

For the Fiscal Year Ended March 31, 2018

Annual Select[®] 2018

SAKAI HEAVY INDUSTRIES, LTD.

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

Corporate Profile

Japan has a network of roads which exceeds 1.2 million kilometers (750,000 miles), and it is the technology of SAKAI HEAVY INDUSTRIES, LTD. that has supported this construction. It will soon be 100 years since SAKAI introduced the very first road roller ever built in Japan. Over this time, we have continued to conduct technological research and develop innovative products to meet the ever increasing sophistication of highway construction, maintenance and repair as the pioneer in road construction equipment.

We believe our company mission is threefold. First, we provide reliable products and services to our clients. Second, we always try to introduce new technologies to further develop our road construction business. Third, we apply the technologies we have so acquired to other related business areas.

Today, in the field of road construction where higher technologies, greater diversification and deeper consideration to the environment is becoming increasingly necessary, we at SAKAI HEAVY INDUSTRIES, LTD. are determined to address the needs of our era and to make every effort to help countries throughout the world with their road infrastructure using our untiring exploration of innovative technology and our know-how, which has been acquired through years of experience.



Ichiro Sakai
President and Representing Director

I. Summary of Selected Financial Data (Consolidated)

	66 th term Fiscal year ended March 31, 2014	67 th term Fiscal year ended March 31, 2015	68 th term Fiscal year ended March 31, 2016	69 th term Fiscal year ended March 31, 2017	70 th term Fiscal year ended March 31, 2018
Net sales (Thousands of yen)	24,701,145	25,949,597	25,751,064	23,699,366	29,504,006
Ordinary profit (loss) (Thousands of yen)	2,186,555	1,934,068	1,677,050	1,549,884	3,145,379
Profit (loss) attributable to owners of parent (Thousands of yen)	1,730,848	1,263,651	1,070,894	1,816,015	1,889,409
Comprehensive income (Thousands of yen)	2,509,821	2,059,833	645,376	2,236,001	2,147,830
Net assets (Thousands of yen)	16,566,125	18,303,326	18,668,924	20,605,337	22,475,618
Total assets (Thousands of yen)	31,885,736	35,991,518	33,254,015	35,819,124	39,587,523
Net assets per share (Yen)	3,901.64	4,310.84	4,397.62	4,854.74	5,278.82
Basic earnings (loss) per share (Yen)	408.12	298.02	252.61	428.44	444.96
Diluted earnings per share (Yen)	—	—	—	—	—
Equity ratio (%)	51.9	50.8	56.1	57.4	56.7
Return on equity (ROE) (%)	11.2	7.3	5.8	9.3	8.8
Price earnings ratio (PER) (Times)	8.72	9.13	7.24	7.96	10.51
Net cash provided by (used in) operating activities (Thousands of yen)	2,170,274	(369,055)	2,472,156	3,751,795	4,464,931
Net cash provided by (used in) investing activities (Thousands of yen)	(538,442)	(519,642)	(422,209)	(421,539)	(425,847)
Net cash provided by (used in) financing activities (Thousands of yen)	(843,092)	(554,571)	(664,007)	(705,877)	(906,239)
Cash and cash equivalents at end of period (Thousands of yen)	5,659,627	4,266,025	5,675,849	8,340,226	11,404,134
Number of employees (Persons)	527	548	573	601	626

- Notes:
1. Net sales do not include consumption taxes.
 2. Diluted earnings per share is not provided because there were no potential shares.
 3. The Company consolidated ten shares of common shares into one share of common shares as of October 1, 2017. Net assets per share and basic earnings per share are calculated as if the consolidation of shares was conducted at the beginning of the 66th term.

II. Overview of Operations

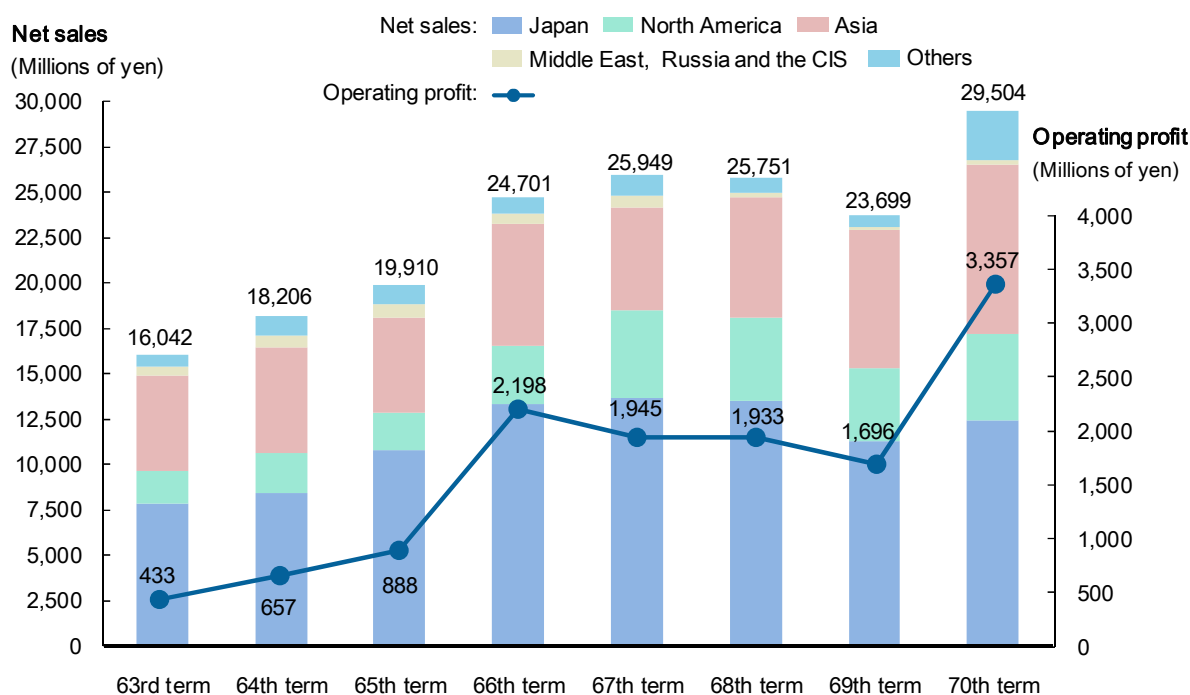
In the business environment affecting SAKAI HEAVY INDUSTRIES, LTD. and its subsidiaries (the “Group”) during the fiscal year ended March 31, 2018 (April 1, 2017 to March 31, 2018), advanced countries including Japan and the United States maintained their strength, and in addition to more active policies to expand domestic demand in Asia, the recovery in emerging nations following the stabilization of the Chinese economy and the recovery in resource prices, and other factors led the global economy to a track of overall expansion. A favorable business environment continued for the Company’s businesses also, with the addition of two forms of special demand in last-minute demand before the introduction of exhaust gas regulations in Japan and large-scale projects for Africa.

Under such conditions, the Group placed efforts into handling immediate production increases, actively worked to develop overseas markets for medium- to long-term growth strategies and made steady progress in policies to enhance both its ability to respond to change and its management foundation.

As a result, net sales for the fiscal year under review were ¥29,504 million, an increase of 24.5% year on year.

In terms of profit, operating profit was ¥3,357 million, an increase of 97.9% year on year, ordinary profit was ¥3,145 million, an increase of 102.9% year on year, and profit attributable to owners of parent was ¥1,889 million, an increase of 4.0% year on year.

Trend of operating results



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

Net sales in Japan were ¥12,439 million, an increase of ¥1,180 million or 10.5% year on year, supported by last-minute demand before the introduction of exhaust gas regulations and strong demand thereafter.

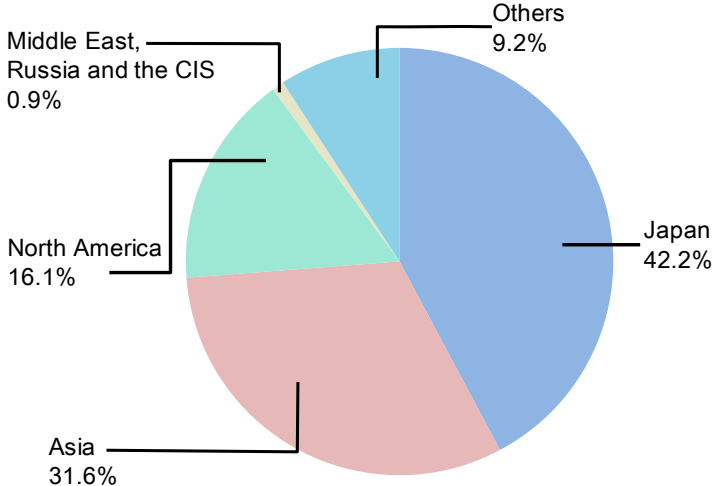
Net sales to overseas markets totaled ¥17,064 million, an increase of ¥4,623 million or 37.2% year on year, due to expanded sales worldwide centered on North America and Asia and accumulated project sales. As a result, the percentage of net sales to overseas markets making up total sales rose to 57.8%.

Net sales to North America were ¥4,751 million, an increase of ¥701 million or 17.3% year on year, due to enhanced sales following expanded construction investment.

Net sales to Asia reached ¥9,345 million, an increase of ¥1,715 million or 22.5% year on year, due to a

doubling of sales to Indonesia and strong sales in the Mekong economic zone. Net sales to the Middle East, Russia, and the CIS were ¥260 million, an increase of ¥109 million or 72.5% year on year, despite stagnant demand amid unstable regional conditions. Net sales to other markets were ¥2,707 million, an increase of ¥2,098 million or 344.7% year on year, due to expanded sales to Central and South America and Oceania and accumulated project sales to Africa.

**70th term
Ratio of net sales by geographic segment**



Operating results by segment are as follows:

Japan

As a result of strong sales in Japan and overseas and increased production from full operations, total net sales in Japan were ¥23,553 million, an increase of 20.0% year on year, and operating profit was ¥1,853 million, an increase of 138.2% year on year, as both sales and profit enjoyed large-scale increases.

Overseas

In the United States, total net sales were ¥4,842 million, an increase of 13.1% year on year, and operating profit was ¥256 million, an increase of 23.7% year on year. This was due to progress in our improvements to our North American business structure under a favorable market environment of continuing expansion in construction investment.

In Indonesia, total net sales were ¥8,322 million, an increase of 58.7% year on year, and operating profit was ¥1,280 million, an increase of 139.3% year on year, as both sales and profit enjoyed large-scale increases. This was due to a doubling of Indonesian domestic sales, expanded exports to third countries, and increased production from full operations.

In China, total net sales were ¥1,920 million, an increase of 14.1% year on year, as Chinese domestic sales were lackluster despite expanded exports to third countries. Operating profit was ¥21 million, a decrease of 80.0% year on year, due in part to the disposal of non-performing assets.

III. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Thousands of yen)

	As of March 31, 2017	As of March 31, 2018
Assets		
Current assets		
Cash and deposits	8,406,728	11,546,159
Notes and accounts receivable - trade	8,766,778	9,021,465
Merchandise and finished goods	3,478,768	2,963,491
Work in process	1,295,980	1,386,235
Raw materials and supplies	2,553,727	3,043,335
Deferred tax assets	256,886	332,951
Other	504,011	567,758
Allowance for doubtful accounts	(9,727)	(40,213)
Total current assets	25,253,153	28,821,185
Non-current assets		
Property, plant and equipment		
Buildings and structures	6,422,965	6,402,451
Accumulated depreciation	(4,463,471)	(4,504,550)
Buildings and structures, net	1,959,493	1,897,901
Machinery, equipment and vehicles	3,612,892	3,668,179
Accumulated depreciation	(3,092,969)	(3,167,626)
Machinery, equipment and vehicles, net	519,923	500,552
Land	1,792,334	1,782,918
Leased assets	425,933	479,352
Accumulated depreciation	(189,478)	(217,015)
Leased assets, net	236,454	262,336
Other	1,513,949	1,533,369
Accumulated depreciation	(1,348,741)	(1,384,008)
Other, net	165,208	149,361
Total property, plant and equipment	4,673,414	4,593,070
Intangible assets	366,200	542,042
Investments and other assets		
Investment securities	3,452,240	3,984,977
Deferred tax assets	756,645	441,360
Long-term time deposits	112,000	—
Other	1,205,470	1,204,886
Total investments and other assets	5,526,356	5,631,225
Total non-current assets	10,565,971	10,766,338
Total assets	35,819,124	39,587,523

(Thousands of yen)

	As of March 31, 2017	As of March 31, 2018
Liabilities		
Current liabilities		
Notes and accounts payable - trade	5,585,000	6,804,460
Current portion of bonds	–	700,000
Short-term loans payable	4,340,679	4,605,363
Income taxes payable	179,549	766,211
Deferred tax liabilities	20,000	46,000
Provision for product warranties	166,314	203,688
Other	1,429,769	1,828,913
Total current liabilities	11,721,313	14,954,637
Non-current liabilities		
Bonds payable	700,000	–
Long-term loans payable	1,737,701	842,913
Lease obligations	129,642	233,798
Deferred tax liabilities	614,514	753,865
Net defined benefit liability	105,935	118,530
Other	204,679	208,160
Total non-current liabilities	3,492,473	2,157,267
Total liabilities	15,213,787	17,111,905
Net assets		
Shareholders' equity		
Capital stock	3,115,199	3,138,008
Capital surplus	6,361,142	6,383,951
Retained earnings	9,157,295	10,728,308
Treasury shares	(56,169)	(59,019)
Total shareholders' equity	18,577,467	20,191,248
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,604,131	1,966,909
Foreign currency translation adjustment	399,963	284,169
Remeasurements of defined benefit plans	(5,702)	(2,620)
Total accumulated other comprehensive income	1,998,392	2,248,457
Non-controlling interests	29,477	35,911
Total net assets	20,605,337	22,475,618
Total liabilities and net assets	35,819,124	39,587,523

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

(Consolidated Statements of Income)

(Thousands of yen)

	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018
Net sales	23,699,366	29,504,006
Cost of sales	17,120,317	20,888,867
Gross profit	6,579,048	8,615,139
Selling, general and administrative expenses		
Haulage expenses	373,979	446,113
Salaries and bonuses	1,941,997	2,234,674
Technical research expenses	944,821	894,081
Other	1,621,432	1,682,615
Total selling, general and administrative expenses	4,882,230	5,257,484
Operating profit	1,696,818	3,357,654
Non-operating income		
Interest income	3,676	6,530
Dividend income	77,217	83,566
Other	15,919	12,661
Total non-operating income	96,813	102,758
Non-operating expenses		
Interest expenses	141,884	158,333
Foreign exchange losses	16,211	56,218
Bank charge	82,539	85,749
Other	3,112	14,732
Total non-operating expenses	243,747	315,033
Ordinary profit	1,549,884	3,145,379
Extraordinary income		
Gain on sales of non-current assets	38,235	26
Gain on sales of investment securities	953	13,522
Surrender value of insurance	147	9,738
Total extraordinary income	39,336	23,286
Extraordinary losses		
Loss on disposal of non-current assets	1,012	6,095
Total extraordinary losses	1,012	6,095
Profit before income taxes	1,588,208	3,162,570
Income taxes - current	457,519	1,026,887
Income taxes - deferred	(689,247)	237,065
Total income taxes	(231,728)	1,263,953
Profit	1,819,936	1,898,617
Profit attributable to non-controlling interests	3,921	9,208
Profit attributable to owners of parent	1,816,015	1,889,409

(Consolidated Statements of Comprehensive Income)

(Thousands of yen)

	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018
Profit	1,819,936	1,898,617
Other comprehensive income		
Valuation difference on available-for-sale securities	516,763	362,777
Foreign currency translation adjustment	(97,371)	(116,647)
Remeasurements of defined benefit plans, net of tax	(3,326)	3,081
Total other comprehensive income	416,065	249,212
Comprehensive income	2,236,001	2,147,830
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,232,883	2,139,474
Comprehensive income attributable to non-controlling interests	3,118	8,355

(3) Consolidated Statements of Changes in Equity

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

Fiscal year ended March 31, 2018

(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	9,157,295	(56,169)	18,577,467
Changes of items during period					
Issuance of new shares	22,809	22,809			45,619
Dividends of surplus			(318,396)		(318,396)
Profit attributable to owners of parent			1,889,409		1,889,409
Purchase of treasury shares				(2,849)	(2,849)
Net changes of items other than shareholders' equity					
Total changes of items during period	22,809	22,809	1,571,012	(2,849)	1,613,781
Balance at end of current period	3,138,008	6,383,951	10,728,308	(59,019)	20,191,248

	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	1,604,131	399,963	(5,702)	1,998,392	29,477	20,605,337
Changes of items during period						
Issuance of new shares						45,619
Dividends of surplus						(318,396)
Profit attributable to owners of parent						1,889,409
Purchase of treasury shares						(2,849)
Net changes of items other than shareholders' equity	362,777	(115,793)	3,081	250,065	6,433	256,499
Total changes of items during period	362,777	(115,793)	3,081	250,065	6,433	1,870,281
Balance at end of current period	1,966,909	284,169	(2,620)	2,248,457	35,911	22,475,618

(4) Consolidated Statements of Cash Flows

(Thousands of yen)

	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018
Cash flows from operating activities		
Profit before income taxes	1,588,208	3,162,570
Depreciation	496,426	489,794
Increase (decrease) in allowance for doubtful accounts	(9,930)	29,356
Increase (decrease) in provision for product warranties	(20,138)	37,373
Increase (decrease) in net defined benefit liability	14,569	18,638
Interest and dividend income	(80,894)	(90,097)
Interest expenses	141,884	158,333
Loss (gain) on sales of non-current assets	(38,235)	(26)
Loss (gain) on disposal of non-current assets	1,012	6,095
Loss (gain) on sales of investment securities	(953)	(13,522)
Decrease (increase) in notes and accounts receivable - trade	670,740	(332,803)
Decrease (increase) in inventories	702,977	(174,340)
Increase (decrease) in notes and accounts payable - trade	835,644	1,277,119
Increase (decrease) in accrued expenses	91,352	240,041
Other, net	(11,252)	217,590
Subtotal	4,381,410	5,026,121
Interest and dividend income received	80,421	87,749
Interest expenses paid	(135,542)	(156,215)
Income taxes paid	(574,494)	(492,723)
Net cash provided by (used in) operating activities	3,751,795	4,464,931
Cash flows from investing activities		
Payments into time deposits	(12,004)	(18,133)
Purchase of property, plant and equipment	(351,398)	(226,483)
Proceeds from sales of property, plant and equipment	43,099	82
Purchase of intangible assets	(202,709)	(157,657)
Proceeds from sales of investment securities	102,144	16,629
Payments of loans receivable	(1,500)	(8,830)
Collection of loans receivable	829	1,689
Purchase of shares of subsidiaries	-	(33,145)
Net cash provided by (used in) investing activities	(421,539)	(425,847)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(750,361)	(204,090)
Proceeds from long-term loans payable	609,190	321,700
Repayments of long-term loans payable	(160,498)	(608,990)
Purchase of treasury shares	(1,568)	(2,849)
Cash dividends paid	(296,717)	(318,396)
Dividends paid to non-controlling interests	(1,303)	(1,921)
Other, net	(104,619)	(91,690)
Net cash provided by (used in) financing activities	(705,877)	(906,239)
Effect of exchange rate change on cash and cash equivalents	39,999	(68,937)
Net increase (decrease) in cash and cash equivalents	2,664,377	3,063,907
Cash and cash equivalents at beginning of period	5,675,849	8,340,226
Cash and cash equivalents at end of period	8,340,226	11,404,134

IV. Products



VIBRATORY PNEUMATIC TIRED ROLLER
GW750 9,040Kg (19,930Lb)

Contact us

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



VIBRATORY SINGLE DRUM ROLLER
SV900DV 20,030Kg (44,460Lb)



VIBRATORY SINGLE DRUM ROLLER
SV520D 10,450Kg (23,040Lb)



VIBRATORY DOUBLE DRUM ROLLER
SW652H-1K/SW654H 8,080Kg (17,815Lb)



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



ROAD RECLAIMER
PM550 22,580Kg (49,780Lb)



ROAD PLANER
ER552F 28,170Kg (62,105Lb)

V. Corporate Data

Basic Information (as of March 31, 2018)

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:	3,138 million yen
Number of employees:	626 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, 2018)

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

Subsidiaries:

SAKAI AMERICA, INC.
P.T. SAKAI INDONESIA
P.T. SAKAI ROAD MACHINERY INDONESIA
P.T. SAKAI SALES AND SERVICES ASIA
SAKAI HEAVY INDUSTRIES (SHANGHAI), LTD.
SAKAI KIKOH CORPORATION
TOKYO FUJI CO., LTD.
COMODO CO., LTD.
SAKAI ENGINEERING CO., LTD.

Directors (as of July 1, 2018)

President and Representing Director	Ichiro Sakai
Senior Managing Director	Ryosuke Watanabe
Managing Director	Hideki Iwakuma
Managing Director	Yukihiko Tomitori
Managing Director	Kenichi Mizuuchi
Director	Yukinori Tsukimoto
Director	Tsuguo Sugawara
Director	Toshihiko Akimoto
Director	Masahiro Tokita
Director	Takao Yoshikawa
Director	Yasunori Azumi
Director*	Hideyoshi Watanabe
Director* **	Ryuichi Tokunaga
Director* **	Makoto Kikkawa

* Audit and Supervisory Committee Member ** Outside Director

Stock Status (as of March 31, 2018)

Total number of shares authorized:	14,990,000 shares
Total number of shares issued:	4,275,317 shares
Number of shareholders:	3,504

Major shareholders (Top 10)

Shareholder name	Number of shares held (Thousands)	Share-holding ratio (excluding treasury shares) (%)
Japan Trustee Services Bank, Ltd. (Trust Account)	246	5.79
Mizuho Bank, Ltd. (Standing proxy: Trust & Custody Services Bank, Ltd.)	209	4.94
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	209	4.93
The Master Trust Bank of Japan, Ltd. (Trust Account)	159	3.74
Nippon Life Insurance Company (Standing proxy: The Master Trust Bank of Japan, Ltd.)	150	3.54
The Dai-ichi Life Insurance Company, Limited (Standing proxy: Trust & Custody Services Bank, Ltd.)	148	3.49
BNY GCM CLIENT ACCOUNT JPRD AC ISG (Standing proxy: The Bank of Tokyo-Mitsubishi UFJ, Ltd.)	119	2.81
Ichiro Sakai	114	2.69
GOLDMAN SACHS INTERNATIONAL (Standing proxy: Goldman Sachs Japan Co., Ltd.)	91	2.15
NICHIREKI CO., LTD.	81	1.91

Note: On April 1, 2018, The Bank of Tokyo-Mitsubishi UFJ, Ltd. changed its name to MUFG Bank, Ltd.

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