

**For the Fiscal Year Ended March 31, 2017**

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**Annual Select<sup>®</sup> 2017**

**SAKAI HEAVY INDUSTRIES, LTD.**

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**Hamamatsu-cho Seiwa Bldg., 1-4-8 Shibadaimon,  
Minato-ku, Tokyo 105-0012  
(Securities Code: 6358)  
+81-3-3434-3401**

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### **Corporate Profile**

Japan has a network of roads which exceeds 1.2 million kilometers (750,000 miles), and it is SAKAI's technology which has supported this construction. Having introduced the very first road roller ever built in Japan some 90-odd years ago, we at SAKAI HEAVY INDUSTRIES, LTD. were the original pioneers in road construction equipment. Maintaining this pioneering spirit until today, we have continued our unflagging effort to conduct technological research and develop innovative products to meet the ever increasing sophistication of highway construction, maintenance and repair.

Our goal as a company is to provide dependable products and services to our customers and the many end-users. As one of the foremost specialists in road construction equipment, we constantly strive to further enhance our technology and create valuable innovation for the advancement of the road construction business. We also believe it is our duty and role to promote our specialist technology developed for road construction equipment and help it find useful applications in peripheral businesses.

Today, the field of road construction requires more refinement and diversification and a greater consideration of the environment. We at SAKAI HEAVY INDUSTRIES, LTD. work to meet this challenge. By addressing the needs of our era and making every effort to contribute to the building of the nations of the entire world through our know-how, which has been acquired through years of experience, and our untiring exploration of innovative technology.



**Ichiro Sakai**  
President and Representing Director

## I. Summary of Selected Financial Data (Consolidated)

	65 <sup>th</sup> term Fiscal year ended March 31, 2013	66 <sup>th</sup> term Fiscal year ended March 31, 2014	67 <sup>th</sup> term Fiscal year ended March 31, 2015	68 <sup>th</sup> term Fiscal year ended March 31, 2016	69 <sup>th</sup> term Fiscal year ended March 31, 2017
Net sales (Thousands of yen)	19,910,824	24,701,145	25,949,597	25,751,064	23,699,366
Ordinary profit (loss) (Thousands of yen)	792,085	2,186,555	1,934,068	1,677,050	1,549,884
Profit (loss) attributable to owners of parent (Thousands of yen)	736,745	1,730,848	1,263,651	1,070,894	1,816,015
Comprehensive income (Thousands of yen)	1,275,219	2,509,821	2,059,833	645,376	2,236,001
Net assets (Thousands of yen)	14,274,895	16,566,125	18,303,326	18,668,924	20,605,337
Total assets (Thousands of yen)	28,700,769	31,885,736	35,991,518	33,254,015	35,819,124
Net assets per share (Yen)	336.18	390.16	431.08	439.76	485.47
Basic earnings (loss) per share (Yen)	17.37	40.81	29.80	25.26	42.84
Diluted earnings per share (Yen)	—	—	—	—	—
Equity ratio (%)	49.7	51.9	50.8	56.1	57.4
Return on equity (ROE) (%)	5.4	11.2	7.3	5.8	9.3
Price earnings ratio (PER) (Times)	16.47	8.72	9.13	7.24	7.96
Net cash provided by (used in) operating activities (Thousands of yen)	1,345,270	2,170,274	(369,055)	2,472,156	3,751,795
Net cash provided by (used in) investing activities (Thousands of yen)	(69,225)	(538,442)	(519,642)	(422,209)	(421,539)
Net cash provided by (used in) financing activities (Thousands of yen)	997,730	(843,092)	(554,571)	(664,007)	(705,877)
Cash and cash equivalents at end of period (Thousands of yen)	4,888,834	5,659,627	4,266,025	5,675,849	8,340,226
Number of employees (Persons)	503	527	548	573	601

- Notes: 1. Net sales do not include consumption taxes.  
2. Diluted earnings per share is not provided because there were no potential shares.

## II. Overview of Operations

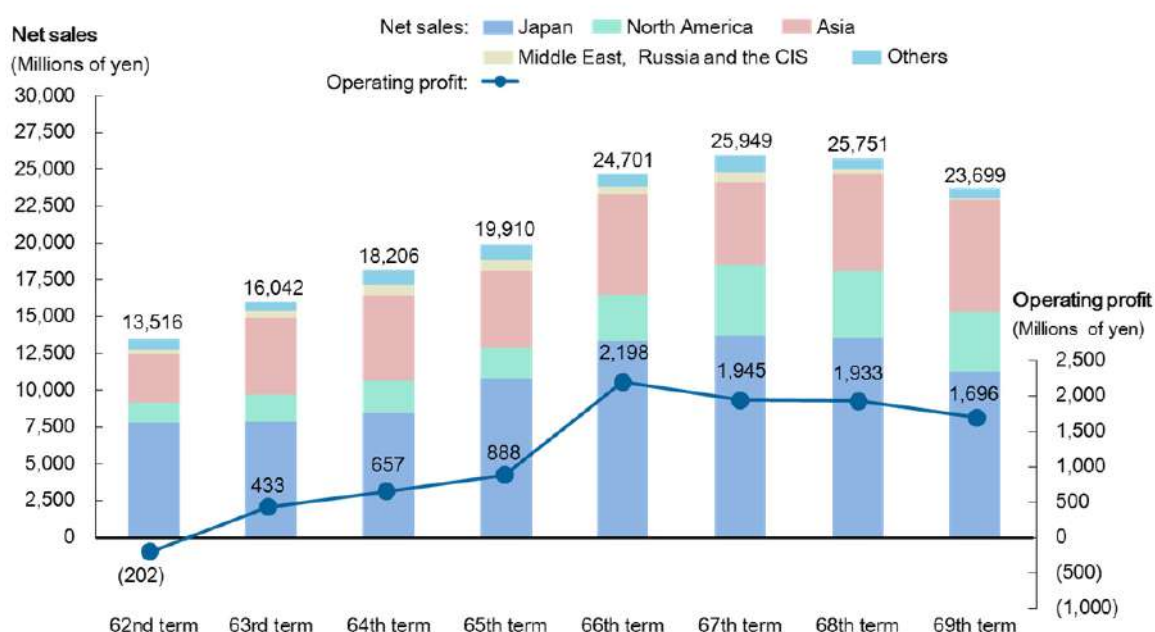
In the business environment affecting SAKAI HEAVY INDUSTRIES, LTD. and its subsidiaries (the “Group”) during the fiscal year ended March 31, 2017 (April 1, 2016 to March 31, 2017), the first half of the year welcomed a leveling-off of the recovery in advanced countries including Japan and the United States and a maintained track of deceleration in emerging nations centered on resource-producing nations. However, from the start of the second half of the year, the bottoming-out in the Chinese economy, the recovery in resource prices, more active global public spending, and higher expectations for growth in the North American economy led the global economy to return from a period of stagnation to a track of gradual recovery.

Under such a drastically changing business environment, the Group pursued initiatives to improve its revenue and financing structure, proactively developed businesses in Japan and overseas, and advanced policies to enhance the foundation of its corporate structure, which forms the platform for future growth.

As a result, while we expanded sales in Southeast Asia, due to the large reactionary drop in special demand from domestic exhaust gas regulations and the stagnation in emerging markets, net sales for the fiscal year under review were ¥23,699 million, a decrease of ¥2,051 million or 8.0% year on year.

In terms of profit, as a result of improvements to the revenue structure, operating profit was ¥1,696 million, a decrease of ¥237 million or 12.3% year on year, and ordinary profit was ¥1,549 million, a decrease of ¥127 million or 7.6% year on year. Profit attributable to owners of parent was ¥1,816 million, an increase of ¥745 million or 69.6% year on year, as a result of the new recording of ¥690 million in deferred tax assets for losses carried forward at U.S. subsidiaries.

### Trend of operating results



The following presents net sales on a consolidated basis by geographical segment.

Net sales in Japan were ¥11,259 million, a decrease of ¥2,283 million or 16.9% year on year, due to the absence of special demand for medium-size rollers due to the exhaust gas regulations.

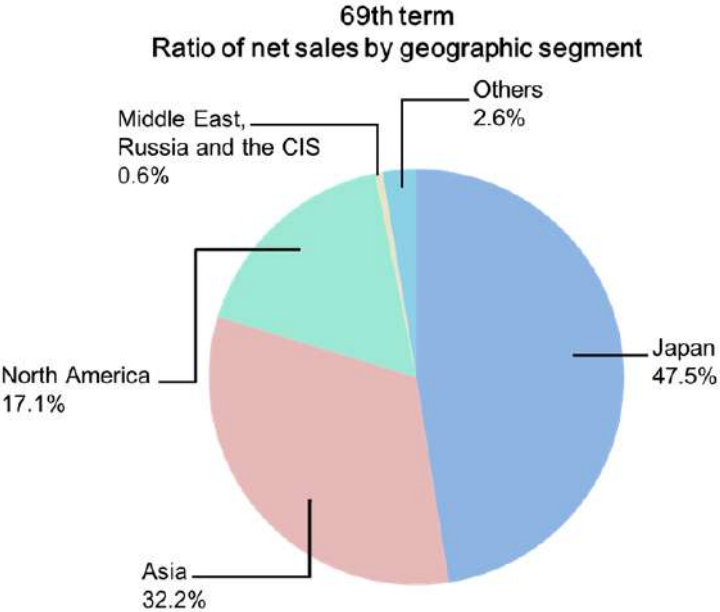
Net sales to overseas markets totaled ¥12,440 million, an increase of ¥231 million or 1.9% year on year, due to expanded sales in the Asian market, amid stagnation in emerging markets and the leveling-off in the North American market.

In North America, net sales on a local currency basis were mostly flat year on year at \$39 million, but on an accounting basis, yen-converted net sales were ¥4,050 million, a decrease of ¥480 million or 10.6% year on year.

Net sales to Asia reached ¥7,630 million, an increase of ¥970 million or 14.6% year on year, due to expanded sales in Indonesia, in which infrastructure investment is progressing, and in the Mekong economic zone.

Net sales to the Middle East, Russia, and the CIS were ¥150 million, a decrease of ¥116 million or 43.5% year on year as a result of the continued effects of slumping oil prices.

Net sales to other markets were ¥608 million, a decrease of ¥142 million or 18.9% year on year, as sales to Central and South America and Africa fell by half due to faltering resource prices while sales to Oceania shifted to a track of recovery.



Operating results by segment are as follows:

**Japan**

Due to the absence of special demand from exhaust gas regulations, total net sales in Japan were ¥19,634 million, a decrease of ¥1,912 million or 8.9% year on year, leading operating profit to fall to ¥777 million, a decrease of ¥580 million or 42.7% year on year.

**Overseas**

In the United States, operating profit was ¥207 million, an increase of ¥102 million or 97.6% year on year, as a result of improvements in the revenue structure, with net sales on a local currency basis remaining mostly unchanged.

In Indonesia, total net sales were ¥5,245 million, an increase of ¥293 million or 5.9% year on year, and operating profit was ¥534 million, an increase of ¥152 million or 39.7%, as a result of maintained strong Indonesian domestic sales.

In China, total net sales were ¥1,683 million, a decrease of ¥633 million or 27.3% year on year, and operating profit was ¥107 million, a decrease of ¥23 million or 18.0% year on year, as a bottoming-out in Chinese domestic sales was offset by a decline in in-Group sales.

### III. Consolidated Financial Statements

#### (1) Consolidated Balance Sheets

(Thousands of yen)

	As of March 31, 2016	As of March 31, 2017
<b>Assets</b>		
Current assets		
Cash and deposits	5,742,375	8,406,728
Notes and accounts receivable - trade	9,477,908	8,766,778
Merchandise and finished goods	3,727,474	3,478,768
Work in process	1,690,730	1,295,980
Raw materials and supplies	2,806,485	2,553,727
Deferred tax assets	262,721	256,886
Other	467,621	504,011
Allowance for doubtful accounts	(21,566)	(9,727)
Total current assets	24,153,750	25,253,153
Non-current assets		
Property, plant and equipment		
Buildings and structures	6,270,147	6,422,965
Accumulated depreciation	(4,327,982)	(4,463,471)
Buildings and structures, net	1,942,165	1,959,493
Machinery, equipment and vehicles	3,550,560	3,612,892
Accumulated depreciation	(3,078,401)	(3,092,969)
Machinery, equipment and vehicles, net	472,158	519,923
Land	1,793,110	1,792,334
Leased assets	545,936	425,933
Accumulated depreciation	(302,628)	(189,478)
Leased assets, net	243,308	236,454
Other	1,518,809	1,513,949
Accumulated depreciation	(1,314,904)	(1,348,741)
Other, net	203,905	165,208
Total property, plant and equipment	4,654,648	4,673,414
Intangible assets	282,010	366,200
Investments and other assets		
Investment securities	2,830,359	3,452,240
Deferred tax assets	30,298	756,645
Long-term time deposits	100,000	112,000
Other	1,202,948	1,205,470
Total investments and other assets	4,163,605	5,526,356
Total non-current assets	9,100,264	10,565,971
Total assets	33,254,015	35,819,124

(Thousands of yen)

	As of March 31, 2016	As of March 31, 2017
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	4,745,760	5,585,000
Short-term loans payable	4,555,233	4,340,679
Income taxes payable	253,630	179,549
Deferred tax liabilities	14,300	20,000
Provision for product warranties	186,453	166,314
Other	1,349,681	1,429,769
Total current liabilities	11,105,058	11,721,313
Non-current liabilities		
Bonds payable	700,000	700,000
Long-term loans payable	1,957,435	1,737,701
Lease obligations	112,431	129,642
Deferred tax liabilities	408,276	614,514
Net defined benefit liability	87,914	105,935
Other	213,973	204,679
Total non-current liabilities	3,480,031	3,492,473
Total liabilities	14,585,090	15,213,787
<b>Net assets</b>		
Shareholders' equity		
Capital stock	3,115,199	3,115,199
Capital surplus	6,361,142	6,361,142
Retained earnings	7,637,998	9,157,295
Treasury shares	(54,601)	(56,169)
Total shareholders' equity	17,059,737	18,577,467
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,087,367	1,604,131
Foreign currency translation adjustment	496,531	399,963
Remeasurements of defined benefit plans	(2,375)	(5,702)
Total accumulated other comprehensive income	1,581,523	1,998,392
Non-controlling interests	27,663	29,477
Total net assets	18,668,924	20,605,337
<b>Total liabilities and net assets</b>	<b>33,254,015</b>	<b>35,819,124</b>

**(2) Consolidated Statements of Income and  
Consolidated Statements of Comprehensive Income**

**(Consolidated Statements of Income)**

(Thousands of yen)

	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
Net sales	25,751,064	23,699,366
Cost of sales	18,769,605	17,120,317
Gross profit	6,981,459	6,579,048
Selling, general and administrative expenses		
Haulage expenses	419,918	373,979
Salaries and bonuses	1,959,923	1,941,997
Technical research expenses	871,818	944,821
Other	1,795,954	1,621,432
Total selling, general and administrative expenses	5,047,615	4,882,230
Operating profit	1,933,843	1,696,818
Non-operating income		
Interest income	3,638	3,676
Dividend income	72,349	77,217
Other	14,188	15,919
Total non-operating income	90,175	96,813
Non-operating expenses		
Interest expenses	136,500	141,884
Bank charge	101,595	82,539
Foreign exchange losses	67,780	16,211
Other	41,092	3,112
Total non-operating expenses	346,968	243,747
Ordinary profit	1,677,050	1,549,884
Extraordinary income		
Gain on sales of non-current assets	2,657	38,235
Gain on sales of investment securities	4,350	953
Other	-	147
Total extraordinary income	7,007	39,336
Extraordinary losses		
Loss on disposal of non-current assets	2,222	1,012
Total extraordinary losses	2,222	1,012
Profit before income taxes	1,681,836	1,588,208
Income taxes - current	608,718	457,519
Income taxes - deferred	(1,053)	(689,247)
Total income taxes	607,664	(231,728)
Profit	1,074,172	1,819,936
Profit attributable to non-controlling interests	3,278	3,921
Profit attributable to owners of parent	1,070,894	1,816,015

**(Consolidated Statements of Comprehensive Income)**

(Thousands of yen)

	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
Profit	1,074,172	1,819,936
Other comprehensive income		
Valuation difference on available-for-sale securities	(395,933)	516,763
Foreign currency translation adjustment	(35,528)	(97,371)
Remeasurements of defined benefit plans, net of tax	2,666	(3,326)
Total other comprehensive income	(428,796)	416,065
Comprehensive income	645,376	2,236,001
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	642,026	2,232,883
Comprehensive income attributable to non-controlling interests	3,349	3,118



### (3) Consolidated Statements of Changes in Equity

Fiscal year ended March 31, 2016

(Thousands of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	3,115,199	6,361,142	6,842,676	(52,840)	16,266,177
Changes of items during period					
Dividends of surplus			(275,572)		(275,572)
Profit attributable to owners of parent			1,070,894		1,070,894
Purchase of treasury shares				(1,761)	(1,761)
Net changes of items other than shareholders' equity					
Total changes of items during period	-	-	795,321	(1,761)	793,560
Balance at end of current period	3,115,199	6,361,142	7,637,998	(54,601)	17,059,737

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	1,483,301	532,132	(5,041)	2,010,391	26,757	18,303,326
Changes of items during period						
Dividends of surplus						(275,572)
Profit attributable to owners of parent						1,070,894
Purchase of treasury shares						(1,761)
Net changes of items other than shareholders' equity	(395,933)	(35,600)	2,666	(428,867)	906	(427,961)
Total changes of items during period	(395,933)	(35,600)	2,666	(428,867)	906	365,598
Balance at end of current period	1,087,367	496,531	(2,375)	1,581,523	27,663	18,668,924

Fiscal year ended March 31, 2017

(Thousands of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	3,115,199	6,361,142	7,637,998	(54,601)	17,059,737
Changes of items during period					
Dividends of surplus			(296,717)		(296,717)
Profit attributable to owners of parent			1,816,015		1,816,015
Purchase of treasury shares				(1,568)	(1,568)
Net changes of items other than shareholders' equity					
Total changes of items during period	-	-	1,519,297	(1,568)	1,517,729
Balance at end of current period	3,115,199	6,361,142	9,157,295	(56,169)	18,577,467

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	1,087,367	496,531	(2,375)	1,581,523	27,663	18,668,924
Changes of items during period						
Dividends of surplus						(296,717)
Profit attributable to owners of parent						1,816,015
Purchase of treasury shares						(1,568)
Net changes of items other than shareholders' equity	516,763	(96,568)	(3,326)	416,868	1,814	418,683
Total changes of items during period	516,763	(96,568)	(3,326)	416,868	1,814	1,936,412
Balance at end of current period	1,604,131	399,963	(5,702)	1,998,392	29,477	20,605,337

#### (4) Consolidated Statements of Cash Flows

(Thousands of yen)

	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
<b>Cash flows from operating activities</b>		
Profit before income taxes	1,681,836	1,588,208
Depreciation	540,774	496,426
Increase (decrease) in allowance for doubtful accounts	21,490	(9,930)
Increase (decrease) in provision for product warranties	99,770	(20,138)
Increase (decrease) in net defined benefit liability	6,018	14,569
Interest and dividend income	(75,987)	(80,894)
Interest expenses	136,500	141,884
Loss (gain) on sales of non-current assets	(2,657)	(38,235)
Loss (gain) on disposal of non-current assets	2,222	1,012
Loss (gain) on sales of investment securities	(4,350)	(953)
Decrease (increase) in notes and accounts receivable - trade	1,667,569	670,740
Decrease (increase) in inventories	1,277,573	702,977
Increase (decrease) in notes and accounts payable - trade	(1,968,618)	835,644
Increase (decrease) in accrued expenses	3,232	91,352
Other, net	86,930	(11,252)
<b>Subtotal</b>	<b>3,472,305</b>	<b>4,381,410</b>
Interest and dividend income received	74,767	80,421
Interest expenses paid	(119,878)	(135,542)
Income taxes paid	(955,037)	(574,494)
<b>Net cash provided by (used in) operating activities</b>	<b>2,472,156</b>	<b>3,751,795</b>
<b>Cash flows from investing activities</b>		
Payments into time deposits	(12,003)	(12,004)
Proceeds from withdrawal of time deposits	5,442	-
Purchase of property, plant and equipment	(354,493)	(351,398)
Proceeds from sales of property, plant and equipment	2,715	43,099
Purchase of intangible assets	(61,936)	(202,709)
Purchase of investment securities	(6,391)	-
Proceeds from sales of investment securities	4,650	102,144
Payments of loans receivable	(800)	(1,500)
Collection of loans receivable	606	829
<b>Net cash provided by (used in) investing activities</b>	<b>(422,209)</b>	<b>(421,539)</b>
<b>Cash flows from financing activities</b>		
Net increase (decrease) in short-term loans payable	897,190	(750,361)
Proceeds from long-term loans payable	1,433,660	609,190
Repayments of long-term loans payable	(3,189,020)	(160,498)
Proceeds from issuance of bonds	680,288	-
Purchase of treasury shares	(1,761)	(1,568)
Cash dividends paid	(275,572)	(296,717)
Dividends paid to non-controlling interests	(2,443)	(1,303)
Other, net	(206,348)	(104,619)
<b>Net cash provided by (used in) financing activities</b>	<b>(664,007)</b>	<b>(705,877)</b>
Effect of exchange rate change on cash and cash equivalents	23,882	39,999
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>1,409,823</b>	<b>2,664,377</b>
Cash and cash equivalents at beginning of period	4,266,025	5,675,849
Cash and cash equivalents at end of period	5,675,849	8,340,226

## IV. Products



VIBRATORY PNEUMATIC TIRED ROLLER  
**GW750** 9,240Kg (20,370Lb)

### Contact us

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URL: [http://www.sakainet.co.jp/english/inquiry/e\\_inquiry.html](http://www.sakainet.co.jp/english/inquiry/e_inquiry.html)



VIBRATORY SINGLE DRUM ROLLER  
**SV900DV** 19,950Kg (43,980Lb)



VIBRATORY SINGLE DRUM ROLLER  
**SV520D** 10,100Kg (22,265Lb)



VIBRATORY DOUBLE DRUM ROLLER  
**SW652/SW654** 7,100Kg (15,650Lb)



VIBRATORY DOUBLE DRUM ROLLER  
**TW504** 3,620Kg (7,980Lb)



ROAD RECLAIMER  
**PM550** 22,500Kg (49,600Lb)



ROAD PLANER  
**ER552F** 28,090Kg (61,930Lb)

## V. Corporate Data

### Basic Information (as of March 31, 2017)

Trade name:	SAKAI HEAVY INDUSTRIES, LTD.
Established:	May 7, 1949
Listed market:	The first Section of Tokyo Stock Exchange (Securities Code: 6358)
Listed:	September 1964
Business year:	From April 1 to March 31 of the following year
Capital stock:	3,115 million yen
Number of employees:	601 persons (Consolidated)
Head office:	Hamamatsu-cho Seiwa Bldg., 1-4-8 Shibadaimon, Minato-ku, Tokyo 105-0012
Telephone:	+81-3-3434-3401

### Business Office (as of July 1, 2017)

JAPAN	Sapporo Sendai Tokyo Nagoya Osaka Hiroshima Fukuoka
OVERSEAS	Bangkok, Thailand Manama, Bahrain

### Consolidated Subsidiaries:

SAKAI AMERICA, INC.  
P.T. SAKAI INDONESIA  
P.T. SAKAI ROAD MACHINERY INDONESIA  
SAKAI HEAVY INDUSTRIES (SHANGHAI), LTD.  
Sakai kikoh Corporation  
TOKYO FUJI CO., LTD.  
COMODO CO., LTD.  
SAKAI Engineering., Ltd.

### Directors (as of July 1, 2017)

President and Representing Director	Ichiro Sakai
Vice President	Kiyomichi Doi
Senior Managing Director	Ryosuke Watanabe
Managing Director	Hideki Iwakuma
Managing Director	Yukihiko Tomitori
Managing Director	Kenichi Mizuuchi
Director	Kazushi Kiyomiya
Director	Yukinori Tsukimoto
Director	Tsuguo Sugawara
Director	Toshihiko Akimoto
Director	Masahiro Tokita
Director*	Hideyoshi Watanabe
Director* **	Ryuichi Tokunaga
Director* **	Makoto Kikkawa

\* Audit and Supervisory Committee Member \*\* Outside Director

**Stock Status (as of March 31, 2017)**

Total number of shares authorized:	149,900,000 shares
Total number of shares issued:	42,620,172 shares
Number of shareholders:	5,201

**Major shareholders (Top 10)**

Shareholder name	Number of shares held (Thousands)	Share-holding ratio (%)
Mizuho Bank, Ltd. (Standing proxy: Trust & Custody Services Bank, Ltd.)	2,099	4.92
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	2,099	4.92
Japan Trustee Services Bank, Ltd. (Trust Account)	1,804	4.23
Nippon Life Insurance Company (Standing proxy: The Master Trust Bank of Japan, Ltd.)	1,507	3.53
The Dai-ichi Life Insurance Company, Limited (Standing proxy: Trust & Custody Services Bank, Ltd.)	1,485	3.48
Ichiro Sakai	1,111	2.60
The Master Trust Bank of Japan, Ltd. (Trust Account)	1,085	2.54
NICHIREKI CO., LTD.	816	1.91
Japan Trustee Services Bank, Ltd. (Trust Account 5)	733	1.71
CBNY DFA INTL SMALL CAP VALUE PORTFOLIO (Standing proxy: Citibank Japan Ltd.)	702	1.64

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