



Medium-Term Management Plan 2031

SAKAI HEAVY INDUSTRIES, LTD.

August 7, 2026

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01

Corporate Profile

VISION

A global niche corporation that is world top-class in road construction equipment

01 | Philosophy

To make good products, at the right price, quickly, and with kindness, and by providing them to users, contribute to the social project of national land development

With a spirit of harmony as our fundamental principle, management and labor working together sharing joys and sorrows to ensure prosperous lives both mentally and physically, while growing as a company to become a leading construction equipment manufacturer

02 | Company strengths

Road construction equipment specialist

- Compaction technology expertise for a diverse range of materials
- Vibration/vibration isolation technologies

Strength in manufacturing

- Robust manufacturing structure that enables high mix, low volume production
- Manufacturing of reliable products

Cooperation with employees and partners

- Experienced employees and collaborative partnerships that underpin our compaction technology and high-mix, low-volume production

03 | Vision

A global niche corporation that is world top-class in road construction equipment

Developing technologies peripheral to specialist road technologies to expand business fields

Prosperous lives for all stakeholders including users, partners, and employees

Status of Business (History, Sales by Region)

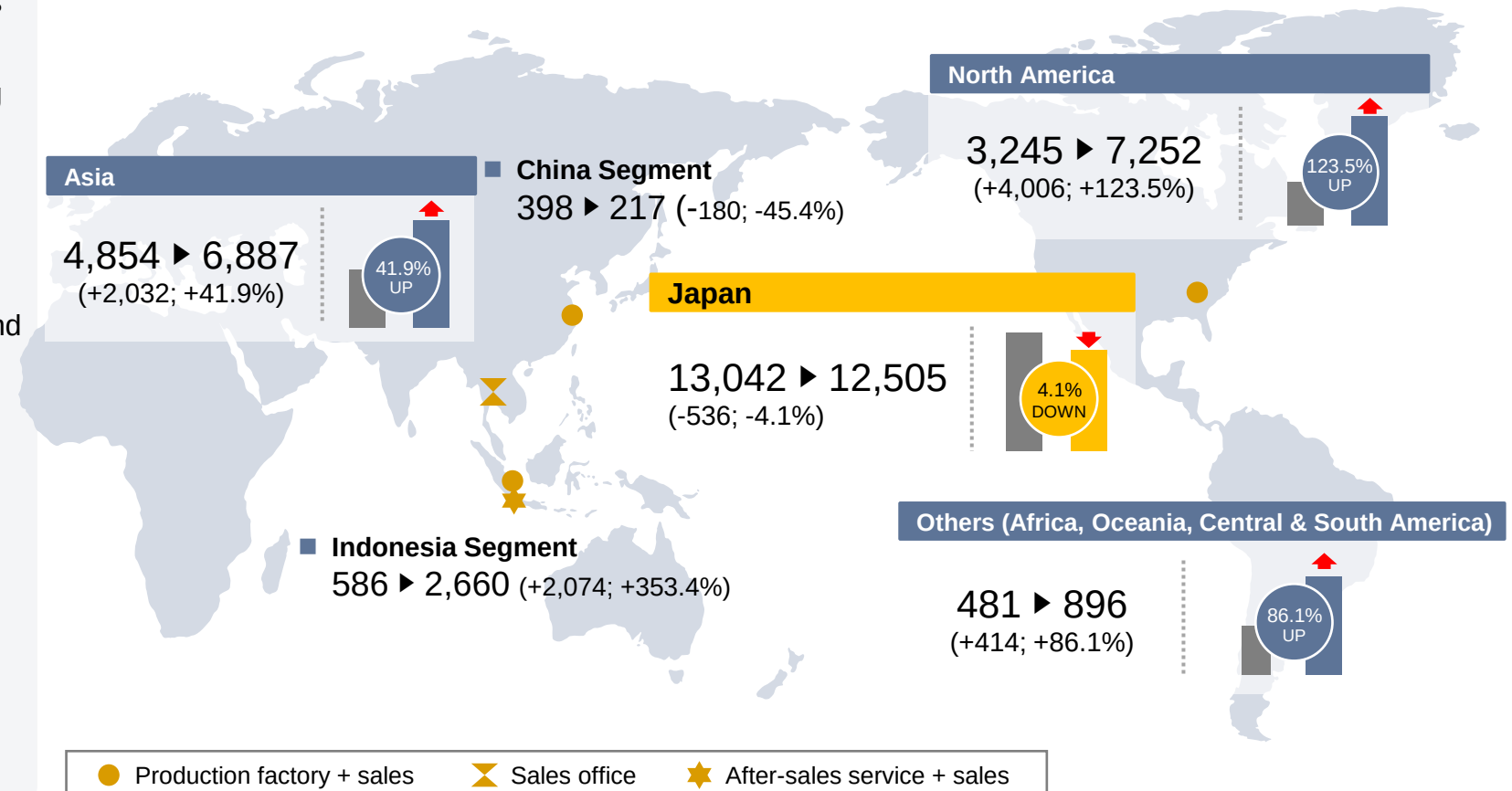
History

- 1918**
 The Company is founded by Kinnosuke Sakai, with the aim of manufacturing and repairing parts for automobiles, internal combustion engines, and steam locomotives
- 1929**
 With the increasing scale of civil engineering works in Japan, the Company starts producing road rollers. Continued capital investment, driven by increasing demand leads to a dramatic growth in business
- 1935**
 Initiated export of road rollers, etc. to Thailand
- 1964**
 Listed on the Second Section of the Tokyo Stock Exchange
- 1981**
 Listed on the First Section of the Tokyo Stock Exchange
- 2022**
 Listed on TSE Prime Market as part of TSE's market reclassification

Sales by Region

Domestic **Overseas**

Millions of yen	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2026	Change
Domestic	13,042	12,505	-536; -4.1%
Overseas	8,582	15,035	+6,453; +75.2%
Total	21,624	27,541	+5,916; +27.4%



02

Review of “Medium-Term Management Policy” Announced in June 2021

Review of “Medium-Term Management Policy” Announced in June 2021 (Business Results)

Net sales and profitability improved, but external and internal factors led to shortfall from KPI targets

Medium-term management policy announced in June 2021 (JPY bn)

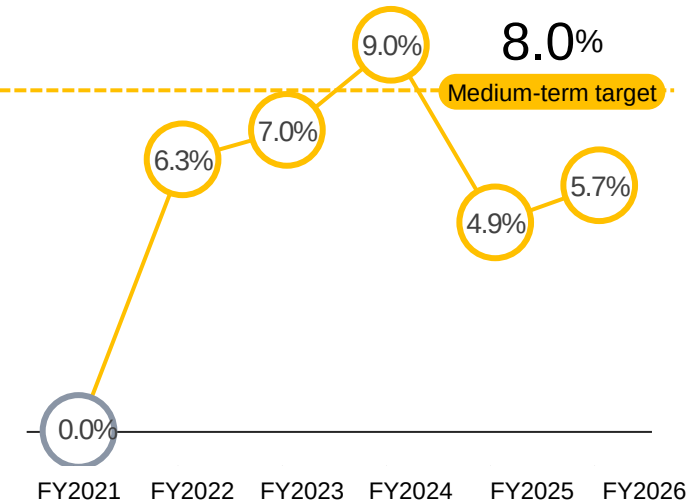
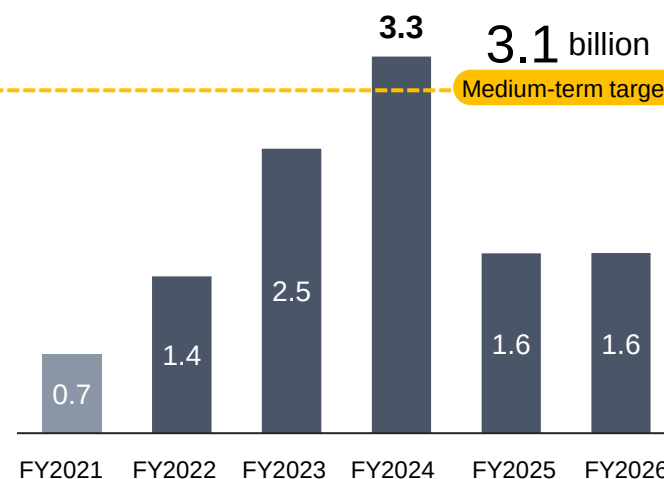
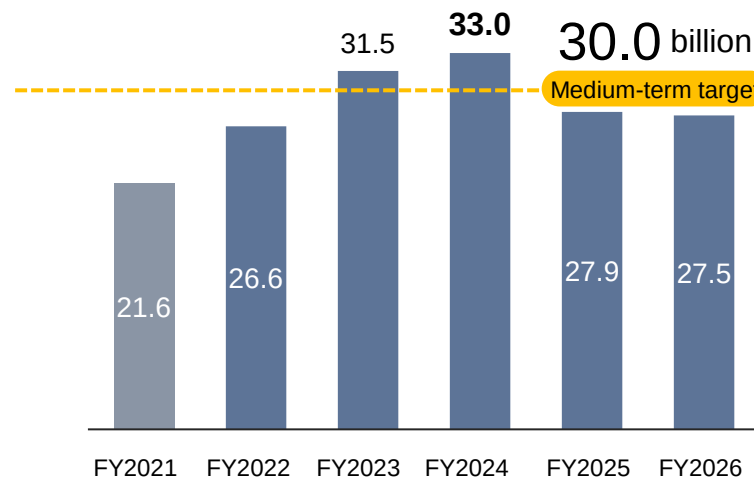
KPI	Fiscal year ended March 31, 2021 (Result)	Fiscal year ended March 31, 2026 (Result)	Fiscal year ended March 31, 2026 (Target)
Net sales	JPY 21.6 bn	JPY 27.5 bn	JPY 30.0 bn
Operating profit	JPY 0.7 bn	JPY 1.6 bn	JPY 3.1 bn
ROE	0.0 %	5.7 %	8.0 %
DOE	1.6 %	3.0 %	4.0 %

- In FY2024, achieved net sales of JPY 33.0 bn, operating profit of JPY 3.3 bn, and ROE of 9.0%. Achieved FY2026 targets early, but did not maintain them due to subsequent external and internal factors
- Achieved sales growth of overseas segment and improved profitability at all segment. In particular, grew market share in key areas of U.S. and Indonesia. Maintained overwhelming domestic market share

Net sales (JPY bn)

Operating profit (JPY bn)

ROE



Review of “Medium-Term Management Policy” Announced in June 2021 (By Theme)

New product development lifted overseas sales and market share, but delivering stable profit growth remains a key challenge

Major themes	Achievements	Issues
Stabilize domestic businesses and develop next-gen businesses	● Maintained high market share ● Developed EV rollers and autonomous rollers (ARMs)	❑ Early commercialization of autonomous rollers (ARMs) and electric rollers ❑ Increase sales team productivity
Increase market share in North America	● Increased sales and market share and improved profitability in growth markets ● Grew sales of vibratory rollers for large-scale paving and launched automated emergency brake system (Guardman)	❑ Increase sales of vibratory rollers for large-scale paving and automated emergency brake system (Guardman)
Cultivate ASEAN markets and expand product domains	● Succeeded in Indonesia-focused sales growth strategy ● Entered mining industry	❑ Low-priced Chinese products entering SEA market ❑ Increase share in mine market
Research and development	● Developed autonomous rollers (ARMs) ● Received the first GX Construction Machinery Certification for rollers (electric hand-guided roller “HV620evo”)	❑ Maximize new development and planning capabilities and design efficiency ❑ Opportunity loss from insufficient ability to address overseas needs ❑ Further horizontal rollout of autonomous rollers (ARMs)
Improve capital efficiency	● Improved profitability by appropriately passing on costs ● With ROE of 4.9%-9.0%, achieved shareholder returns with DOE at 3.0% or higher	❑ ROE for the FY2026 fell short of targets at 5.7% vs. 8.0%

03

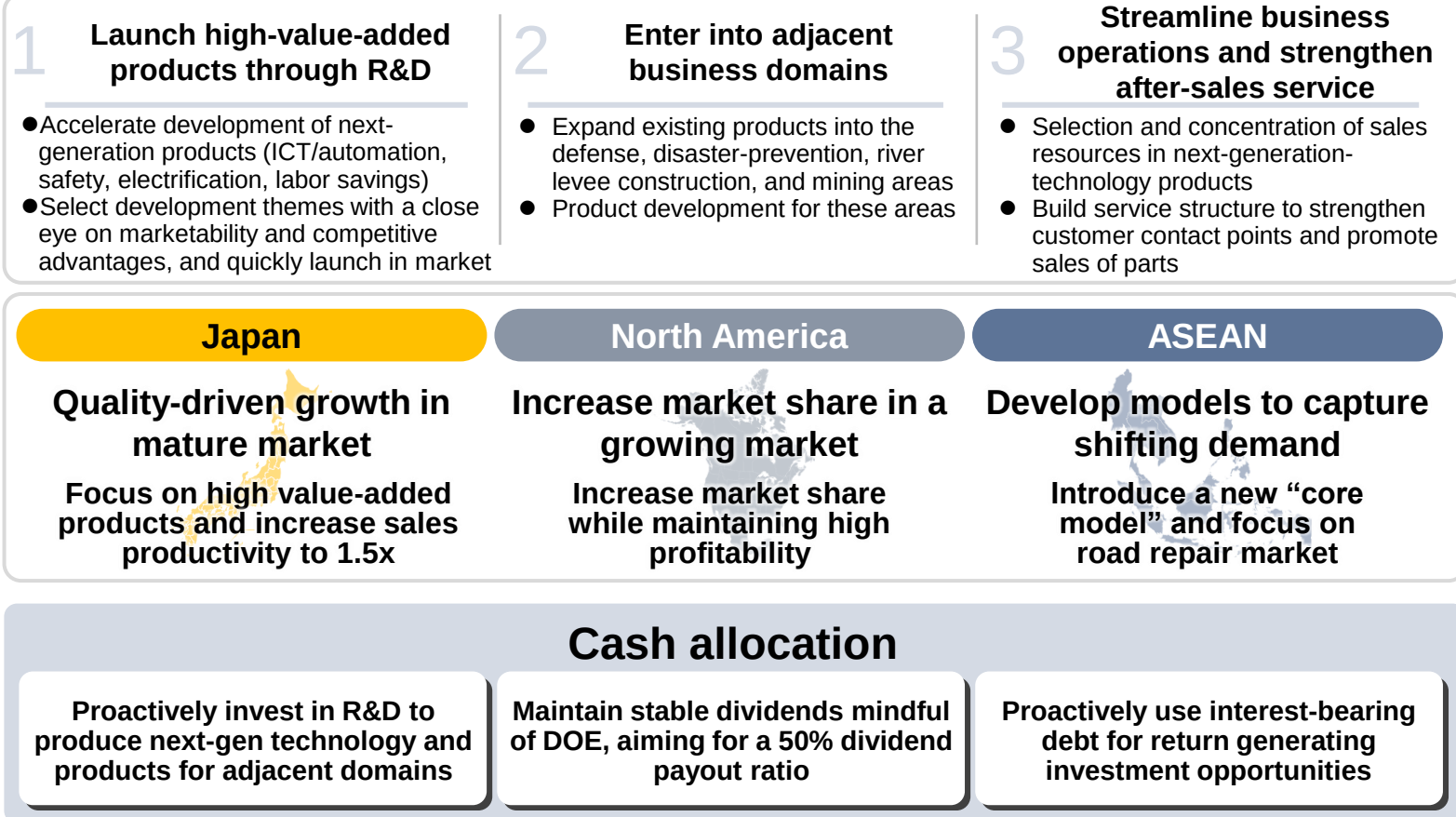
Medium-Term Management Plan 2031

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Medium-Term Management Plan 2031

Medium-Term Management Plan 2031 —Overall Policy—

We will expand sales in the growing road roller market through expanding our product pipeline and region-specific strategies, while improving profitability through adjacent-domain expansion and streamlining of business operations



Target for the fiscal year ending March 31, 2031

Net sales

JPY **42.0** bn

Operating profit

JPY **5.5** bn

ROE

10.0%

R&D expenses

Approx. JPY **5.0** bn
/5 years

KPI	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2026	Fiscal year ending March 31, 2029	Fiscal year ending March 31, 2031
	Result	Result	Target	Target
Net sales	JPY 21.6 bn	JPY 27.5 bn	JPY 36.5 bn	JPY 42.0 bn
Operating profit	JPY 0.7 bn	JPY 1.6 bn	JPY 4.0 bn	JPY 5.5 bn
ROE	0.0 %	5.7 %	8.0 %	10.0 %

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Roller demand in three main Sakai markets demonstrates continuous medium- to long-term growth despite short-term fluctuations

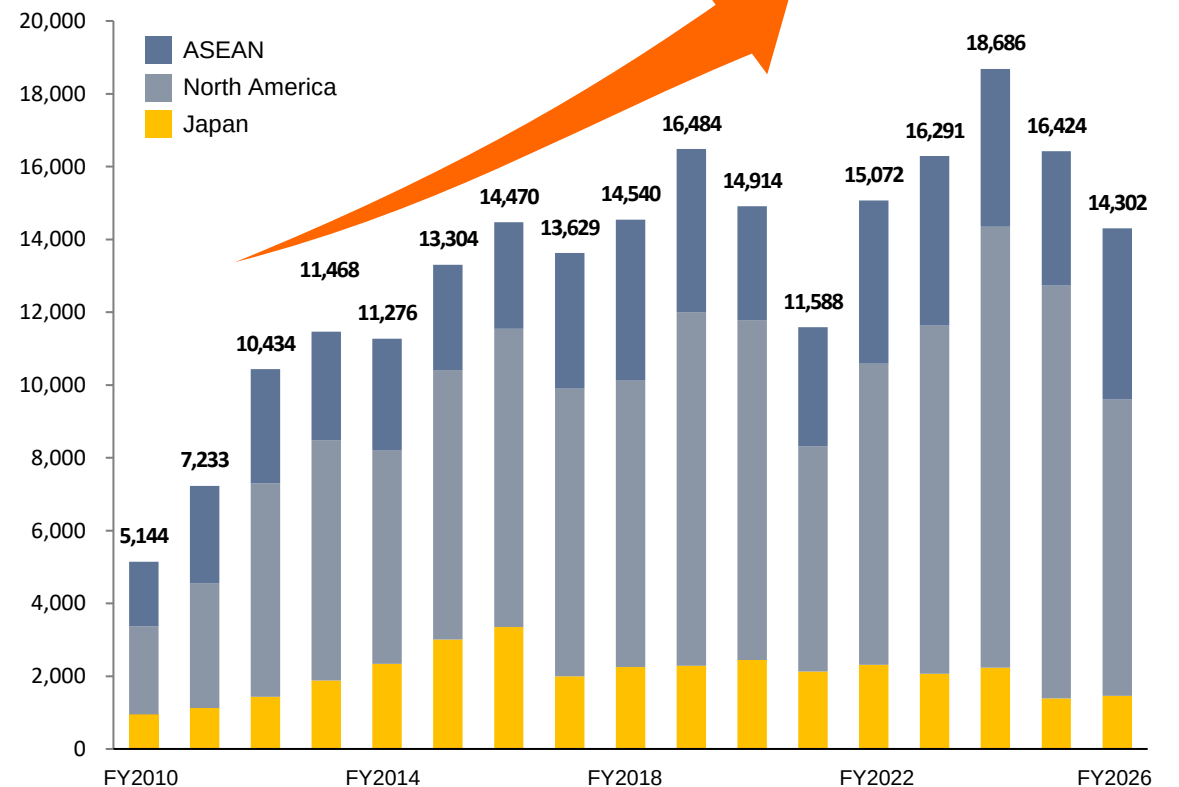
Solid Growth with resilience

Our markets are showing steady growth despite cyclical fluctuations, and we aim to become the top manufacturer in these markets



**Roller demand in Company's three main markets
(FY2010–FY2026)**

(Unit: Number of rollers)



Source: Company data

Japan

Inventory adjustments to bottom out from 2026; infrastructure spending to support growth



- Post-COVID inventory adjustments bottoming out
- Boost from increased investments for national resilience, defense-related budget, and domestic construction investment
- Shift to inflation after 30 years non-inflationary environment

North America

Despite ongoing distribution inventory adjustments, underlying demand has bottomed out



- Dealers' inventory adjustments continue amid rising interest rates
- Increased road improvement budgets from BUILD America 250 Act¹, robust private-sector construction demand for data centers, etc.
- Tariff risks difficult to evaluate

ASEAN

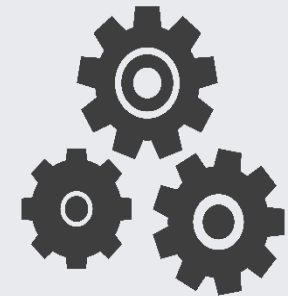
Demand recovering, but competition from Chinese manufacturers intensifying



- Market environment bottoming out except for Indonesia
- China's deflation driving a surge in low-priced Chinese imports

Technology

Fourth Industrial Revolution / worksite automation



- Increased implementation of generative AI and DX
- Rising demand for construction-site automation and labor-saving
- More sophisticated use of construction data and compaction management

Dominant market share and customer trust through high-value-added solutions

■ Resilient demand underpinned by national resilience initiatives and large-scale infrastructure renewal

- Supported by the roughly JPY 20 trillion national resilience budget and defense buildup, the demand remains stable
- Aging infrastructure is driving growing demand for maintenance and repair

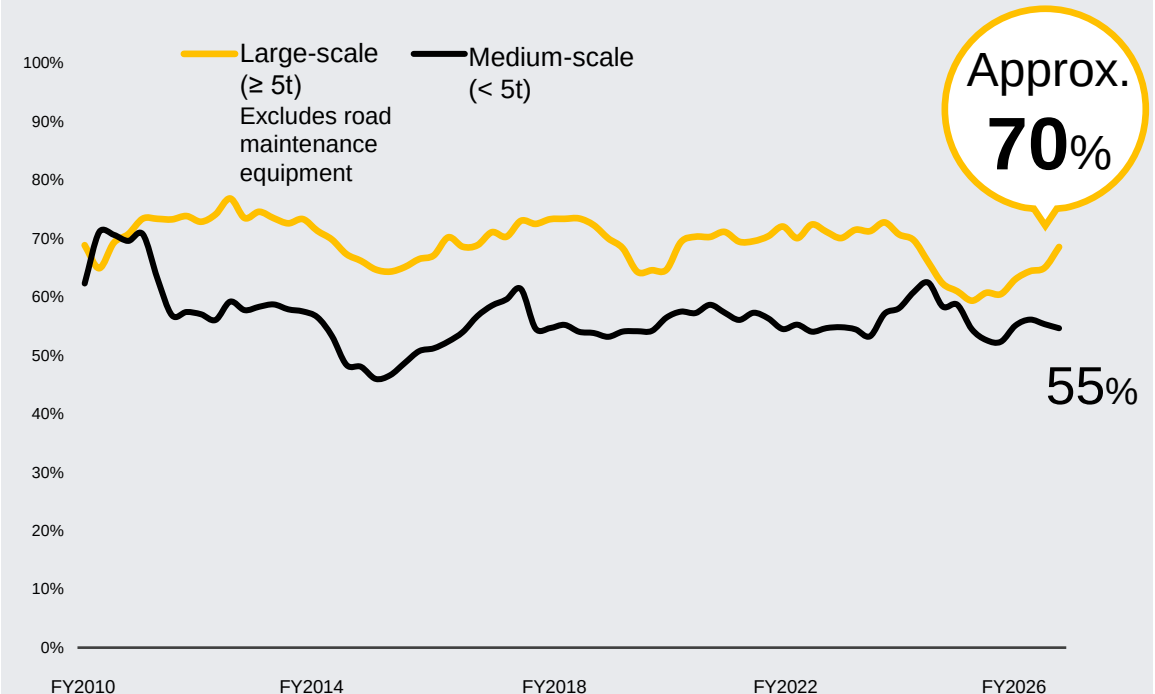
■ High-value-added solutions for customer challenges

- Strong demand for solutions to chronic labor shortages and stricter construction quality requirements
- Develop next-generation products (ICT/automation, safety, electrification and labor-saving) to solve worksite challenges and strengthen competitiveness

■ Strong relationships with end users

- Identify latent needs at worksites and incorporate them into next-generation development rapidly through leveraging relationships with major paving contractors and local construction companies
- Maintain and increase domestic market share by creating further confidence by flexibly addressing customers' needs

■ Domestic market share (5 tons and over/under 5 tons)



Source: Company data

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Qualitative growth in mature markets: Focus on high value-added products and increase sales productivity to 1.5x

1 Increase added value

- Sales promotion and development of next-gen technology products including autonomous rollers (ARMs) and electric rollers
- Expand models with automated emergency brake (Guardman)

2 Expand to adjacent areas

- Strengthen sales in untapped areas of self-defense, disaster preparedness, and river levee infrastructure
- Product development for these areas

3 Increase sales efficiency

- Use Salesforce and AI for effective sales and identification of development needs
- Optimize sales portfolio to increase earnings strength

Main products

Large vibratory rollers for dams (ARMs-compatible)

(Used for large-scale earthworks such as dams and airports)



Contribute to automation

Soil/Earth rollers (SV series)

(Used in river levee and self-defense areas)



Addressing national resilience and increased defence budget

Existing and new equipment compatible with emergency brake (Guardman)

(Used in various situations to increase worksite safety)



TZ704G

R2-4G

Contributing to safe worksites with zero accidents

Increase market share in a growing market: Increase market share while maintaining high profitability

1 Expand sales channels, increase sales efficiency

- Increase sales efficiency through technical / KOL sales to government and industry organizations
- Develop dealerships in untapped areas
- Increase sales capabilities by setting up new dealer training portal

2 Strengthen sales of high value-added products

- Hold demonstration tours for high value-added products
 - Emergency brake (Guardman)
 - Vibratory tire rollers and high-frequency vibratory rollers
 - Macadam rollers, etc.

3 Optimize inventory, improve services

- Optimize production parts procurement to reduce inventories and improve lead times
- Use remote monitoring systems to recommend timely parts replacement

Main products

High-frequency vibratory roller

(Used for asphalt paving for expressways, etc.)



Resilient demand for high value-added products in the US,
where construction quality is awarded a financial bonus

Vibratory tire roller (GW)

(Used for high-quality paving for expressways)



Existing and new equipment compatible with emergency brake (Guardman)

(Used in various situations to increase worksite safety)



SW504

GW754

Contributing to safe worksites with
zero accidents

Develop models to capture shifting demand: Introduce a new “core model” and focus on road repair market

1 Differentiate lineup

- Introduce “core model” to develop new customer base and win back customers that have left, both to increase market share and improve margins

2 Expand to adjacent areas

- Develop high value-added products and proactively approach mining market
- Pursue government approval of repair and maintenance methods (CAE)* to capture the repair and maintenance market

3 Strengthen add-on options and aftermarket

- Make cabins and other optional products with high local demand internally to increase sales and profitability
- Create vehicle breakdown response team and begin schedule inspection tours to strengthen customer contact points and promote sales of parts

Main products

Soil compactor (SV series; 10-20 tons)

(Used for compaction in mining and agriculture)



Growing demand in Southeast Asia,
driven by active earthwork and mining

Vibratory roller for large-scale paving

(Used for asphalt paving for expressways, etc.)



Growing demand for expressway
construction

Road cutter (repair and maintenance)

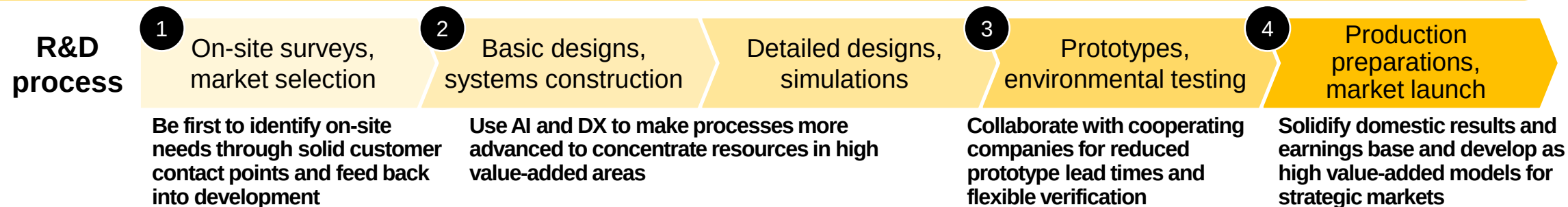
(Used in road repair work on damaged existing road surface)



Products for repair and
maintenance market

*Repair and Maintenance Method (CAE): A recycling method using a mixture of cement and asphalt emulsion. Enhances base course strength and durability to suppress cracking, while conserving resources through waste material recycling.

In addition to regulatory-driven development, we select development themes based on market attractiveness and competitive advantage, and accelerate their time to market



Markets and themes		Progress to date	Future initiatives
High value-added products	Japan - ICT/automation, safety, electrification, labor savings - Enter self-defense, disaster preparedness, and river levees areas	✓ Expanded by six models equipped with emergency brakes (Guardman) and two models with safety bumpers ✓ Received industry's first GX Construction Machinery Certification and developed autonomous rollers (two ARMs models) ✓ Developed system to prevent overloading of road cutters	• New models with emergency brake (Guardman) compatibility • Develop safety functions by installing AI cameras • Expand products to government's priority markets (self-defense, disaster preparedness, river levees, etc.) • Introduce core models for ASEAN market
	North America Safety, construction quality	✓ Emergency brake (Guardman) installed in two major models ✓ Full model change of GW754 for North American market	
	ASEAN, etc. - Recover market share - Core models	✓ Developed 20-ton earthworks-use roller for ASEAN ✓ Developed road cutter for overseas markets	

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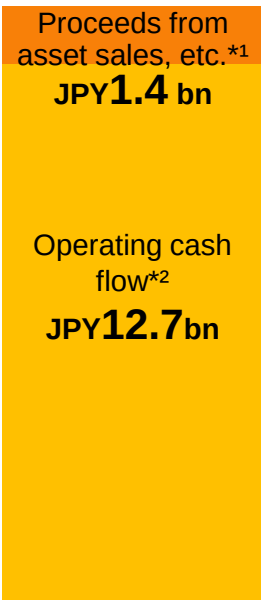
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Cash Allocation (FY2027–FY2031)

While prioritizing the allocation of capital to growth investments, the Company will provide shareholder returns underpinned by earnings performance and a sound financial base

FY2022–FY2026 Results

Cash in

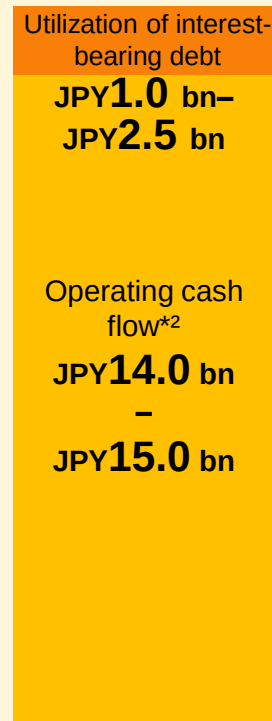


Cash out



FY2027–FY2031 Medium-Term Management Plan 2031

Cash in



Cash out



Proactively use interest-bearing debt for promising investment opportunities

Growth investment

R&D expenses: Approx. JPY5.0 bn

- Accelerate development of next-gen technology products (ICT / automation, safety, electrification, labor savings technologies)
- Develop c*ore model* for ASEAN market
- Expand the lineup of rollers for each market
- Expand offerings in government-priority markets, including defense, disaster prevention, river works, and overseas maintenance equipment.

Capital investment: JPY2.5–3.0 bn

- Invest in maintenance and upgrades
- Invest in AI and digital transformation

Flexible growth Investment: JPY1.5–2.5 bn

- Use capital flexibly with an eye toward the future
- M&A and capital alliances

Shareholder returns

Maintain stable dividends mindful of DOE, aiming for a 50% dividend payout ratio

*1Sale of investment securities/fixed assets, foreign currency translation adjustments

*2 Excluding R&D expenses

Maintain stable dividends with DOE in mind, targeting a 50% payout ratio as earnings grow

Basic policy regarding profit distribution

- **Maintain a stable management foundation over the long term while prioritizing stable dividends and shareholder returns supported by earnings and a sound financial position**
- **Dividend policy remains unchanged from previous Medium-Term Management Policy as follows**

1 ROE > 6%

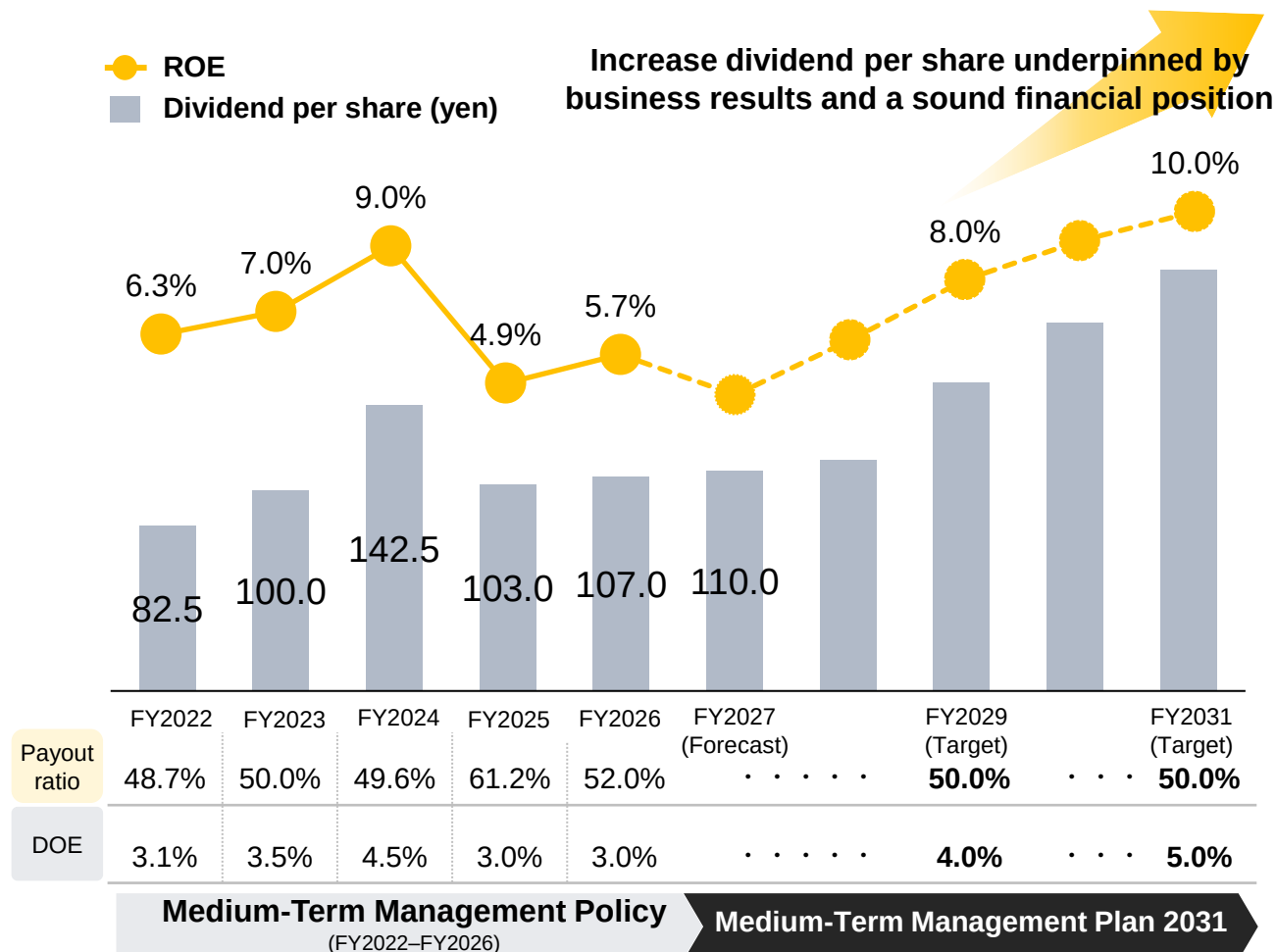
50% dividend payout ratio

2 3% ≤ ROE ≤ 6%

3% DOE

3 ROE < 3%

100% dividend payout ratio



Management Initiatives Conscious of Cost of Capital and Stock Price

The Company aims to achieve a PBR above 1.0x by improving ROE through “**stronger earnings power**” and “**disciplined capital allocation**” and by raising PER through sustainable growth.

Improving PBR

PBR

Achieve at least 1.0



ROE

FY2029: 8%
FY2031: 10%



PER

ROE

Earning power
and disciplined
capital allocation

**Strengthen profitability
through R&D**

- Select development themes with a close eye on marketability and competitive advantages, and quickly bring products to market
- Increase sales and profitability with differentiated products and high value-added products

**Streamline
business operations**

- Select and concentrate sales resources in next-generation-technology products
- Optimize parts procurement to raise profitability
- Use AI to increase sales and development efficiency

Cash allocation

- Carry out proactive R&D in next-generation-technology products and new business areas
- Provide performance-linked returns with 50% payout ratio while maintaining stable, DOE-conscious dividends

PER

Achieve
sustainable
growth

Increase expectations for growth

- Use trust and track record built over many years as base for expanding into North American and ASEAN markets and new areas (repairs, maintenance, etc.)
- Promote understanding of Company's growth strategy through constructive dialogue with investors and appropriately timed disclosure of appropriate information

Promote sustainability initiatives

- Commercialize next-generation-technology products to contribute to reduced CO₂ emissions from construction equipment and construction sites
- Secure and train diverse human resources (internal job posting, referral hiring, etc.) to build a strong foundation for “earnings strength”

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Aiming for both Company's sustainable growth and employees' well-being

Investment in human capital

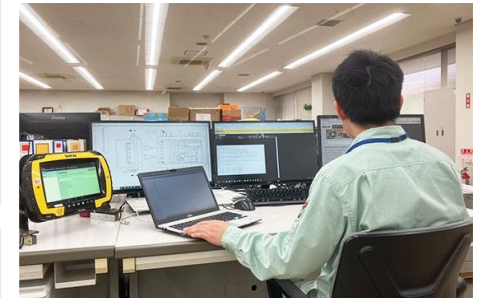


We are making sincere efforts to create comfortable work environments that ensure that employees lead rewarding lives.

We also return the results generated by our business in the form of continuously improved wages, to achieve both sustainable growth for the Company and employees' well-being.

Specific measures

- Stabilizing employment through continuous wage revisions
- Strengthening talent development (AI education and technological exchange with top manufacturers)
- Introducing internal job posting and transfer request systems, and expanding referral and alumni hiring



Work environment



Major accidents

0*

Employee turnover

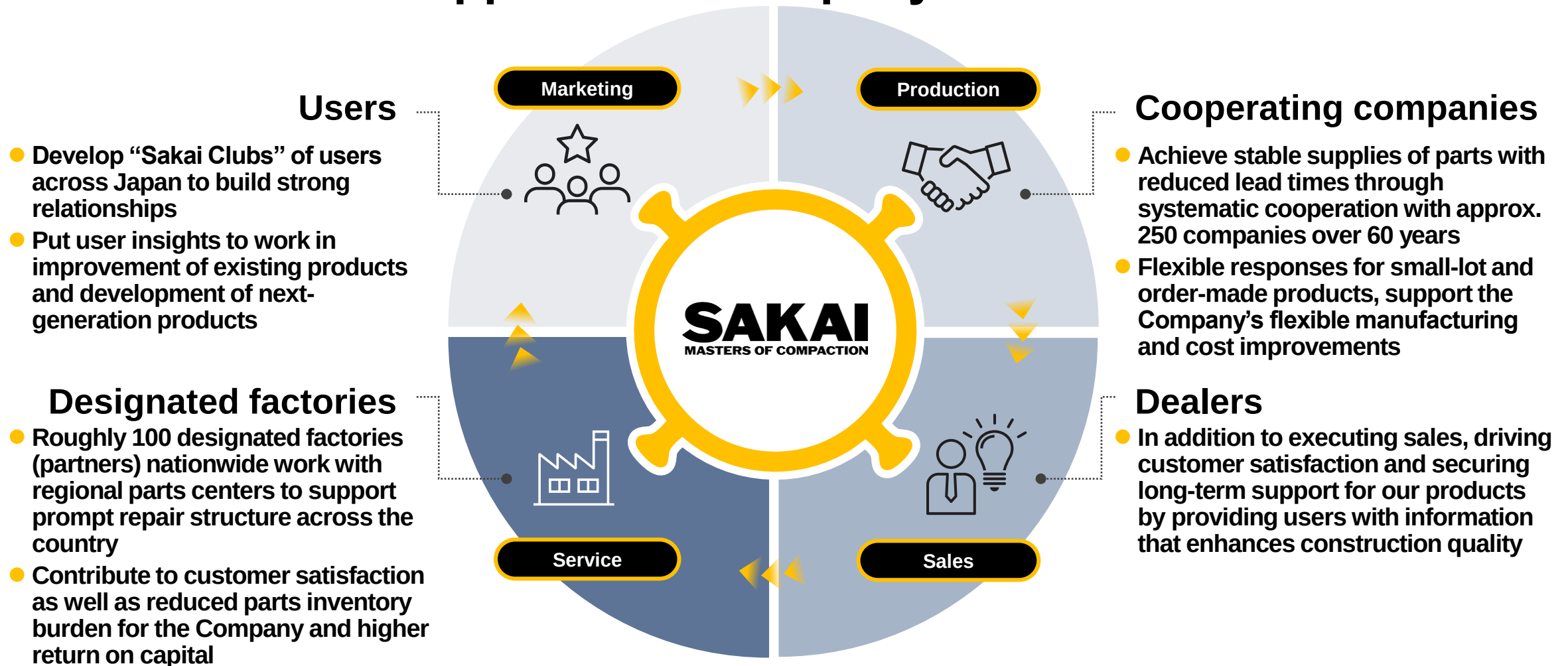
~6%*

Average years of service (as of FY2026)

16 years

* Average for past five years

Foundation for sustainable value creation that supports the Company's value chain



SAKAI

MASTERS OF COMPACTION

Performance forecasts and other forward-looking statements in this document are based on information available at the time of this writing, as well as certain assumptions deemed reasonable. Actual performance and other results may differ depending on a variety of factors.

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