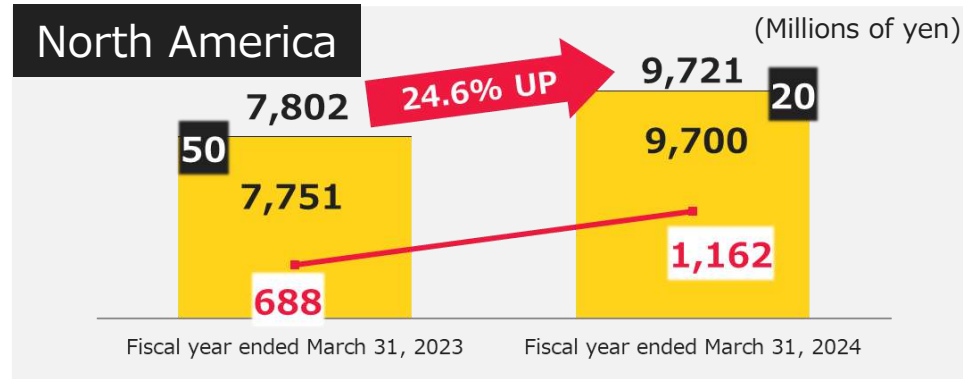
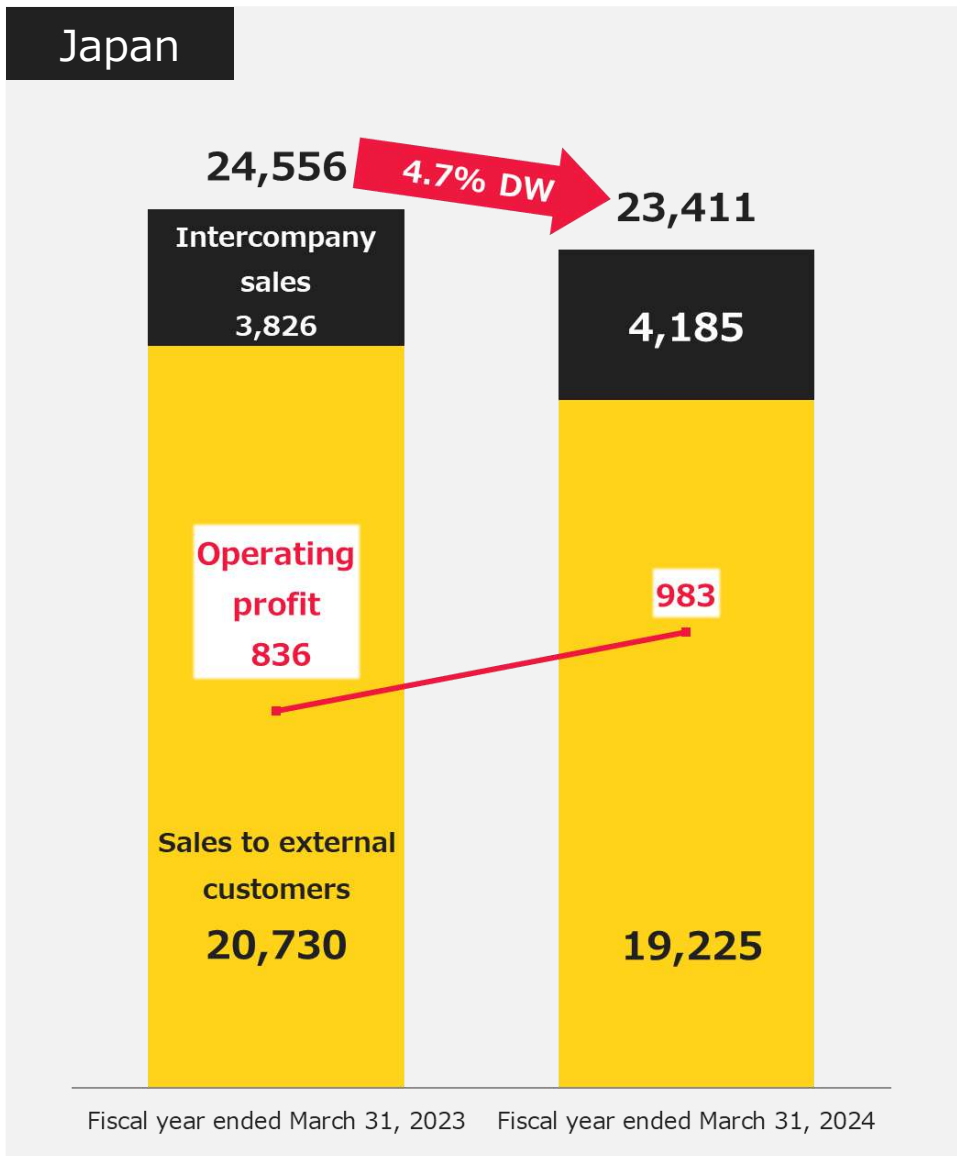
(Millions of yen)

Indonesia	Year ended March 31, 2023	Year ended March 31, 2024	YoY change	
			Amount	%
Sales to external customers	2,656	3,793	1,136	42.8%
Intercompany sales	4,355	3,091	▲ 1,263	▲29.0%
Total net sales	7,012	6,885	▲ 127	▲1.8%
Operating profit	836	1,004	168	20.1%

(Millions of yen)

China	Year ended March 31, 2023	Year ended March 31, 2024	YoY change	
			Amount	%
Sales to external customers	320	300	▲ 20	▲6.3%
Intercompany sales	1,268	1,678	410	32.4%
Total net sales	1,589	1,979	390	24.6%
Operating profit	133	209	75	56.2%

Segment Information by Region (Graph)



Breakdown of YoY Changes in Operating Profit

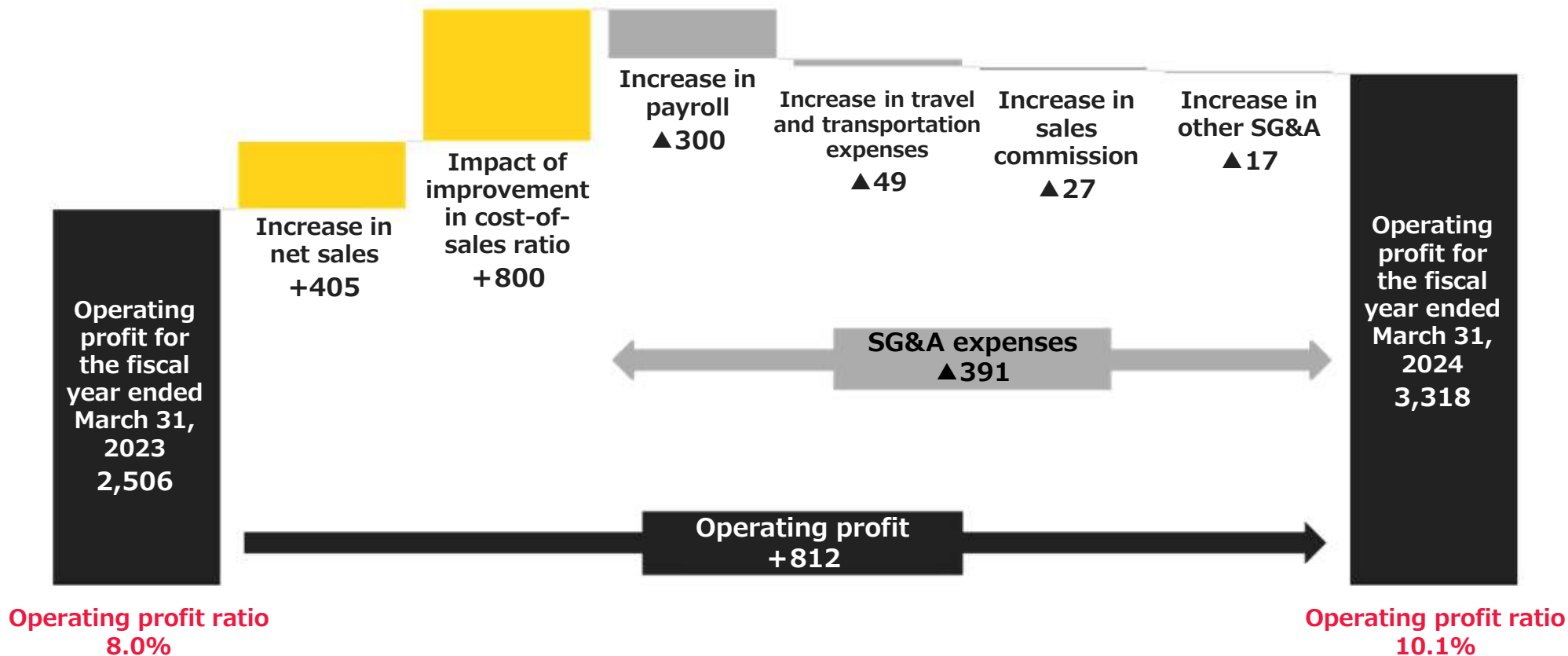
- Gross profit increased by ¥405 million, in line with a YoY increase in sales of ¥1,560 million.
- The cost-of-sales ratio improved by 2.4% and gross profit rose by ¥800 million, with upward factors such as the weak yen in addition to the penetration of sales price revisions and the normalization of transportation costs.
- SG&A expenses increased by ¥391 million following the increased investment in human capital (increased payroll) and increased business activities.
- As a result, operating profit rose by ¥812 million YoY to ¥3,318 million.

(Millions of yen)

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024	YoY change	Impact on operating profit	Note
Net sales	31,459	33,020	1,560	+405	1,560 x (1 - 74.0%)
Cost-of-sales ratio	74.0%	71.6%	▲2.4%	+800	33,020 x ▲2.4%
Gross profit	8,165	9,369	1,204		
SG&A expenses	5,659	6,050	391	▲ 391	Payroll: up 300; Travel and transportation expenses: up 49; Sales commission: up 27; Other SG&A: up 17
Operating profit	2,506	3,318		+812	

Breakdown of YoY Changes in Operating Profit (Graph)

(Millions of yen)

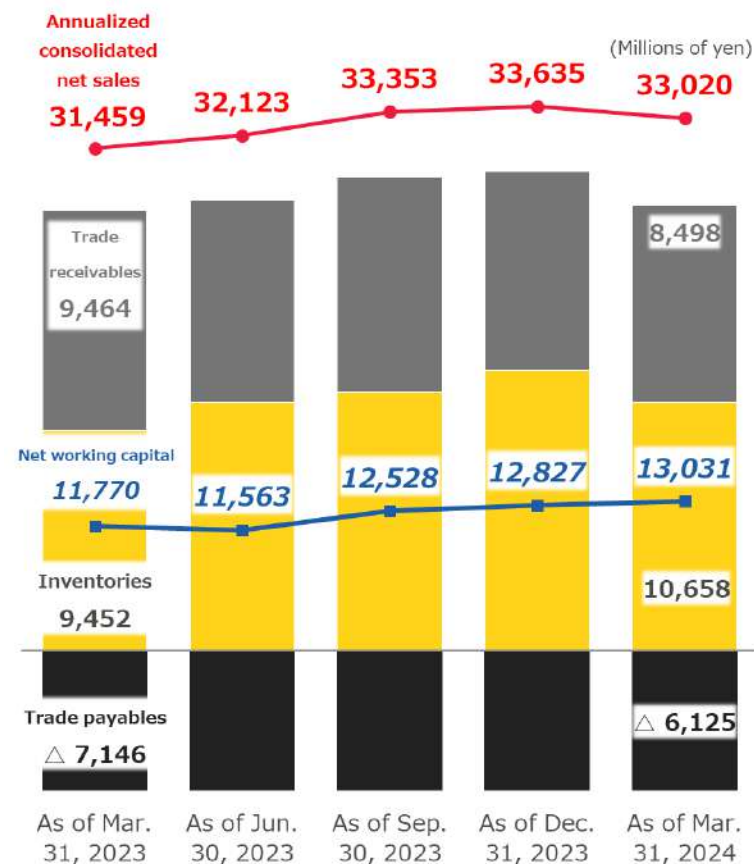


Net Working Capital (Trade Receivables + Inventories - Trade Payables)

- Net working capital invested in sales activities increased by ¥1,261 million YoY to ¥13,031 million. As a result, the net working capital/sales ratio increased by 2.1% to 39.5%.
- Inventories increased by ¥1,206 million YoY to ¥10,658 million through increase in parts for increased production and safety stock. As a result, net sales/inventory turnover decreased by 0.23 times (down 7%) to 3.10 times. Currently making adjustments to optimize inventory levels.

(Millions of yen)

	As of March 31, 2023	As of March 31, 2024	YoY change	
			Amount	%
Annualized consolidated net sales	31,459	33,020	1,560	5.0%
Trade receivables	9,464	8,498	▲966	▲10.2%
Inventories	9,452	10,658	1,206	12.8%
Trade payables	▲7,146	▲6,125	1,021	▲14.3%
Net working capital	11,770	13,031	1,261	10.7%
Inventory turnover	3.33 times	3.10 times	▲0.23 times	
Net working capital/Sales ratio	37.4%	39.5%	2.1%	



Consolidated Business Forecast

- Although the market environment in Japan, North America, and Asia is expected to hold firm, sales in Japan are expected to temporarily stall due to rising costs and structural adjustments in the entire supply chain caused by the 2024 construction and logistics issues and are therefore set at ¥33,000 million, the same level as the previous year.
- Domestically, prices, wages, and interest rates are expected to rise to balance the gap with those overseas. Globally, supply chain risks and resource and logistics costs are expected to remain high due to the ongoing fragmentation of the global economy caused by tensions in Ukraine and the Middle East, so operating income was set at ¥2,730 million, down 17.7% YoY.

(The assumed exchange rate used in the consolidated business forecast is ¥140 per US\$.)

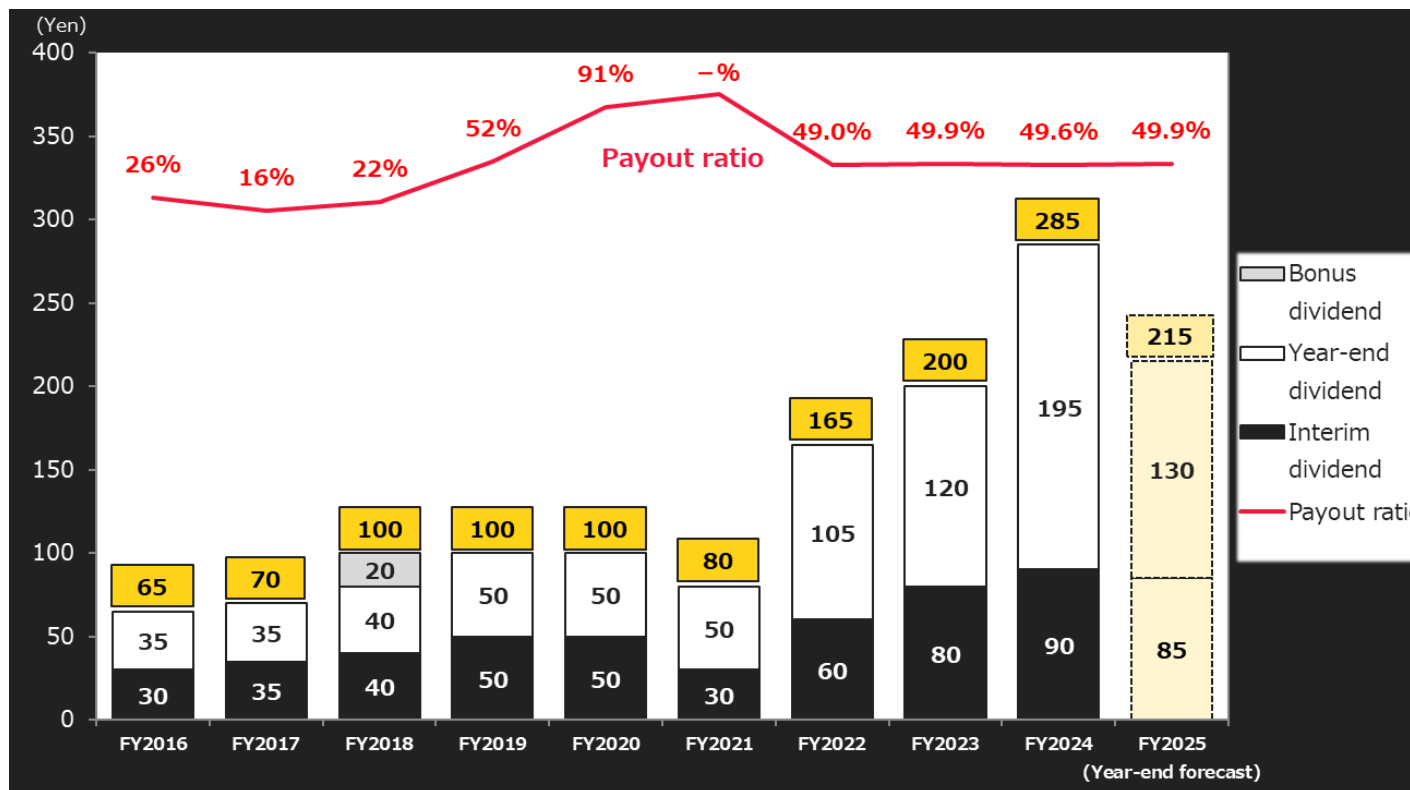
(Millions of yen)

	Fiscal year ended March 31, 2023 (Results)	Fiscal year ended March 31, 2024 (Results)	Fiscal year ending March 31, 2025 (Forecast)	YoY change	
				Amount	%
Net sales	31,459	33,020	33,000	▲ 20	▲0.1%
Operating profit	2,506	3,318	2,730	▲ 588	▲17.7%
Ordinary profit	2,327	3,324	2,700	▲ 624	▲18.8%
Profit attributable to owners of parent	1,694	2,440	1,830	▲ 610	▲25.0%
Earnings per share (Yen)	¥400.75	¥574.74	¥430.96	▲¥143.78	▲25.0%

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.
- Dividends for the current fiscal year were revised upward twice against the initial forecast of ¥215.

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.

KPIs Established in the Medium-Term Management Policy

- Net sales are on pace to exceed the medium-term management policy.
- Improvements to the profit structure in the current period include upside factors other than actual performance, such as the weak yen, in addition to penetration of sales price revisions and the normalization of transportation costs, and we will aim to solidify this profit structure and further improve business performance moving forward.

(Millions of yen)

	Fiscal year ended March 31, 2023 (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	31,459	33,020	33,000	30,000
Operating profit	2,506	3,318	2,730	3,100
Return on equity (ROE)	7.0%	9.0%	6.2%	8.0%
Share buybacks	—	—	Cumulative amount of share buybacks	
			340^{*1}	500 ~ 2,000^{*2}

*1 The amount represents the cumulative amount of share buybacks that had been executed as of May 14, 2024.

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

Sustainability Initiatives

Initiatives to become carbon neutral through the use of new technologies

Autonomous roller: Reduces CO₂ emissions at construction sites through efficient compaction



A short-term rental agreement was used for the first time at the construction site of the Shin-Maruyama Dam in Yaotsu-cho, Gifu Prefecture. With unmanned construction expected to expand in the future, the company is focusing on turning this into a business.

* Experimental data has shown that autonomous rollers can reduce labor by approximately 20% compared to manned work.

EV roller: Reduces CO₂ emissions from construction equipment



Demonstration tests of electric combined rollers and electric walk-behind rollers were conducted at actual construction sites. Electric walk-behind rollers are scheduled to go on sale this fiscal year. Aiming to obtain certification for "GX construction equipment" (eligible for Ministry of the Environment subsidies), which is recognized by the MLIT in the next fiscal year.

Respect for Human Rights

Established the Human Rights Policy in April 2024. Promoting business activities with respect for human rights. As the next step following the establishment of the Human Rights Policy, we intend to conduct a questionnaire survey of suppliers.

<p>Basic Approach</p>	<p>SAKAI HEAVY INDUSTRIES, LTD. and its affiliated companies (the "Group") contribute to the social business of global land development through the road construction equipment business as the basic management policy. Based on this basic policy, the Group will contribute to the realization of sustainable society through initiatives for the respect of human rights.</p>
<p>Human Rights to be Respected</p>	<p>The Group respects the "International Bill of Human Rights" and the "ILO Declaration on Fundamental Principles and Rights at Work" as the international standards of human rights.</p>
<p>Scope of Application</p>	<p>The Group applies this Human Rights Policy to all officers and employees of the Group. In addition, the Group requires its business partners in the supply chain to respect and not infringe upon human rights.</p>
<p>Initiatives for Respecting Human Rights</p>	<p>The Group respects human rights in all its business activities. Should it become evident that the Group has participated in an infringement of human rights, it will work swiftly to remedy the situation. Moreover, in the event where an infringement of human rights has clearly arisen at a business partner in the supply chain, the Group will engage in dialogue with those involved and take an appropriate response.</p>

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.