

April 13, 2023

To whom it may concern:

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Securities Code: 6358 (Tokyo Stock Exchange Prime Market)
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Status of Initiatives for Enhancing Profitability of Capital

SAKAI HEAVY INDUSTRIES, LTD. (the “Company”) hereby announces the status of its initiatives that have been required under “Action to Implement Management that is Conscious of Cost of Capital and Stock Price,” which was announced on March 31, 2023.

1. Initiatives to Date

With the belief that its responsibility as a listed company is sustainable growth and the maximization of corporate value, the Company expressed that it would shift to management supported by the two pillars of “business growth” and “capital policy,” and announced its targets of “net sales of ¥30.0 billion, operating profit of ¥3.1 billion, ROE of 8% and dividend payout ratio of 50%” for the fiscal year ending March 31, 2026 after formulating the “Medium-Term Management Policy,” which is the Company’s first medium-term management plan, on June 2, 2021.

Furthermore, in order to help others to properly understand the Company’s goal of enhancing corporate value further by using opportunities while managing environmental and social risk, and working towards reducing the cost of capital to maximize corporate value (a P/B ratio above 1.0), the Company carried out the “ESG Briefing” on January 26, 2022.

“Medium-Term Management Policy” on June 2, 2021

https://www.sakainet.co.jp/en/ir/item/mtmpm_script_210830.pdf

“ESG Briefing” on January 26, 2022

<https://www.sakainet.co.jp/en/ir/item/ESGBriefing.pdf>

2. Status of Progress of Initiatives

As a result of advancing initiatives in accordance with the “Medium-Term Management Policy,” stock price, P/B ratio and ROE have improved as follows. The Company believes that these are a certain level of results from initiatives carried out thus far.

	March 31, 2020	March 31, 2021	March 31, 2022	March 31, 2023
Stock price	¥2,420	¥2,245	¥3,200	¥4,010
P/B ratio	0.47 times	0.44 times	0.58 times	0.68 times
ROE	2.1%	0.0%	6.3%	6.5%*

*Forecasted figures based on performance forecasts announced by the Company

Of the continued-listing criteria in the Prime Market, the Company did not satisfy the criteria of “tradable share market capitalization of ¥10.0 billion,” but as a result of the initiatives based on the “Medium-Term Management Policy,” it expects to meet the continued-listing criteria using the Company’s calculations (*).

The Company will make a separate announcement regarding “tradable share market capitalization” in the “Status of Progress Based on the Plan to Meet the Continued-Listing Criteria” when the status of conformity as of March 31, 2023 is determined.

(*) This is based on calculations that utilize the average stock price from January 1, 2023 to March 31, 2023, which is based on the status of the distribution of the Company’s shares as of December 31, 2022.

3. Future Policy

As ROE is currently under 8% and the P/B ratio is below 1.0, the Company will continue to advance the various initiatives stated in the “Medium-Term Management Policy,” and make every effort for the early achievement of operating profit of ¥3.1 billion and ROE of 8%, which are the targets for the fiscal year ending March 31, 2026.

	(Millions of Yen)				
	Fiscal year ended March 31, 2020 (Actual results)	Fiscal year ended March 31, 2021 (Actual results)	Fiscal year ended March 31, 2022 (Actual results)	Fiscal year ending March 31, 2023 (Forecast)*	Fiscal year ending March 31, 2026 (Target)
Net sales	22,744	21,624	26,599	30,000	30,000
Operating profit	959	701	1,383	2,020	3,100
ROE	2.1%	0.0%	6.3%	6.5%	8.0%

*Consolidated business forecasts most recently announced.