

Translation

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Summary of Consolidated Financial Results for the Year Ended March 31, 2018 (Based on Japanese GAAP)

May 10, 2018

Company name: Howa Machinery, Ltd.
 Stock exchange listing: Tokyo, Nagoya
 Stock code: 6203 URL <http://www.howa.co.jp/>
 Representative: President, Managing Director Takahiro Tsukamoto
 Inquiries: Managing Director Hiromitsu Ishihara TEL 052-408-1001
 Scheduled date of ordinary general meeting of shareholders: June 28, 2018
 Scheduled date to file Securities Report: June 28, 2018
 Scheduled date to commence dividend payments: June 29, 2018
 Preparation of supplementary material on financial results: Yes
 Holding of financial results meeting: Yes (for institutional investors and analysts)

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the year ended March 31, 2018 (from April 1, 2017 to March 31, 2018)

(1) Consolidated operating results

Percentages indicate year-on-year changes

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Year ended March 31, 2018	19,464	5.2	(13)	–	62	–	168	–
Year ended March 31, 2017	18,500	(17.3)	(405)	–	(388)	–	(624)	–

	Earnings per share	Diluted earnings per share	Profit attributable to owners of parent/equity	Ordinary profit/total assets	Operating profit/net sales
	Yen	Yen	%	%	%
Year ended March 31, 2018	13.49	–	1.1	0.3	(0.1)
Year ended March 31, 2017	(49.90)	–	(4.1)	(1.6)	(2.2)

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of March 31, 2018	24,223	14,895	61.4	1,189.13
As of March 31, 2017	24,078	15,220	63.2	1,215.13

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Year ended March 31, 2018	(1,359)	193	(35)	2,595
Year ended March 31, 2017	1,695	(474)	(491)	3,784

2. Cash dividends

	Annual dividends per share					Total cash dividends (Total)	Dividend payout ratio (Consolidated)	Ratio of dividends to net assets (Consolidated)
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Year ended March 31, 2017	–	0.00	–	20.00	20.00	250	–	1.6
Year ended March 31, 2018	–	0.00	–	20.00	20.00	250	148.3	1.7
Year ending March 31, 2019 (Forecast)	–	0.00	–	20.00	20.00		37.4	

3. Forecast of consolidated financial results for the year ending March 31, 2019 (from April 1, 2018 to March 31, 2019)

Percentages indicate year-on-year changes

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Six months ending September 30, 2018	10,900	18.5	290	–	340	–	280	–	22.37
Full year	22,600	16.1	700	–	780	–	670	296.7	53.53

4. Notes

(1) Changes in significant subsidiaries during the year ended March 31, 2018

(changes in specified subsidiaries resulting in the change in scope of consolidation): No

(2) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements

Changes in accounting policies due to revisions to accounting standards and other regulations: No

Changes in accounting policies due to other reasons: No

Changes in accounting estimates: No

Restatement of prior period financial statements: No

(3) Number of issued shares (common shares)

Total number of issued shares at the end of the period (including treasury shares)

As of March 31, 2018	12,548,134 shares	As of March 31, 2017	12,548,134 shares
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Number of treasury shares at the end of the period

As of March 31, 2018	31,854 shares	As of March 31, 2017	31,175 shares
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Average number of shares during the period

Year ended March 31, 2018	12,516,558 shares	Year ended March 31, 2017	12,517,113 shares
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Consolidated financial statements
Consolidated balance sheets

(Millions of yen)

	As of March 31, 2017	As of March 31, 2018
Assets		
Current assets		
Cash and deposits	3,867	2,685
Notes and accounts receivable - trade	4,648	6,304
Electronically recorded monetary claims - operating	1,477	1,653
Securities	20	20
Merchandise and finished goods	369	90
Work in process	3,452	3,623
Raw materials and supplies	275	334
Deferred tax assets	22	23
Other	293	1,090
Allowance for doubtful accounts	(5)	(5)
Total current assets	14,421	15,821
Non-current assets		
Property, plant and equipment		
Buildings and structures	11,896	11,650
Accumulated depreciation	(9,428)	(9,330)
Buildings and structures, net	2,468	2,320
Machinery, equipment and vehicles	12,757	12,583
Accumulated depreciation	(11,664)	(11,654)
Machinery, equipment and vehicles, net	1,092	928
Tools, furniture and fixtures	1,549	1,584
Accumulated depreciation	(1,351)	(1,445)
Tools, furniture and fixtures, net	197	138
Land	502	502
Leased assets	208	164
Accumulated depreciation	(126)	(113)
Leased assets, net	81	50
Construction in progress	0	65
Total property, plant and equipment	4,343	4,006
Intangible assets		
Other	97	80
Total intangible assets	97	80
Investments and other assets		
Investment securities	4,654	3,727
Other	625	636
Allowance for doubtful accounts	(65)	(50)
Total investments and other assets	5,215	4,313
Total non-current assets	9,656	8,401
Total assets	24,078	24,223

(Millions of yen)

	As of March 31, 2017	As of March 31, 2018
Liabilities		
Current liabilities		
Accounts payable - trade	2,527	2,738
Short-term loans payable	443	821
Current portion of bonds	60	–
Lease obligations	37	31
Accounts payable - other	119	110
Accrued expenses	785	766
Income taxes payable	63	114
Accrued consumption taxes	254	20
Deferred tax liabilities	1	–
Provision for bonuses	291	285
Provision for loss on construction contracts	50	46
Provision for environmental safety measures	–	390
Other	178	305
Total current liabilities	4,814	5,630
Non-current liabilities		
Long-term loans payable	837	773
Lease obligations	51	23
Deferred tax liabilities	679	562
Provision for environmental safety measures	43	80
Net defined benefit liability	1,953	1,850
Asset retirement obligations	85	86
Other	392	318
Total non-current liabilities	4,042	3,696
Total liabilities	8,857	9,327
Net assets		
Shareholders' equity		
Capital stock	9,019	9,019
Retained earnings	4,407	4,325
Treasury shares	(27)	(28)
Total shareholders' equity	13,398	13,316
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,570	1,281
Deferred gains or losses on hedges	2	(0)
Foreign currency translation adjustment	106	109
Remeasurements of defined benefit plans	131	175
Total accumulated other comprehensive income	1,810	1,566
Non-controlling interests	10	12
Total net assets	15,220	14,895
Total liabilities and net assets	24,078	24,223

Consolidated statements of income and consolidated statements of comprehensive income
Consolidated statements of income

(Millions of yen)

	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018
Net sales	18,500	19,464
Cost of sales	15,804	16,471
Gross profit	2,695	2,993
Selling, general and administrative expenses	3,101	3,007
Operating loss	(405)	(13)
Non-operating income		
Interest income	3	3
Dividend income	112	120
Insurance income	17	22
Subsidy income	14	–
Miscellaneous income	47	37
Total non-operating income	194	183
Non-operating expenses		
Interest expenses	5	4
Insurance expenses	24	24
Maintenance cost for idle assets	23	24
Foreign exchange losses	69	8
Miscellaneous loss	54	45
Total non-operating expenses	177	108
Ordinary profit (loss)	(388)	62
Extraordinary income		
Gain on sales of non-current assets	4	65
Gain on sales of investment securities	–	668
Other	0	0
Total extraordinary income	5	734
Extraordinary losses		
Loss on product safety measures	–	17
Impairment loss	67	–
Environmental expenses	–	56
Provision for environmental safety measures	–	441
Other	1	1
Total extraordinary losses	68	517
Profit (loss) before income taxes	(452)	279
Income taxes - current	50	108
Income taxes - deferred	123	0
Total income taxes	173	109
Profit (loss)	(626)	170
Profit (loss) attributable to non-controlling interests	(1)	1
Profit (loss) attributable to owners of parent	(624)	168

Consolidated statements of comprehensive income

(Millions of yen)

	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018
Profit (loss)	(626)	170
Other comprehensive income		
Valuation difference on available-for-sale securities	508	(288)
Deferred gains or losses on hedges	2	(2)
Foreign currency translation adjustment	(14)	3
Remeasurements of defined benefit plans, net of tax	22	44
Total other comprehensive income	519	(244)
Comprehensive income	(106)	(73)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(105)	(75)
Comprehensive income attributable to non-controlling interests	(1)	1

Consolidated statements of changes in equity

Fiscal year ended March 31, 2017

(Millions of yen)

	Shareholders' equity			
	Capital stock	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	9,019	5,408	(27)	14,400
Changes of items during period				
Dividends of surplus		(250)		(250)
Profit (loss) attributable to owners of parent		(624)		(624)
Purchase of treasury shares			(0)	(0)
Change of scope of consolidation		(126)		(126)
Net changes of items other than shareholders' equity				-
Total changes of items during period	-	(1,001)	(0)	(1,001)
Balance at end of current period	9,019	4,407	(27)	13,398

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	1,061	(0)	-	109	1,170	12	15,583
Changes of items during period							
Dividends of surplus					-		(250)
Profit (loss) attributable to owners of parent					-		(624)
Purchase of treasury shares					-		(0)
Change of scope of consolidation					-		(126)
Net changes of items other than shareholders' equity	508	2	106	22	640	(1)	638
Total changes of items during period	508	2	106	22	640	(1)	(363)
Balance at end of current period	1,570	2	106	131	1,810	10	15,220

Fiscal year ended March 31, 2018

(Millions of yen)

	Shareholders' equity			
	Capital stock	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	9,019	4,407	(27)	13,398
Changes of items during period				
Dividends of surplus		(250)		(250)
Profit (loss) attributable to owners of parent		168		168
Purchase of treasury shares			(0)	(0)
Net changes of items other than shareholders' equity				-
Total changes of items during period	-	(81)	(0)	(82)
Balance at end of current period	9,019	4,325	(28)	13,316

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	1,570	2	106	131	1,810	10	15,220
Changes of items during period							
Dividends of surplus					-		(250)
Profit (loss) attributable to owners of parent					-		168
Purchase of treasury shares					-		(0)
Net changes of items other than shareholders' equity	(288)	(2)	3	44	(244)	1	(242)
Total changes of items during period	(288)	(2)	3	44	(244)	1	(324)
Balance at end of current period	1,281	(0)	109	175	1,566	12	14,895

Consolidated statements of cash flows

(Millions of yen)

	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018
Cash flows from operating activities		
Profit (loss) before income taxes	(452)	279
Depreciation	798	650
Impairment loss	67	–
Increase (decrease) in allowance for doubtful accounts	(4)	(15)
Increase (decrease) in provision for bonuses	(69)	(6)
Increase (decrease) in net defined benefit liability	(12)	(59)
Increase (decrease) in provision for loss on construction contracts	0	(4)
Increase (decrease) in provision for environmental safety measures	–	428
Interest and dividend income	(115)	(123)
Interest expenses	5	4
Foreign exchange losses (gains)	55	(0)
Loss (gain) on sales of property, plant and equipment	(4)	(65)
Loss (gain) on disposal of property, plant and equipment	0	1
Loss (gain) on sales of short-term and long-term investment securities	1	(665)
Decrease (increase) in notes and accounts receivable - trade	2,481	(1,831)
Decrease (increase) in inventories	(392)	52
Increase (decrease) in notes and accounts payable - trade	(788)	211
Increase (decrease) in accrued consumption taxes	203	(234)
Decrease (increase) in other current assets	(79)	(94)
Increase (decrease) in other current liabilities	(77)	116
Other, net	16	(43)
Subtotal	1,636	(1,398)
Interest and dividend income received	115	123
Interest expenses paid	(6)	(4)
Income taxes paid	(50)	(80)
Net cash provided by (used in) operating activities	1,695	(1,359)
Cash flows from investing activities		
Payments into time deposits	(74)	(93)
Proceeds from withdrawal of time deposits	81	86
Purchase of securities	–	(20)
Proceeds from sales and redemption of securities	–	20
Purchase of property, plant and equipment	(373)	(247)
Proceeds from sales of property, plant and equipment	13	67
Purchase of intangible assets	(4)	(17)
Purchase of investment securities	(306)	(14)
Proceeds from sales and redemption of investment securities	262	473
Purchase of shares of subsidiaries	(48)	(41)
Collection of loans receivable	10	58
Payments of loans receivable	(24)	(83)
Other, net	(9)	5
Net cash provided by (used in) investing activities	(474)	193

(Millions of yen)

	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(300)	300
Proceeds from long-term loans payable	500	350
Repayments of long-term loans payable	(294)	(336)
Redemption of bonds	(100)	(60)
Cash dividends paid	(250)	(250)
Repayments of lease obligations	(45)	(37)
Other, net	(0)	(0)
Net cash provided by (used in) financing activities	(491)	(35)
Effect of exchange rate change on cash and cash equivalents	(50)	13
Net increase (decrease) in cash and cash equivalents	678	(1,189)
Cash and cash equivalents at beginning of period	2,963	3,784
Increase in cash and cash equivalents from newly consolidated subsidiary	142	–
Cash and cash equivalents at end of period	3,784	2,595