

SAKAI HEAVY INDUSTRIES, LTD.

6358

Tokyo Stock Exchange Prime Market

26-Jun.-2026

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<https://www.fisco.co.jp>

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Summary

Japan's leading manufacturer of road rollers for road paving. FY3/27 dividend is expected to be ¥110.0 based on dividend on equity (DOE) of 3.0%

SAKAI HEAVY INDUSTRIES, LTD. <6358> (hereafter, also "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 leading market share in Japan of 60% to 70%. In recent years, the Company has been focusing on developing overseas markets, especially in North America and Southeast Asia.

1. Overview of FY3/26 results

For the FY3/26 consolidated results, net sales were ¥27,541mn (down 1.1% year on year (YoY)), operating profit was ¥1,588mn (up 0.3%), ordinary profit was ¥1,581mn (up 5.8%), and profit attributable to owners of parent was ¥1,763mn (up 22.8%). The high growth rate in profit attributable to owners of parent was driven by gain on sale of investment securities (¥943mn). These results reflect challenging conditions attributable to ongoing adjustments to distribution inventories by customers in Japan and abroad, but the sluggish sales showed signs of bottoming out in 4Q FY3/26. Domestic net sales increased 4.2% due to the bottoming out of inventory adjustments by construction equipment rental companies in addition to firm government construction investment. Sales in North America decreased 4.3% as sluggish sales resulting from adjustments to distribution inventories and high tariffs entered a bottoming-out phase while investment in road construction continued against a backdrop of the Infrastructure Investment and Jobs Act. In Asia, while sales remained sluggish in Indonesia, sales increased in certain other countries including Vietnam, the Philippines, and Laos, resulting in a 1.9% decline in overall sales in Asia. The gross margin rose 0.3 percentage points (pp) partially due to the progress of inventory adjustments and improvement in the cost-of-sales ratio. Operating profit increased, albeit only slightly, as the Company limited the increase in SG&A expenses to 0.1%.

2. FY3/27 forecasts

For the FY3/27 consolidated results, the Company forecasts net sales of ¥30,500mn (up 10.7% YoY), operating profit of ¥1,650mn (up 3.9%), ordinary profit of ¥1,650mn (up 4.3%), and profit attributable to owners of parent of ¥1,100mn (down 37.6%). Profit attributable to owners of parent is expected to decrease due to the absence of the extraordinary profit recorded in the previous fiscal year. The Company anticipates higher revenue due to signs of the bottoming out of inventory adjustments by customers in Japan and abroad, but forecasts a slight decline in the profit margin due to higher costs resulting from tariff costs in North America and inflation. The Company plans to review its progress on a quarterly basis and disclose such findings as necessary going forward.

Summary

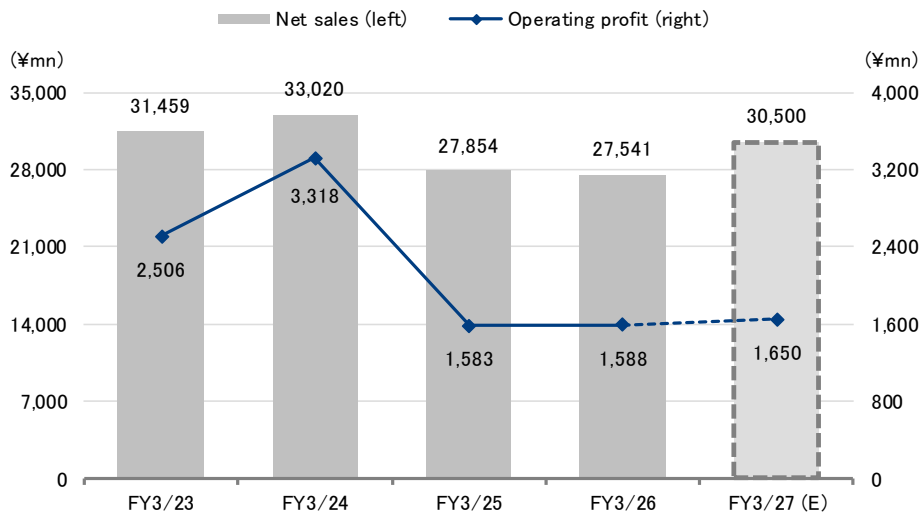
3. Medium- to long-term growth strategy

In June 2021, the Company released its Medium-Term Management Policy which runs through FY3/26. As ultimate quantitative targets, the Company had set net sales of ¥30.0bn, operating profit of ¥3.1bn, and return on equity (ROE) of 8.0% by FY3/26. The results for the final year ended up falling below the targets, but the Company had once achieved the net sales, operating profit, and ROE targets in FY3/24. Accordingly, some positive evaluation would be warranted for its performance. It is currently developing its new medium-term management policy (planned to be released in late July), which is drawing attention. It decided to pay an annual dividend of ¥107.0 based on DOE of 3.0% for FY3/26, and plans to pay an annual dividend of ¥110.0 (85.6% dividend payout ratio) similarly based on DOE for FY3/27. Despite its currently sluggish financial results, the Company deserves high marks for its stance of providing shareholder returns in line with its capital policy toward improving ROE.

Key Points

- Japan's leading manufacturer of road rollers with a long history. Domestic market share is 60% to 70%, and the Company aims to grow by expanding its overseas market share
- Operating profit increased 0.3% YoY in FY3/26 with projections for an increase of 3.9% in FY3/27
- Targets of the medium-term management policy had already been achieved once, with a new medium-term management policy planned to be released in late July

Results trends



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

Company profile

The Company has a long history and its characteristics and strengths are high market share and technological capabilities

The Company has a long history, dating back to 1918 when founded by Kinnosuke Sakai. At the time, the Company manufactured and repaired parts for automobiles, internal combustion engines, and steam locomotives. After starting to manufacture locomotives in 1927, in 1929 the Company started manufacturing various types of road rollers for road rolling compaction. Since then, the Company has continued to develop as a specialized manufacturer of road rollers for paving roads and other road construction equipment. Currently, the Company is the leading manufacturer in Japan, and boasts a market share of 60% to 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 the end of FY3/26, the Company has four domestic subsidiaries, and four overseas subsidiaries (US, China, and two in Indonesia).

The Company listed its shares on the Second Section of the Tokyo Stock Exchange (TSE) in 1964, and its shares were reclassified to the First Section of the TSE in 1981. In conjunction with the TSE's market recategorization in April 2022, it moved to the Prime Market.

History

Year	Description
1918	Founded by Kinnosuke Sakai with the aim of manufacturing and repairing parts for automobiles, internal combustion engines and steam locomotives
1927	Started production of locomotives
1929	Started production of road rollers for road rolling compaction
1949	The business organization was incorporated, and SAKAI WORKS Co., Ltd. was established
1964	Listed on Second Section of Tokyo Stock Exchange
1967	Renamed SAKAI HEAVY INDUSTRIES, LTD.
1970	Established Joint venture P.T. SAKAI SAKTI in Jakarta, Indonesia, to assemble and repair road rollers
1976	Established SAKAI AMERICA, INC. in Delaware, U.S., for the purpose of importing/exporting and selling construction equipment
1981	Listed on First Section of Tokyo Stock Exchange
1996	Acquired ISO9001 certification, an international standard for quality assurance stipulated by the International Organization for Standardization
2004	Developed the world's first vibratory pneumatic tired roller (GW750)
2018	Celebrated its 100th anniversary
2019	Consolidated the three bases in Indonesia, including P.T. SAKAI INDONESIA, and established a new factory in order to bolster the local production system targeting an expansion of overseas business domains and to build a supply platform to achieve medium- to long-term growth
2022	In conjunction with the Tokyo Stock Exchange's market recategorization, moved to the Prime Market
2023	Relocated the head office with the aims of achieving a comfortable workplace environment, enhancing communication, and streamlining operations
2024	Macadam Roller SAKAI R1 gains Mechanical Engineering Heritage designation for fiscal 2024 by the Japan Society of Mechanical Engineers

Source: Prepared by FISCO from the Company's annual securities report and website

Business overview

Has a 60% to 70% share of the domestic road roller market and will seek growth by offering high added value 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 approximately 0.5 tons 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 planers and other machines that cost tens of millions of yen. Production is carried out on a make-to-stock 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 the statutory depreciation period (6–7 years) with a new one. Most of the depreciated equipment is resold as used machines to overseas customers (especially in developing countries).

The Company's road equipment



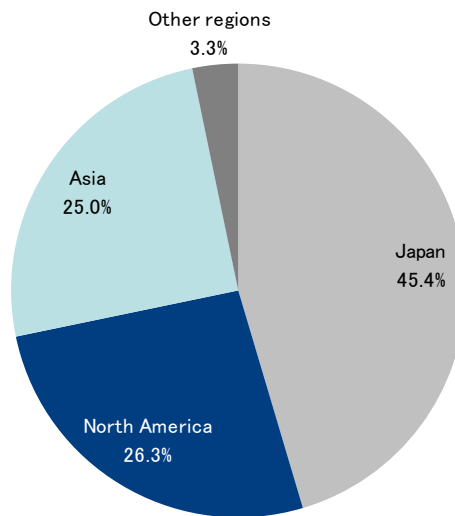
Source: The Company's Medium-Term Management Policy

Business overview

In terms of net sales by region* in FY3/26, net sales in Japan were ¥12,505mn (45.4% of total net sales), net sales in North America were ¥7,252mn (26.3%), net sales in Asia were ¥6,887mn (25.0%), and net sales in other regions totaled ¥896mn (3.3%).

* Net sales by region refers to net sales classified by customer location and differs from the reportable segment "Net Sales by Location" in the Company's financial results.

Ratio of net sales by region in FY3/26



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

In Japan, approximately 70% of the Company's sales are mainly to construction equipment rental companies (Kanamoto <9678>, NISHIO HOLDINGS <9699>, etc.), while the remaining 30% of sales are to end users (large and small- and medium-sized general contractors, roadwork companies, etc.). Sales to end users include sales via finance companies for credit management reasons. Overseas, sales are mainly to end users via distributors, but in North America some sales are through rental companies.

2. Features 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. It has raised its technological capabilities and credibility through experience gained over this long history.

Business overview

(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's quality, soil, and other conditions. Therefore, roadwork companies often have a need for different types of road rollers to match individual worksites (ground, etc.). According to the Company, the compaction performance of a road roller itself determines the final quality of the road or embankment (density, flatness, lifespan). Generally speaking, a 1% rise in rolling compaction density extends the life of a road by 10%. For this reason, for companies that order roadwork as well as for roadwork companies, not only the price of the road roller, but the product quality (performance) is extremely important. Because the Company has been a specialized manufacturer of road construction equipment, it boasts a high level of technological capabilities with respect to such compaction technology, and it is not easy for its competitors to catch up to it.

The Company's technological capabilities can be summed up by the phrase "Expertise in products and services." In other words, it is the Company's engineering capabilities covering the entire roadwork process and the ability to handle a variety of materials. Specifically, the Company achieves improvements in the quality and efficiency of roadwork by combining various technologies, including kneading by tires, increased rolling compaction power by vertical vibration, rubbing by horizontal vibration, thick layer compaction by vertical vibration, further high-density compaction by tire vibration, and eliminating difficult compaction issues with high-frequency vibration.

One example of the Company's strong technological capabilities is its ability to control the relationship between mechanical vibration technology and the technology to control this vibration. For road rollers, one important means of increasing functionality is various mechanical vibrations, but on the other hand, vibration itself can cause machine failure, and it also greatly influences operator comfort. Therefore, the ability (technology) to control the opposing relationship between enhancing vibration compaction power and machine quality is important, and this is not something that can be amassed quickly.

(3) Credibility

Credibility backed by experience-based engineering and a 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 significant cost. Also, work quality issues for roads and embankments are slow to emerge, and the compaction quality at the time of completion tends to be a black box. When it comes to this type of experience-based engineering, the Company has earned the trust of many customers due to its strengths consisting of its brand used by customers over many years and its insight derived from its range of worksite experience.

3. Market share and competitors

According to data from the Japan Construction Equipment Manufacturers Association, in FY2025 the total construction equipment shipment value including domestic shipments and exports was approximately ¥3.5tn, and road roller and other road construction equipment (the Company's main products) account for about 2.5% of this amount. The Company has a 60% to 70% share of the road roller market within the road machinery market, making it the leading manufacturer in Japan. Competitors include companies such as Hitachi Construction Machinery <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.

Business overview

The Company's main competitors in the global market include Caterpillar <CAT>, FAYAT SAS, WIRTGEN GROUP, and Volvo Personvagnar AB, but none of these companies are manufacturers that specialize in road rollers.

Results trends

Operating profit increased in FY3/26 due to the bottoming out of customer inventory adjustments

1. Overview of FY3/26 results

For the FY3/26 consolidated results, net sales were ¥27,541mn (down 1.1% YoY), operating profit was ¥1,588mn (up 0.3%), ordinary profit was ¥1,581mn (up 5.8%), and profit attributable to owners of parent was ¥1,763mn (up 22.8%). The high growth rate in profit attributable to owners of parent was driven by the recording of gain on sale of investment securities (¥943mn) as extraordinary income.

Domestic net sales increased 4.2% YoY due to firm government construction investment and the bottoming out of inventory adjustments by construction equipment rental companies, which are major customers. Sales in North America decreased 4.3% on a full-year basis as sluggish sales resulting from adjustments to distribution inventories and high tariffs showed signs of bottoming out while investment in road construction continued against a backdrop of the Infrastructure Investment and Jobs Act. In Asia, while sales remained sluggish in Indonesia, sales increased in certain other countries including Vietnam, the Philippines, and Laos, resulting in a 1.9% decline in overall sales in Asia.

The gross margin rose 0.3 pp partially due to the bottoming out of sluggish sales resulting from inventory adjustments and improvement in the cost-of-sale ratio across all regions. Furthermore, operating profit increased, albeit only slightly, as the Company held growth in SG&A expenses to an increase of 0.1%.

Analyzing the change factors for operating profit, the decrease in net sales had a ¥86mn negative impact, improvement in the cost-of-sale ratio had a ¥96mn positive impact, and the increase in SG&A expenses had a ¥6mn negative impact. Breaking down the increase in SG&A expenses, increased personnel expenses had a negative impact on operating profit of ¥102mn, higher advertising costs had a negative impact of ¥62mn, reduced technical research expenses had a positive impact of ¥29mn, and a decrease in other SG&A expenses had a positive impact of ¥129mn.

Overview of FY3/26 consolidated results

	FY3/25		FY3/26		YoY	
	Results	vs. net sales	Results	vs. net sales	Change amount	% change
Net sales	27,854	-	27,541	-	-312	-1.1%
Gross profit	7,674	27.6%	7,685	27.9%	10	0.1%
SG&A expenses	6,090	21.9%	6,097	22.1%	6	0.1%
Operating profit	1,583	5.7%	1,588	5.8%	4	0.3%
Ordinary profit	1,494	5.4%	1,581	5.7%	87	5.8%
Profit attributable to owners of parent	1,435	5.2%	1,763	6.4%	327	22.8%

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

Results trends

2. Trends by region

In Japan, net sales increased 4.2% YoY to ¥12,505mn as sales related to public investments such as road and civil engineering projects were relatively strong against a backdrop of measures to implement the national resilience plan, and inventory adjustments of construction equipment, which had continued since FY3/24, showed signs of bottoming out. Overseas sales decreased 5.2% to ¥15,035mn due to sluggish performance overall in overseas markets as well. Of this amount, net sales in North America stood at ¥7,252mn, down 4.3%, as sluggish sales resulting from high tariffs and adjustments to distribution inventories showed signs of bottoming out while investment in road construction against a backdrop of the Infrastructure Investment and Jobs Act and AI-related construction investment continued. Net sales in Asia varied by region. While net sales remained sluggish in Indonesia, net sales in certain other countries including Vietnam, the Philippines, and Laos were strong. As a result, net sales in Asia declined 1.9% to ¥6,887mn. Net sales in other markets (mainly Central and South America, Oceania, Africa, etc.) were also weak and declined 28.7% to ¥896mn.

Net sales by region

	FY3/25		FY3/26		YoY	
	Results	% of total	Results	% of total	Change amount	% change
Japan	12,000	43.1%	12,505	45.4%	505	4.2%
Overseas	15,853	56.9%	15,035	54.6%	-817	-5.2%
North America	7,574	27.2%	7,252	26.3%	-322	-4.3%
Asia	7,021	25.2%	6,887	25.0%	-134	-1.9%
Other regions	1,257	4.5%	896	3.3%	-361	-28.7%
Total	27,854	100.0%	27,541	100.0%	-312	-1.1%

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

Financial foundation remains stable along with ample cash and deposits on hand of ¥6.5bn. Progressive contraction of inventory

3. Financial position

In terms of the Company's financial position as of the end of FY3/26, current assets were ¥27,545mn (up ¥933mn from the end of the previous fiscal year). The main factors included a ¥1,115mn decrease in cash and deposits, a ¥1,568mn increase in notes and accounts receivable - trade (including electronically recorded monetary claims - operating), and a ¥565mn decrease in inventories resulting from inventory adjustments. Non-current assets were ¥16,391mn (up ¥377mn). The main factors include a ¥67mn increase in property, plant and equipment resulting from capital investment, a ¥9mn increase in intangible assets, and a ¥301mn increase in investments and other assets (includes a ¥454mn increase in investment securities). As a result, total assets were ¥43,936mn (up ¥1,311mn).

Total liabilities were ¥12,259mn (down ¥234mn from the end of the previous fiscal year). The main factors in current liabilities included a ¥912mn decrease in notes and accounts payable - trade (including electronically recorded obligations - operating), a ¥191mn decrease in short-term borrowings, and in non-current liabilities, a ¥38mn decrease in long-term borrowings and a ¥227mn increase in deferred tax liabilities. Total net assets stood at ¥31,677mn (up ¥1,546mn), with the main factors including a ¥861mn increase in retained earnings due mainly to the recording of profit attributable to owners of parent, a ¥420mn increase in valuation difference on available-for-sale securities, and a ¥181mn increase in foreign currency translation adjustment. As a result, the equity ratio as of the end of FY3/26 was 71.9% (70.5% at the end of the previous fiscal year).

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Results trends

Consolidated balance sheet

	End of FY3/25	End of FY3/26	Change amount
(¥mn)			
Cash and deposits	7,668	6,552	-1,115
Notes and accounts receivable - trade (including electronically recorded monetary claims - operating)	6,076	7,645	1,568
Inventories	11,537	10,972	-565
Total current assets	26,611	27,545	933
Property, plant and equipment	7,884	7,951	67
Intangible assets	518	528	9
Investments and other assets	7,609	7,911	301
Of which, investment securities	5,661	6,116	454
Total non-current assets	16,013	16,391	377
Total assets	42,624	43,936	1,311
Notes and accounts payable - trade (including electronically recorded obligations - operating)	3,475	2,563	-912
Short-term borrowings	4,804	4,613	-191
Total current liabilities	10,429	9,985	-444
Long-term borrowings	117	78	-38
Deferred tax liabilities	1,058	1,286	227
Total non-current liabilities	2,064	2,273	209
Total liabilities	12,494	12,259	-234
Retained earnings	14,436	15,297	861
Valuation difference on available-for-sale securities	3,181	3,601	420
Foreign currency translation adjustment	2,846	3,027	181
Total net assets	30,130	31,677	1,546

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

Although the Company has been working to streamline its balance sheet, net working capital (trade receivables + inventories - trade payables) at the end of FY3/26 increased to ¥16,054mn (up 13.6%, ¥1,916mn YoY). Inventories decreased ¥565mn (down 4.9%) and inventory turnover ratio increased 0.10 times to 2.51 times per year as the Company proceeded with inventory adjustments although trade receivables increased ¥1,569mn as performance showed signs of bottoming out. As a result, the net working capital to net sales ratio was 58.3% (50.8% at the end of the previous fiscal year).

Net working capital

	FY3/25 Results	FY3/26 Results	YoY	
			Change amount	% change
Consolidated net sales	27,854	27,542	-312	-1.1%
Trade receivables	6,076	7,645	1,569	25.8%
Inventories	11,537	10,972	-565	-4.9%
Trade payables	-3,475	-2,563	912	-26.2%
Net working capital	14,138	16,054	1,916	13.6%

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

4. Cash flows

In FY3/26, net cash provided by operating activities was ¥878mn. The main cash inflow factors included recording of ¥2,527mn in profit before income taxes, ¥733mn in depreciation, and a decrease of ¥822mn in inventories. The main cash outflow factors included a ¥1,517mn increase in trade receivables and a ¥976mn decrease in trade payables.

Results trends

Net cash used in investing activities was ¥561mn. The main cash outflow factors included ¥555mn in purchase of property, plant and equipment. The main cash inflow factors included ¥40mn in sale of investment securities. Net cash used in financing activities was ¥1,517mn. The main cash outflow factors consisted of a ¥411mn decrease in long- and short-term borrowings (net) and ¥902mn in dividends paid. As a result, cash and cash equivalents decreased ¥1,106mn from the end of the previous fiscal year and stood at ¥6,492mn at the end of FY3/26.

Consolidated statements of cash flows

	(¥mn)	
	FY3/25	FY3/26
Cash flows from operating activities	399	878
Profit before income taxes	1,861	2,527
Depreciation	713	733
Change in trade receivables (- denotes increase)	2,558	-1,517
Change in inventories (- denotes increase)	-632	822
Change in trade payables (- denotes decrease)	-2,731	-976
Cash flows from investing activities	39	-561
Purchase of property, plant and equipment	-324	-555
Proceeds from sale of investment securities	449	40
Cash flows from financing activities	-1,220	-1,517
Increase in long- and short-term borrowings (net)	136	-411
Dividends paid	-1,191	-902
Change in cash and cash equivalents (- denotes decrease)	-645	-1,106
Cash and cash equivalents at end of period	7,599	6,492

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

■ Outlook

Operating profit expected to increase 3.9% YoY in FY3/27 due to the bottoming out of sluggish sales resulting from adjustments to distribution inventories

● FY3/27 forecasts

For the FY3/27 consolidated results, the Company forecasts net sales of ¥30,500mn (up 10.7% YoY), operating profit of ¥1,650mn (up 3.9%), ordinary profit of ¥1,650mn (up 4.3%), and profit attributable to owners of parent of ¥1,100mn (down 37.6%). Profit attributable to owners of parent is expected to decrease due to the absence of the extraordinary profit recorded in the previous fiscal year.

The Company anticipates higher revenue due to signs of the bottoming out of inventory adjustments by customers in Japan and abroad, but forecasts a slight decline in the profit margin due to higher costs resulting from tariff costs in North America and inflation. While the forecast does not factor in the impact of developments in the Middle East, other assumptions made by the Company include an exchange rate of ¥145 to US\$1 and the impact of tariffs imposed under the Trump administration (increased costs) of US\$3mn. The Company plans to review its progress on a quarterly basis and disclose such findings as necessary going forward.

Outlook

Consolidated forecasts for FY3/27

	FY3/26		FY3/27		YoY	
	Results	vs. net sales	Forecast	vs. net sales	Change amount	% change
Net sales	27,541	-	30,500	-	2,958	10.7%
Operating profit	1,588	5.8%	1,650	5.4%	61	3.9%
Ordinary profit	1,581	5.7%	1,650	5.4%	68	4.3%
Profit attributable to owners of parent	1,763	6.4%	1,100	3.6%	-663	-37.6%

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

Medium- to long-term growth strategy

New medium-term management policy under development; to be released in July 2026

1. Results of medium-term management policy; new medium-term management policy

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 promoted a business growth strategy and an efficient capital strategy. As quantitative targets, the Company had set net sales of ¥30.0bn, operating profit of ¥3.1bn, and ROE of 8.0% by FY3/26. Unfortunately, the results for the final year ended up falling below these targets as discussed above. However, the Company would deserve some credit for its performance as it had achieved these targets in FY3/24 during the plan period.

In addition, the Company is currently developing its new medium-term management policy, which is planned to be released in late July 2026. While the details of the medium-term management policy have not yet been disclosed, attention should be given to its contents.

2. ESG initiatives

The Company is proactively working on ESG initiatives, and is advancing a variety of measures. Currently, it is focusing in particular on the following measures.

(1) Reduce CO₂ emissions from construction equipment

As part of the Promotion of the Introduction of Electric Construction Machinery, one of the Ministry of the Environment's initiatives to realize carbon neutrality, the Company's electric walk-behind rollers and electric combined rollers have been adopted for the Ken-O Expressway Construction Project in Narita City. (This is the first project in which the Company rents out electric rollers for a fee.)

Moreover, the Company's electric walk-behind roller became the first roller to receive GX Construction Machinery* certification in April 2026. The Company will focus on promoting it. (It plans to apply for certification for electric combined rollers as well.)

* GX Construction Machinery: Construction machinery certified by the Ministry of Land, Infrastructure, Transport and Tourism under the GX Construction Machinery Certification System for its contribution to carbon neutrality. Eligible for the Ministry of the Environment subsidies.

Medium- to long-term growth strategy

Reduce CO₂ emissions from construction equipment



Electric combined roller TW504evo



Electric walk-behind roller HV620evo



Electric combined roller TW354evo

Source: The Company's results briefing materials

(2) Initiatives for reducing cross-shareholdings

Upon having released its Policy on Cross-shareholdings as part of its efforts to improve asset efficiency in June 2024, the Company has been making progress in reducing its cross-shareholdings with the target of keeping its balance of cross-shareholdings at less than 20% of consolidated net assets.

In line with this policy, the balance of cross-shareholdings as of the end of FY3/26 was ¥6,051mn (¥5,625mn as of the end of FY3/25), which constitutes 19.1% of consolidated net assets of ¥31,677mn (18.7% of ¥30,130mn as of the end of FY3/25). The Company intends to maintain a balance of cross-shareholdings of less than 20% of consolidated net assets going forward.

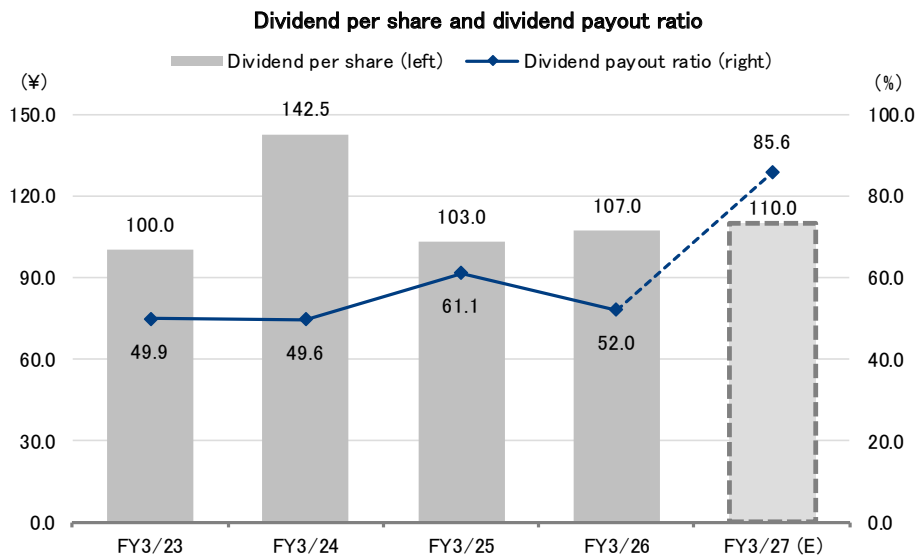
Shareholder return policy

The Company paid an annual dividend of ¥107.0 per share for FY3/26, and plans to pay an annual dividend of ¥110.0 per share for FY3/27 based on DOE of 3%

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 profits 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, in terms of the Company's medium-term shareholder return policy, the Company has declared that it will provide returns 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%.

Based on the above dividend policy, the Company paid an annual dividend of ¥107.0 in FY3/26 (52.0% dividend payout ratio) based on DOE of 3% because ROE was 5.7% in FY3/26, and plans to pay an annual dividend of ¥110.0 in FY3/27 (85.6% dividend payout ratio) also based on DOE of 3%. Furthermore, with regard to the share buybacks, it conducted a buyback of 130,000 shares (¥340mn) in FY3/22, but no decision has been made at this time regarding share buybacks.

The Company's stance of announcing a clear policy to improve ROE and carrying out its shareholder return policy in line with that is commendable, and attention should be given to its shareholder return policy going forward.



Note: On October 1, 2024, the Company conducted a two-for-one stock split. Figures prior to the stock split are presented on a retrospectively adjusted basis.

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



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