COMPANY RESEARCH AND ANALYSIS REPORT

SAKAI HEAVY INDUSTRIES, LTD.

6358

Tokyo Stock Exchange Prime Market

31-Mar.-2023

FISCO Ltd. Analyst
Noboru Terashima

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

Index

Summary

For FY3/23 3Q operating profit increased by 36.0% YoY. Performance is in line with the Company's plan, and particularly strong overseas

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 3Q

In the consolidated results for FY3/23 3Q, net sales increased 11.8% year on year (YoY) to ¥22,125mn, operating profit increased 36.0% YoY to ¥1,585mn, ordinary profit rose 31.5% to ¥1,586mn, and profit attributable to owners of parent increased 40.2% to ¥1,172mn. In Japan, sales were strong against a backdrop of measures to accelerate the national resilience plan, but net sales and operating profit decreased due to a shortage of production materials. 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 3Q operating profit increased 36.0% YoY, largely in line with the Company's plan. Sales in Japan decreased, but 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 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%). Forecasts have remained unchanged from their upward revision of November 11, 2022. 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, the Company still has a cautious outlook for the full-year.

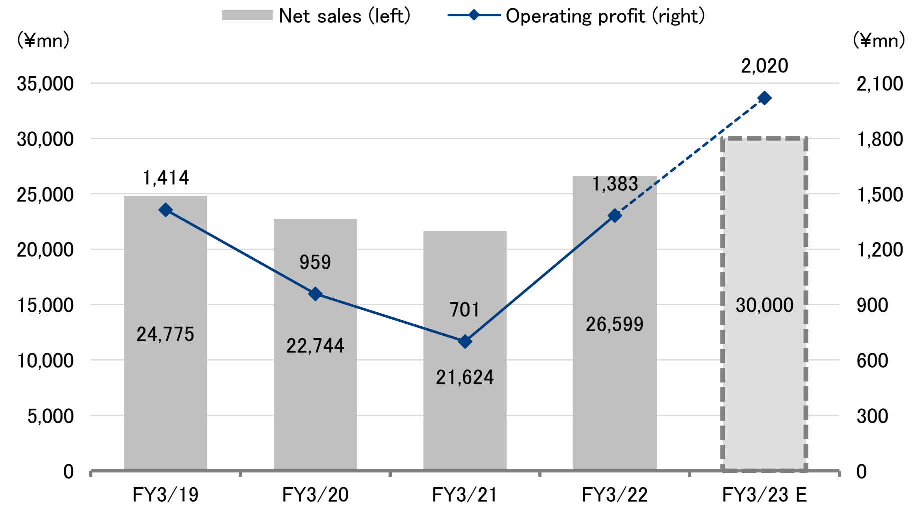
3. Medium- to long-term growth strategy

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 and are trending steadily in FY3/23, 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) on November 11, 2022. 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
- FY3/23 3Q operating profit was up 36.0% YoY, with full-year operating profit projected to be up 46.0%
- 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

Results trends



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 3Q, net sales in Japan were ¥10,864mn (49.1%), net sales in North America were ¥5,028mn (22.7%), net sales in Asia were ¥5,703mn (25.8%), and net sales to Other regions totaled ¥528mn (2.4%).

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

Operating profit increased by 36.0% YoY in FY3/23 3Q. Overseas businesses are performing strongly despite a decrease in profits in Japan due to a shortage of production materials

1. Outline of results for FY3/23 3Q

In the consolidated results for FY3/23 3Q, net sales increased 11.8% YoY to ¥22,125mn, operating profit increased 36.0% to ¥1,585mn, ordinary profit increased 31.5% to ¥1,586mn, and profit attributable to owners of parent increased 40.2% to ¥1,172mn, largely in line with the Company's plan.

In Japan, sales and profits decreased due to a shortage of production materials, although sales were brisk against a backdrop of measures to accelerate the national resilience plan. Overseas, North America recorded higher sales and profits as demand continued to recover on the back of brisk construction investment. Asia recoded higher sales and profits as favorable activity in Indonesia, Malaysia, Vietnam, and others offset lackluster activity in South Korea and China. Although sales decreased in Japan, recent orders have been strong and it is likely that sales and profits would have grown further if it were not for supply chain issues affecting materials and so forth.

The gross margin improved to 25.6% (24.9% in the year-earlier period), mainly due to penetration of sales price revisions in the United States and more efficient logistics. On top of this, there was the impact of higher sales, and gross profit increased 15.0% YoY to ¥5,654mn. On the other hand, however, SG&A expenses increased by 8.4% 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 19.0% in the year-earlier period to 18.4% 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 ¥579mn impact, the increase in the cost of goods sold ratio had an impact of plus ¥156mn, and the increase in SG&A expenses had an in impact of minus ¥316mn. (Breaking down the increase, personnel expenses had a positive ¥161mn impact, technology and research expenses had a positive ¥81mn impact, travel and transportation expenses had a ¥45mn impact, and other expenses had a positive ¥29mn impact).

Overview of FY3/23 3Q consolidated results

(¥mn)

	FY3/22 3Q		FY3/23 3Q		Change	
	Results	% of net sales	Results	% of net sales	Amount	%
Net sales	19,793	100.0%	22,125	100.0%	2,332	11.8%
Gross profit	4,918	24.9%	5,654	25.6%	735	15.0%
SG&A expenses	3,753	19.0%	4,069	18.4%	316	8.4%
Operating profit	1,165	5.9%	1,585	7.2%	419	36.0%
Ordinary profit	1,206	6.1%	1,586	7.2%	379	31.5%
Profit attributable to owners of parent	836	4.2%	1,172	5.3%	336	40.2%

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

2. Trends by region

With respect to FY3/23 3Q net sales by region, the overall results can be said to have been solid. In Japan, sales centered mainly on orders for public investments such as road and civil engineering projects were strong against a backdrop of measures to accelerate the national resilience plan. However, production was somewhat lackluster due to insufficient supplies of certain production materials (particularly engine-related). As a result, net sales were subdued at ¥10,864mn (down 2.0% YoY). Nevertheless, demand itself is solid, and orders have accumulated steadily. 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 materials as planned.

Overseas, net sales increased significantly, amounting to ¥11,261mn (up 29.3% YoY) because of progress in the recovery of demand for construction machinery in the main markets in addition to the effects of the weaker yen. Of this amount, in North America net sales increased to ¥5,028mn (up 56.2%) as a result of the market expanding against the backdrop of robust investment in construction, as well as the effects of cultivating distributors and penetration of pricing revisions. In Asia, net sales were ¥5,703mn (up 17.1%), due to recoveries in demand in Vietnam, which had been a strong market, in addition to Indonesia, although South Korea and China were sluggish. In other regions (Africa, Oceania, central and South America, etc.), net sales totaled ¥528mn (down14.4%), which had a minor impact on overall earnings as the amount involved was negligible.

Net sales by region

(¥mn)

	FY3/22 3Q		FY3/23 3Q		Change	
	Results	% of net sales	Results	% of net sales	Amount	%
Japan	11,083	56.0%	10,864	49.1%	-219	-2.0%
Overseas	8,709	44.0%	11,261	50.9%	2,551	29.3%
North America	3,220	16.3%	5,028	22.7%	1,808	56.2%
Asia	4,871	24.6%	5,703	25.8%	832	17.1%
Other regions	617	3.1%	528	2.4%	-88	-14.4%
Total	19,793	100.0%	22,125	100.0%	2,332	11.8%

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

Stable financial condition, ample cash and deposits of ¥6,835mn

3. Financial condition

In terms of the Company's financial condition as of the end of FY3/23 3Q, current assets were ¥27,942mn (up ¥2,866mn from the end of the previous fiscal year). The main factors included a ¥1,157mn decrease in cash and deposits, an ¥1,227mn increase in notes and accounts receivable - trade (including electronically recorded monetary claims - operating), and an ¥2,593mn increase in inventories. Non-current assets were ¥13,400mn (up ¥617mn). The main factors include a ¥562mn increase in property, plant and equipment, a ¥130mn decrease in intangible assets, and a ¥185mn increase in investments and other assets. As a result, total assets were ¥41,342mn (up ¥3,483mn). Furthermore, cash and deposits remained at a high level of ¥6,835mn as of the end of FY3/23 3Q.

Meanwhile, total liabilities were ¥16,127mn (up ¥1,430mn from the end of the previous fiscal year). The main factors among current liabilities included a ¥1,953mn increase in payables (notes and accounts payable – trade and electronically recorded obligations – operating), a ¥735mn decrease in short-term borrowings, and a ¥57mn decline in non-current liabilities. Total net assets stood at ¥25,214mn (up ¥2,053mn), with the main factors including a ¥402mn increase in retained earnings due mainly to booking profit attributable to owners of parent, an ¥127mn increase in valuation difference on available- for-sale securities, and a ¥1,432mn increase in foreign currency translation adjustment. As a result, the equity ratio as of the end of FY3/23 3Q was 60.8% (61.1% at the end of the previous fiscal year).

The Company's net working capital (trade receivables + inventories – trade payables) at the end of FY3/23 3Q increased 31.3% (up ¥2,777mn) YoY to ¥11,645mn. This was mainly due to increases in trade receivables (up ¥1,089mn), inventories (up ¥2,474mn) and a decrease in trade payable (down ¥786mn). The inventory turnover ratio decreased 0.60 times YoY to 2.95 times per year, mainly reflecting an increase in inventory levels due to increased production and to reduce risk of part shortages, despite steady sales (net sales).

Net working capital

(¥mn)

	FY3/22 3Q Results	FY3/23 3Q Results	Change	
			Amount	%
Consolidated net sales (annualized consolidated net sales)	26,044	28,931	2,887	11.1%
Trade receivables	8,676	9,765	1,089	12.6%
Inventories	7,326	9,800	2,474	33.8%
Trade payables	-7,134	-7,920	-786	11.0%
Net working capital	8,868	11,645	2,777	31.3%
Inventory turnover ratio (times)	3.56	2.95	-0.60	

Note: Consolidated net sales (annualized) = Net sales in 3Q of the fiscal year under review + net sales in 4Q of previous fiscal year
Source: Prepared by FISCO from the Company's results briefing materials

Outlook

FY3/23 forecast is for a 46.0% YoY increase in operating profit

● Outlook for FY3/23

For FY3/23 consolidated results, the Company has left the forecasts unchanged from their upward revision on November 11, 2022, 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%). 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 3Q were in line with plans overall due to strong performance in overseas markets, despite the delays in production materials 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.

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%	3,401	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%	643	45.6%
Profit attributable to owners of parent	1,427	5.4%	1,520	5.1%	93	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%. Based on results in the first year of the plan in FY3/22 and the forecast for FY3/23 results, net sales is developing at a pace exceeding the plan, 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

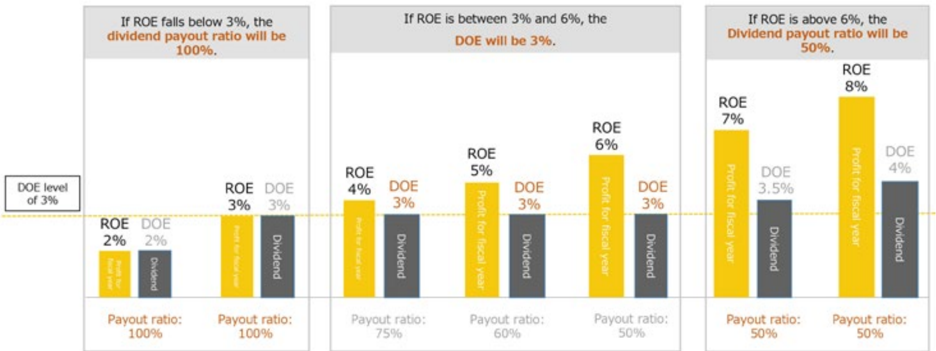
As medium- to long-term numerical targets, the Company aims for net sales of ¥26.5bn, operating profit of ¥2.0bn, and ROE of 5.5% in FY3/24, and net sales of ¥30.0bn, operating profit of ¥3.1bn, and ROE of 8% in FY3/26. As mentioned above, the Company has upwardly revised its FY3/23 forecast and now 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	Strive to solve social issues and to create social value through the road construction equipment business.
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. 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) on November 11, 2022. 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

■ 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