SAKAI HEAVY INDUSTRIES, LTD.

6358

Tokyo Stock Exchange Prime Market

26-Dec.-2022

FISCO Ltd. Analyst
Noboru Terashima

FISCO Ltd.
https://www.fisco.co.jp

Index

Summary

Results in FY3/23 1H surpassed initial forecasts, operating profit increasing 47.2% YoY with full swing demand recovery in both domestic and overseas markets

Sakai Heavy Industries, Ltd. <6358> (herein after also referred to as “the Company”) is a manufacturer specializing in road rollers for road paving and other road construction equipment. It has a long history in this field, and boasts the industry’s highest market share in Japan at over 70.0%. In recent years, the Company has been focusing on developing overseas markets, especially in North America and Southeast Asia.

1. Outline of results for FY3/23 1H

In the consolidated results for FY3/23 1H, net sales increased 14.7% year on year (YoY) to ¥14,891mn, operating profit increased 47.2% YoY to ¥1,067mn, ordinary profit rose 49.5% to ¥1,095mn, and profit attributable to owners of parent increased 60.8% to ¥818mn. In Japan, net sales were strong against a backdrop of measures to accelerate the national resilience plan, but operating profit decreased due to cost increases, including rising raw materials costs and soaring energy prices. Meanwhile, overseas, performance was strong in both the U.S. and Asia (particularly in Indonesia and Vietnam), and both net sales and profits increased. As a result, FY3/23 1H operating profit came in significantly over the initial forecast (¥650mn). Current orders are strong, and if there are no issues with the supply chain for materials and the like, net sales and profits can be expected to grow further.

2. Outlook for FY3/23

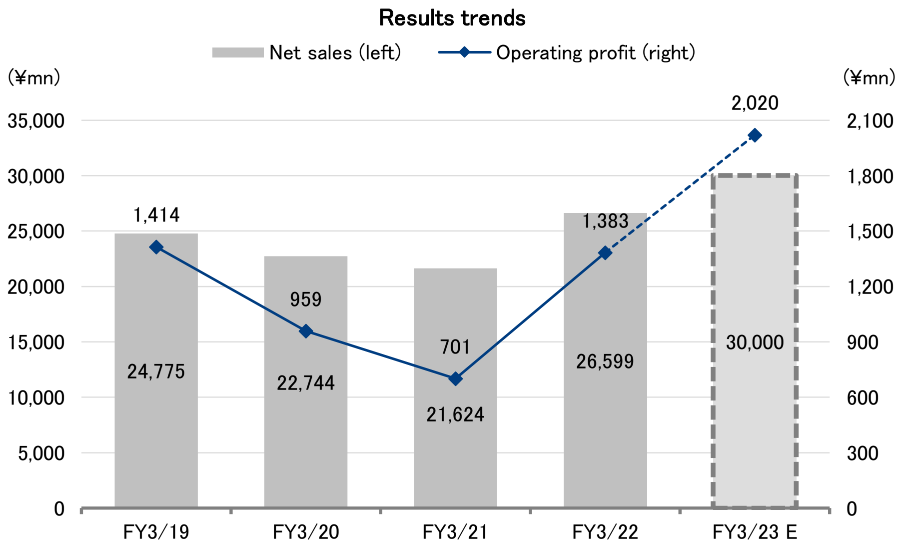
For FY3/23 consolidated results, the Company revised initial forecasts (net sales of ¥29,300mn and operating profit of ¥1,500mn) significantly upward for net sales of ¥30,000mn (up 12.8% YoY), operating profit of ¥2,020mn (up 46.0%) ordinary profit of ¥2,050mn (up 45.6%), and profit attributable to owners of parent of ¥1,520mn (up 6.5%). The slow growth rate of profit attributable to owners of parent is mainly due to the absence of temporary deferred tax assets recorded (¥381mn) that occurred in the previous fiscal year. The outlook for net sales and profit by region has not been disclosed, but the Company’s policy is to pursue sales increases in all regions. In spite of the fact that construction machinery is on track toward stable recovery as infrastructure investments increase globally, there are many uncertain factors including further increases in material prices and the heightening of pressure to reorganize supply chains, in addition to the impact of the situation in Russia and Ukraine. For those reasons, even though there has been an upward revision, the Company still has a cautious outlook for the full-year.

3. Medium- to long-term growth strategy

In June 2021, the Company released its "Medium-Term Management Policy" which runs through FY3/26. The ultimate goal is to increase corporate value and shareholder value, and in order to achieve this, the Company will promote a "business growth strategy" and an "efficient capital strategy." In terms of numerical targets, in FY3/26, the Company is aiming for net sales of ¥30.0bn, operating profit of ¥3.1bn, ROE (return on equity) of 8%, and will aim to maintain a stable dividend payout ratio of 50%. Net sales developed at a pace exceeding the plan in its first year of FY3/22, but the policy currently remains the same, and the Company has kept these numerical targets unchanged. For FY3/23, the Company was again planning to pay an annual dividend of ¥165.0 (dividend payout ratio 73.6%), but given the Company's strong current performance and ROE forecast to exceed 6.0% and the promised dividend payout ratio of 50%, it announced an increased annual dividend of ¥180.0 (interim dividend of ¥80.0 and fiscal year-end dividend of ¥100.0). The Company should be rated highly for announcing a clear capital policy to improve ROE and then implementing shareholder returns in accordance with that policy.

Key Points

- Japan's leading manufacturer of road rollers with a long history. Domestic market share is over 70%, and the Company aims to grow by expanding its overseas market share
- The Company's initial forecasts for FY3/23 were revised upward, and it is forecasting a 46.0% increase from the previous fiscal year in operating profit
- As medium-term numerical targets, the Company is aiming for net sales of ¥30.0bn, operating profit of ¥3.1bn, and ROE of 8% in FY3/26



Source: Prepared by FISCO from the Company's financial results

Company profile

The top manufacturer of road rollers with a long history

The Company develops as a specialized manufacturer of road rollers for paving roads and other road construction equipment, and currently, the Company is the top manufacturer in Japan, and boasts a market share of over 70%. In 1970, the Company established a joint venture in Indonesia, as part of the Company's effort to expand business overseas at an early stage. As of March 31, 2022, the Company has four domestic subsidiaries, and five overseas subsidiaries (U.S., China, three in Indonesia). The Company listed its shares on the Second Section of the Tokyo Stock Exchange in 1964, and its shares were reclassified to the First Section of the Tokyo Stock Exchange in 1981. In conjunction with the Tokyo Stock Exchange's market recategorization in April 2022, it moved to the Prime Market.

Business overview

The top manufacturer of road rollers with a domestic market share of over 70%. Will seek growth by offering high value-added and expanding overseas market share

1. Business description

The Company's main business is the manufacture and sale of road rollers used in road paving and other applications, and road roller-related net sales account for approximately 95% of all net sales. Also, the Company's corporate philosophy is to "Contribute to the social project of global land development through the road construction equipment business."

The term "road roller" actually covers quite a wide range of machines in terms of capabilities and size, among other features. The Company has roughly 20 platforms alone for road rollers, and when different variations are added the total number of products is in the 70-80 range. There is also a wide range in sizes, from 1 ton to 20 tons (for large civil engineering projects). The core price range is from ¥5mn (medium-size rollers) to ¥10mn (large rollers), but the Company also has road cutters and other machines that cost tens of millions in yen. Production is carried out on an expected production basis, and the Company does not manufacture machines based on individual orders. The useful lives of the Company's products are in the 20-30 years range, but very few customers use a machine until the end of its useful life. In most cases, they replace it after statutory depreciation (7-10 years) with a new one. Most of the depreciated equipment are resold as used machines to overseas customers (especially in developing countries).

In terms of net sales by region in FY3/22, net sales in Japan were ¥14,292mn (53.7% of total net sales), net sales in North America were ¥5,039mn (18.9%), net sales in Asia were ¥6,492mn (24.4%), and net sales to Other regions totaled ¥775mn (3.0%). Moreover, in terms of net sales by region in FY3/23 1H, net sales in Japan were ¥7,181mn (48.2%), net sales in North America were ¥3,307mn (22.2%), net sales in Asia were ¥4,119mn (27.7%), and net sales to Other regions totaled ¥282mn (1.9%).

2. Characteristics and strengths

As mentioned above, the Company is a specialized manufacturer of road rollers and other road construction equipment, and the Company has the following special characteristics and strengths.

(1) Long history as a specialized manufacturer

The Company's greatest strength is its long history as a specialized manufacturer of road rollers and other road construction equipment. In other words, by deploying a global niche strategy through selection and concentration, the Company has increased its level of expertise and accumulated its own unique technologies.

(2) Technological capabilities

When it comes to hardening and paving roads, the necessary pressure, torque, and other variables (compaction technology) differ depending on the specific land, land quality, soil, and other conditions. Therefore, roadwork companies often require different types of road rollers to match individual worksites (ground, etc.). Because the Company has been a specialized manufacturer of road rollers and other road construction equipment for many years, it boasts a high level of technological capabilities with respect to compaction technology, and it is not easy for its competitors to catch up to it.

(3) Credibility

Credibility backed by experience engineering and track record is also a strength of the Company. The technology to ensure underground compaction quality is a black box, and is not something that is easy for late-arriving manufacturers and non-specialized manufacturers to copy. For example, asphalt mixture brought in at high temperatures must be worked on within a limited time, and if the work is of poor quality, it must be redone which involves a large price. Also, work quality issues for roads and embankments are slow to emerge, and the compaction quality at the time that work is completed tends to be a black box. For this type of experience engineering, the Company's brand which customers have used for many years and the long-term insight due to variety of worksite experiences are strengths, and these are points that have earned the trust of many customers.

3. Market share and competitors

According to data from the Japan Construction Equipment Manufacturers Association, in FY2021 domestic construction equipment shipment value was ¥2.9tn, and road roller and other road construction equipment (the Company's main products) account for 2.6% of this amount. The Company has a share of over 70% in this road equipment market, making it the top manufacturer in Japan. Competitors include companies such as Hitachi Construction Machinery Co., Ltd. <6305>, but none of these companies are specialized manufacturers. Some overseas manufacturers have entered the market in Japan, but none have much of a presence. In Japan, the Company's earnings rise and fall along with the ups and downs of the market.

In the global market, although there are no accurate statistics, the Company's market share (on a units produced basis) is estimated to be in the 5-6% range. However, this is on a global basis, and if we limit the scope to the main markets that the Company operates in (Japan, ASEAN, North America), the Company's market share is around 20%. The Company's main competitors in the global market include Caterpillar <CAT>, FAYAT SAS, Deere & Company <DE>, and Volvo Personvagnar AB, but none of these companies are manufacturers that specialize in road rollers.

Results trend

Full swing demand recovery in both domestic and overseas markets, and operating profit increased by 47.2% YoY in FY3/23 1H. Especially, overseas businesses are performing strongly

1. Outline of results for FY3/23 1H

In the consolidated results for FY3/23 1H, net sales increased 14.7% YoY to ¥14,891mn, operating profit increased 47.2% to ¥1,067mn, ordinary profit increased 49.5% to ¥1,095mn, and profit attributable to owners of parent increased 60.8% to ¥818mn.

In Japan, net sales were strong against a backdrop of measures to accelerate the national resilience plan, but operating profit decreased due to cost increases, including rising raw materials costs and soaring energy prices, in addition to the delay in passing on costs compared to their increases, as well as through increasing pressure to restructure the supply chain. Meanwhile, overseas, performance was strong in both the U.S. and Asia (particularly in Indonesia and Vietnam), and both net sales and profits increased. As a result, FY3/23 1H operating profit came in significantly over the initial forecast (¥650mn). Current orders are strong, and if there are no issues with the supply chain for materials and the like, net sales and profits can be expected to grow further.

The gross margin improved to 25.7% (24.8% in the year-earlier period), mainly due to penetration of sales price revisions and the effects of a weaker yen. On top of this, there was the impact of higher sales, and gross profit increased 18.7% YoY to ¥3,821mn. On the other hand, however, SG&A expenses increased by 10.4% due to the increase in travel and transportation expenses accompanying the resumption of business activities following restrictions on movement, as well as higher personnel costs and other factors, but the SG&A expenses ratio declined from 19.2% in the year-earlier period to 18.5% due to the increase in sales. As a result, operating profit increased significantly.

Analyzing the change factors for operating profit, the increase in sales had a positive ¥471mn impact, the increase in the cost of goods sold ratio had an impact of plus ¥128mn, and the increase in SG&A expenses had an in impact of minus ¥258mn. (Breaking down the increase, personnel expenses had a positive ¥102mn impact, technology and research expenses had a positive ¥36mn impact, travel and transportation expenses had a ¥30mn impact, and other expenses had a positive ¥90mn impact).

Overview of FY3/23 1H consolidated results

(¥mn)

	FY3/22 1H		FY3/23 1H		Change	
	Results	% of net sales	Results	% of net sales	Amount	%
Net sales	12,987	100.0%	14,891	100.0%	1,903	14.7%
Gross profit	3,220	24.8%	3,821	25.7%	600	18.7%
SG&A expenses	2,495	19.2%	2,754	18.5%	258	10.4%
Operating profit	725	5.6%	1,067	7.2%	342	47.2%
Ordinary profit	732	5.6%	1,095	7.4%	362	49.5%
Profit attributable to owners of parent	509	3.9%	818	5.5%	309	60.8%

Source: Prepared by FISCO from the Company's financial results

2. Trends by region

With respect to FY3/23 1H net sales by region, the overall results were solid. In Japan, sales related to public investments such as road and civil engineering projects were strong against a backdrop of measures to accelerate the national resilience plan. Net sales were ¥7,181mn (up 3.1% YoY), but appear to have slightly undercut the Company's forecast. Demand itself was firm, but due to the stagnation in some production and shipments stemming from delays in procuring parts caused by global logistics turmoil and other factors. Looking at it differently, there is a strong possibility that net sales and profits would have increased further if the Company had been able to procure parts as planned.

Overseas, net sales increased significantly, amounting to ¥7,709mn (up 28.1% YoY) because of progress in the recovery of demand for construction machinery in the main markets. Of this amount, in North America net sales increased to ¥3,307mn (up 43.9%) as a result of the market expanding against the backdrop of robust investment in construction, as well as an increase in market share based on progress in cultivation of distributors. In Asia, net sales were ¥4,119mn (up 24.9%), due to recoveries in demand in Vietnam, which had been a strong market, in addition to Indonesia, which had been sluggish. In other regions (Africa, Oceania, central and South America, etc.), net sales totaled ¥282mn (down 33.2%), which had a minor impact on overall earnings.

Net sales by region

(¥mn)

	FY3/22 1H		FY3/23 1H		Change	
	Results	% of net sales	Results	% of net sales	Amount	%
Japan	6,968	53.7%	7,181	48.2%	213	3.1%
Overseas	6,019	46.3%	7,709	51.8%	1,690	28.1%
North America	2,297	17.7%	3,307	22.2%	1,009	43.9%
Asia	3,298	25.4%	4,119	27.7%	821	24.9%
Other regions	423	3.2%	282	1.9%	-140	-33.2%
Total	12,987	100.0%	14,891	100.0%	1,903	14.7%

Source: Prepared by FISCO from the Company's financial results

Stable financial condition, ample cash and deposits of ¥9,385mn

3. Financial condition

In terms of the Company's financial condition as of the end of FY3/23 1H, current assets were ¥28,098mn (up ¥3,022mn from the end of the previous fiscal year). The main factors included a ¥1,391mn increase in cash and deposits, an ¥835mn increase in notes and accounts receivable - trade (including electronically recorded monetary claims - operating), and an ¥853mn increase in inventories. Non-current assets were ¥13,114mn (up ¥331mn). The main factors include a ¥491mn increase in property, plant and equipment, a ¥90mn decrease in intangible assets, and a ¥70mn decrease in investments and other assets. As a result, total assets were ¥41,212mn (up ¥3,353mn). Furthermore, cash and deposits remained at a high level of ¥9,385mn as of the end of FY3/23 1H.

Meanwhile, total liabilities were ¥16,450mn (up ¥1,753mn from the end of the previous fiscal year). The main factors among current liabilities included a ¥1,083mn increase in payables (notes and accounts payable – trade and electronically recorded obligations – operating), a ¥370mn increase in short-term borrowings, and a ¥69mn decline in non-current liabilities. Total net assets stood at ¥24,762mn (up ¥1,600mn), with the main factors including a ¥387mn increase in retained earnings due mainly to booking profit attributable to owners of parent, a ¥1,217mn increase in foreign currency translation adjustment and an ¥89mn decrease in valuation difference on available-for-sale securities. As a result, the equity ratio as of the end of FY3/23 1H was 59.9% (61.1% at the end of the previous fiscal year).

The Company is focusing on slimming down its balance sheet, and as a result of this effort, net working capital (trade receivables + inventories – trade payables) at the end of FY3/23 1H increased 21.1% (up ¥1,808mn) YoY to ¥10,384mn. This was mainly due to increases in trade receivables (up ¥1,667mn), inventories (up ¥1,329mn) and a decrease in trade payable (down ¥1,188mn), but steady sales (net sales) resulted in the inventory turnover ratio decreasing 0.10 times YoY to 3.54 times per year.

Net working capital

(¥mn)

	FY3/22 1H Results	FY3/23 1H Results	Change	
			Amount	%
Consolidated net sales (annualized consolidated net sales)	24,448	28,503	4,055	16.6%
Trade receivables	7,706	9,373	1,667	21.6%
Inventories	6,732	8,061	1,329	19.7%
Trade payables	-5,862	-7,050	-1,188	20.3%
Trade payables	8,576	10,384	1,808	21.1%
Inventory turnover ratio (times)	3.63	3.54	-0.10	

Note: Consolidated net sales (annualized) = Net sales in 1H of the fiscal year under review + cumulative net sales in 2H of previous fiscal year
Source: Prepared by FISCO from the Company's results briefing materials

Outlook

Initial FY3/23 forecast upwardly revised, forecasts a 46.0% increase in operating profit

● Outlook for FY3/23

For FY3/23 consolidated results, the Company is forecasting net sales of ¥30,000mn (up 12.8% YoY), operating profit of ¥2,020mn (up 46.0%) ordinary profit of ¥2,050mn (up 45.6%), and profit attributable to owners of parent of ¥1,520mn (up 6.5%). Based on the strong 1H results, the Company has upwardly revised its initial forecasts (net sales of ¥29,300mn, operating profit ¥1,500mn). The slow growth rate of profit attributable to owners of parent is mainly due to the absence of temporary deferred tax assets recorded (¥381mn) that occurred in the previous fiscal year. The exchange rate assumption is US$1=¥135.

As discussed above, the Company's results in 1H exceeded its forecasts overall due to strong performance in overseas markets, despite the delays in parts procurement and in passing on higher costs to sales prices in Japan. There is a strong possibility that results would have been even higher if there had not been delays in procuring parts and in passing on higher costs to sales prices. As a result, at FISCO we think there is a likelihood that the Company will again upwardly revise its full fiscal year forecasts, so attention must be given to future developments.

Consolidated outlook for FY3/23

(¥mn)

	FY3/22		FY3/23		Change	
	Results	% of net sales	Revised forecast	% of net sales	Amount	%
Net sales	26,599	100.0%	30,000	100.0%	3,400	12.8%
Operating profit	1,383	5.2%	2,020	6.7%	636	46.0%
Ordinary profit	1,407	5.3%	2,050	6.8%	642	45.6%
Profit attributable to owners of parent	1,427	5.4%	1,520	5.1%	92	6.5%

Note: The revised forecasts for FY3/23 are the values announced on November 11, 2022
Source: Prepared by FISCO from the Company's financial results

Medium- to long-term growth strategy

As its medium-term growth strategy, the Company will seek to grow its overseas market share, expand overseas business domains, and create added value by developing next-generation businesses. FY3/26 targets include net sales of ¥30.0bn and operating profit of ¥3.1bn

In June 2021, the Company released its "Medium-Term Management Policy" which runs through FY3/26. The ultimate goal is to increase corporate value and shareholder value, and in order to achieve this the Company will promote a "business growth strategy" and an "efficient capital strategy." In terms of numerical targets, the Company is aiming for net sales of ¥30.0bn, operating profit of ¥3.1bn, ROE of 8% in FY3/26, and will aim to maintain a stable dividend payout ratio of 50%. Net sales developed at a pace exceeding the plan in its first year of FY3/22, but the policy currently remains the same, and the Company had kept these numerical targets unchanged.

1. Business strategy

(1) Domestic market: Create added value through stabilization and developing next-generation businesses

The domestic market for road rollers is already in its mature phase and the Company's market share is large. Therefore, the Company will aim to grow by adding new value to existing products (high-performance, etc.), in other words, by developing next-generation businesses.

(2) Overseas markets: Increase market share and expand business domains

In overseas markets, there are many regions (countries) where demand is increasing, and there is significant room for growth given the Company's low market shares. Therefore, the Company will seek growth through the two strategies of more fully cultivating existing markets and expanding its business domains.

(3) Numerical targets

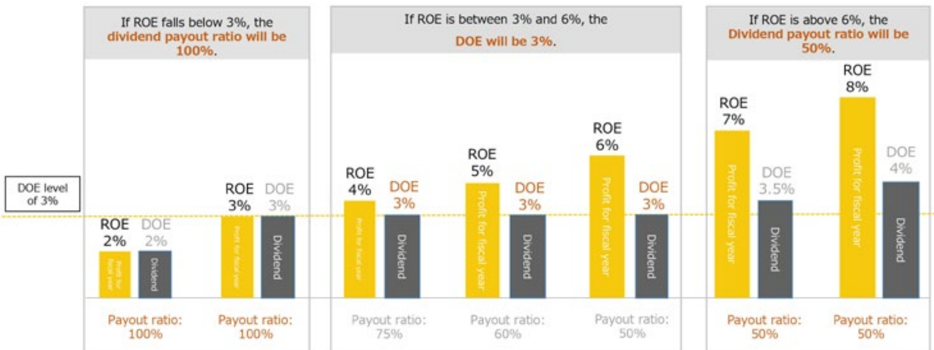
As medium- to long-term numerical targets, the Company aims for net sales of ¥26.5bn, operating profit of ¥2.0bn, and ROE of 5.5% in FY3/24, and net sales of ¥30.0bn, operating profit of ¥3.1bn, and ROE of 8% in FY3/26. As mentioned above, the Company has upwardly revised its FY3/23 forecast and now expects operating profit of ¥2,020mn, but as of this point in time has left the numerical target unchanged for FY3/24 and FY3/26.

2. Capital Strategy

As its basic policy for capital strategy, the Company will return profits to shareholders at a level that supports the Company's objective of ROE of 8%, and will increase shareholder value (improve capital efficiency). As a final target for FY3/26, the Company will strive to achieve ROE of 8% and a 50% dividend payout ratio.

Generally, two things need to be improved in order to increase ROE. One is of course increasing profit attributable to owners of parent, while the other is suppressing shareholders' equity (not increasing shareholders' equity more than necessary, or decreasing it). In order to increase operating profit, the Company plans to promote the business strategies discussed above, but at the same time, in order to keep from increasing shareholders' equity more than needed, the Company plans to execute a dividend policy in which, if ROE falls below 3%, the dividend payout ratio will be 100%, if ROE is between 3% and 6%, the DOE will be 3%, and if ROE is above 6%, the dividend payout ratio will be 50%.

Basic capital policy approach



Source: Medium-Term Management Policy

In terms of share buybacks, through FY3/26 the Company will consider flexible share buybacks with an upper limit of ¥0.5bn to ¥2.0bn. With respect to investment securities, the Company will review investment securities from the perspective of business strategy. Also, concerning growth investment, the Company will consider utilizing leverage with an emphasis on return on capital (ROIC).

3. ESG initiatives

Through its core business, the Company is working proactively on social issues such as SDGs, ESG, and decarbonization. The main initiatives related to ESG are as follows.

(1) Responding to climate change and providing added value

a) Disclosing information based on the TCFD recommendations

As an initiative for carbon neutrality, in June 2022, the Company disclosed its response to Recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), which comprises climate change-related information in line with the recommendations of TCFD. For FY2019, the Company's Scope 1 and Scope 2 CO_2 emissions in Japan totaled 3,300 tons. In its disclosure, the Company established a target of achieving a 50% reduction in emissions by FY2030 and achieving carbon neutrality by FY2050. In terms of response, in Japan about 1,000 tons of the 2,000 tons of CO_2 emissions at factory has been reduced by switching to renewable energy as an emission reduction measure. For the remaining CO_2 emissions in Japan, plans include expanding the applicability of renewable energy, electrification of vehicles and measures for energy-saving in facilities.

b) Providing added value by contributing to CO_2 reduction at construction sites

The Company provides added value by contributing to CO_2 reduction at construction sites. To give an example, the Company plans to complete a demonstration electric roller to contribute to reduced CO_2 emissions from construction machinery, and shift from the R&D phase to practical testing at paving sites. In addition, with the participation of several major general contractors, the Company is continuing demonstration tests of autonomous rollers at construction sites to develop industry-standard equipment that will contribute to overcoming labor shortages and improving efficiency in construction work.

(2) Strengthening corporate governance

a) Establishing a sustainability basic policy

The Company established a sustainability basic policy in October 2022. As a corporate group, the Company aims to contribute to a sustainable society through the practice of ESG management and aims for the Group's sustainable growth and improvement of medium- to long-term corporate value under the management basic policy to contribute to the social project of global land development through the road construction equipment business.

Sustainability basic policy

Environment	Reduce the Company's own CO_2 emissions and contribute to a decarbonized society by creating added value through the development of new technologies.
Society	Solve social issues through the road construction equipment business and strive to create social value.
Human rights	Respect the human rights of all stakeholders involved in business activities and do not discriminate based on gender, nationality, age or other personal attributes.
Human resources	Human resources are the driving force of corporate development, and the Company will create environments to work safely and securely, recognize diversity and strive to secure and train human resources.
Corporate governance	Advance creation of a management structure based on Corporate Governance Code and strive to build relationships of trust with all stakeholders.

Source: Prepared by FISCO from the Company's results briefing materials

b) Diversification of the Board of Directors

Based on the revisions to the Corporate Governance Code, the Company determined that the skills that the Board of Directors (comprising Directors and Executive Officers) should possess are the seven items of: Management; Road Equipment, Global, Capital Markets, Administration, Manufacturing and Marketing, and publicly disclosed this from FY3/23 as the skill matrix for our Board of Directors. At the General Meeting of Shareholders held in June 2022, the Company appointed its first-ever woman outside director as part of its effort to ensure diversity in the Board of Directors and strengthen its functions.

Shareholder return policy

Plans to pay an annual dividend of ¥180.0 in FY3/23, an upward revision from the fiscal year-end dividend forecast. To FY3/26 aims to conduct share buybacks with an upper limit of ¥0.5-2.0bn up

The Company works to secure a stable management base over the long term, and also places importance on the continuation of stable dividends, and makes it a basic policy to distribute results that are supported by business performance and a sound financial structure. Based on this basic policy, the Company decides dividends and conducts share buybacks. As discussed above, the Company's medium-term shareholder return policy is as follows. If ROE falls below 3%, the dividend payout ratio will be 100%, if ROE is between 3% and 6%, the DOE will be 3%, and if ROE is above 6%, the dividend payout ratio will be 50%. With respect to share buybacks, the Company is considering flexible share buybacks with an upper limit of ¥0.5bn to ¥2.0bn by FY3/26.

Based on the above dividend policy, although the Company announced a dividend payout ratio of 100% (annual dividend of ¥120.0) at the beginning of FY3/22, due to the strong operating results, exceeding an ROE of 6% and a dividend payout ratio of 50% to thereby upwardly revising to pay an annual dividend of ¥165.0 (interim dividend of ¥60.0 and fiscal year-end dividend of ¥105.0). For FY3/23, the Company was again planning to pay an annual dividend of ¥165.0 (interim dividend of ¥80.0 and fiscal year-end dividend of ¥85.0), but given the Company's strong current performance and ROE forecast to exceed 6.0% and the promised dividend payout ratio of 50%, it announced an increased annual dividend of ¥180.0 (interim dividend of ¥80.0 and fiscal year-end dividend of ¥100.0). With respect to share buybacks, based on its medium-term management plan, the Company acquired 130,000 shares (¥340mn) during FY3/22.

The Company's stance of announcing a clear policy to improve ROE and carrying out shareholder return policy in line with that is commendable.

Disclaimer

FISCO Ltd. ("FISCO") offer stock price and index information for use under the approval of the Tokyo Stock Exchange, the Osaka Stock Exchange and Nikkei Inc.

This report is provided solely for the purpose of offering information, and is not a solicitation of investment nor any other act or action.

FISCO prepared and published this report based on information which it considered reliable; however, FISCO does not warrant the accuracy, completeness, fitness nor reliability of the contents of this report or the said information.

The issuers' securities, currencies, commodities, securities and other financial instruments mentioned in this report may increase or decrease in value or lose their value due to influence from corporate activities, economic policies, world affairs and other factors. This report does not make any promises regarding any future outcomes. If you use this report or any information mentioned herein, regardless of the purpose therefor, such use shall be made based on your judgment and responsibility, and FISCO shall not be liable for any damage incurred by you as a result of such use, irrespective of the reason.

This report has been prepared at the request of the company subject hereto based on the provision of information by such company through telephone interviews and the like. However, the hypotheses, conclusions and all other contents contained herein are based on analysis by FISCO. The contents of this report are as of the time of the preparation hereof, and are subject to change without notice. FISCO is not obligated to update this report.

FISCO and its affiliated companies, as well as the directors, officers and employees thereof, may currently or in the future trade or hold the financial instruments or the securities of issuers that are mentioned in this report.

Please use the information in this report upon accepting the above points.

■ For inquiry, please contact: ■
FISCO Ltd.
5-13-3 Minami Aoyama, Minato-ku, Tokyo, Japan 107-0062
Phone: 03-5774-2443 (IR Consulting Business Division)
Email: support@fisco.co.jp