

Translation

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## Summary of Consolidated Financial Results for the Year Ended March 31, 2021 (Based on Japanese GAAP)

May 11, 2021

Company name: Howa Machinery, Ltd.  
 Stock exchange listing: Tokyo, Nagoya  
 Stock code: 6203 URL <https://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 25, 2021  
 Scheduled date to file Securities Report: June 25, 2021  
 Scheduled date to commence dividend payments: June 28, 2021  
 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, 2021 (from April 1, 2020 to March 31, 2021)

#### (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, 2021	18,765	(7.7)	554	(28.6)	918	12.0	968	63.9
Year ended March 31, 2020	20,321	(9.0)	776	(25.2)	820	(26.0)	591	(47.8)

	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, 2021	78.18	—	6.2	3.6	3.0
Year ended March 31, 2020	47.75	—	3.9	3.4	3.8

#### (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, 2021	26,461	16,114	60.9	1,299.91
As of March 31, 2020	24,114	14,991	62.2	1,210.30

#### (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, 2021	(1,270)	(635)	1,881	3,427
Year ended March 31, 2020	1,192	(1,052)	35	3,445

### 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, 2020	—	0.00	—	20.00	20.00	247	41.9	1.6
Year ended March 31, 2021	—	0.00	—	20.00	20.00	247	25.6	1.6
Year ending March 31, 2022 (Forecast)	—	0.00	—	20.00	20.00		65.2	

3. Forecast of consolidated financial results for the year ending March 31, 2022 (from April 1, 2021 to March 31, 2022)

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
Full year	18,600	(0.9)	430	(22.5)	450	(51.0)	380	(60.8)	30.66

4. Notes

(1) Changes in significant subsidiaries during the year ended March 31, 2021

(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: Yes

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, 2021	12,548,134 shares	As of March 31, 2020	12,548,134 shares
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Number of treasury shares at the end of the period

As of March 31, 2021	151,179 shares	As of March 31, 2020	163,798 shares
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Average number of shares during the period

Year ended March 31, 2021	12,393,783 shares	Year ended March 31, 2020	12,384,485 shares
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**Consolidated financial statements**  
**Consolidated balance sheets**

(Millions of yen)

	As of March 31, 2020	As of March 31, 2021
Assets		
Current assets		
Cash and deposits	3,514	3,462
Notes and accounts receivable - trade	6,131	5,536
Electronically recorded monetary claims - operating	1,400	3,218
Investments in leases	–	1,159
Merchandise and finished goods	121	246
Work in process	4,747	4,203
Raw materials and supplies	400	427
Other	298	341
Allowance for doubtful accounts	(0)	(0)
Total current assets	16,614	18,595
Non-current assets		
Property, plant and equipment		
Buildings and structures	11,878	11,711
Accumulated depreciation	(9,439)	(9,587)
Buildings and structures, net	2,439	2,123
Machinery, equipment and vehicles	12,475	12,601
Accumulated depreciation	(11,774)	(11,835)
Machinery, equipment and vehicles, net	700	766
Tools, furniture and fixtures	1,671	1,741
Accumulated depreciation	(1,541)	(1,607)
Tools, furniture and fixtures, net	130	133
Land	549	549
Leased assets	9	9
Accumulated depreciation	(6)	(8)
Leased assets, net	2	1
Construction in progress	521	210
Total property, plant and equipment	4,343	3,784
Intangible assets		
Software in progress	–	256
Other	45	54
Total intangible assets	45	310
Investments and other assets		
Investment securities	2,580	3,185
Retirement benefit asset	–	114
Other	574	511
Allowance for doubtful accounts	(43)	(40)
Total investments and other assets	3,111	3,770
Total non-current assets	7,500	7,865
Total assets	24,114	26,461

(Millions of yen)

	As of March 31, 2020	As of March 31, 2021
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable - trade	2,667	2,322
Electronically recorded obligations - operating	526	381
Short-term borrowings	748	1,799
Lease obligations	1	1
Accounts payable - other	235	293
Accrued expenses	784	838
Income taxes payable	73	134
Accrued consumption taxes	232	20
Provision for bonuses	330	315
Provision for loss on construction contracts	2	13
Provision for environmental safety measures	57	–
Other	191	113
<b>Total current liabilities</b>	<b>5,852</b>	<b>6,233</b>
<b>Non-current liabilities</b>		
Long-term borrowings	1,281	2,354
Lease obligations	1	0
Deferred tax liabilities	202	157
Retirement benefit liability	1,084	1,065
Asset retirement obligations	89	91
Other	611	444
<b>Total non-current liabilities</b>	<b>3,270</b>	<b>4,112</b>
<b>Total liabilities</b>	<b>9,122</b>	<b>10,346</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Share capital	9,019	9,019
Retained earnings	5,551	6,271
Treasury shares	(152)	(140)
<b>Total shareholders' equity</b>	<b>14,418</b>	<b>15,150</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	446	866
Deferred gains or losses on hedges	1	(3)
Foreign currency translation adjustment	102	101
Remeasurements of defined benefit plans	18	(1)
<b>Total accumulated other comprehensive income</b>	<b>570</b>	<b>964</b>
<b>Non-controlling interests</b>	<b>2</b>	<b>–</b>
<b>Total net assets</b>	<b>14,991</b>	<b>16,114</b>
<b>Total liabilities and net assets</b>	<b>24,114</b>	<b>26,461</b>

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

(Millions of yen)

	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
Net sales	20,321	18,765
Cost of sales	16,419	15,282
Gross profit	3,901	3,483
Selling, general and administrative expenses	3,125	2,928
Operating profit	776	554
Non-operating income		
Interest income	0	0
Dividend income	116	104
Insurance claim income	23	7
Subsidy income	1	298
Miscellaneous income	40	34
Total non-operating income	181	445
Non-operating expenses		
Interest expenses	5	11
Financing commission fee	29	0
Insurance expenses	19	19
Maintenance cost for idle assets	22	19
Foreign exchange losses	29	4
Miscellaneous losses	30	26
Total non-operating expenses	138	81
Ordinary profit	820	918
Extraordinary income		
Gain on sale of investment securities	–	79
Gain on sale of non-current assets	4	15
Gain on revision of retirement benefit plan	20	–
Subsidies for employment adjustment	–	45
Reversal for environmental safety measures	29	–
Other	0	3
Total extraordinary income	54	143
Extraordinary losses		
Loss on product safety measures	11	–
Impairment losses	64	2
Loss related to COVID-19	–	110
Farewell ceremony expenses	23	–
Loss on valuation of investment securities	60	–
Other	15	2
Total extraordinary losses	175	115
Profit before income taxes	699	946
Income taxes - current	114	170
Income taxes - deferred	(1)	(193)
Total income taxes	112	(22)
Profit	586	968
Loss attributable to non-controlling interests	(4)	(0)
Profit attributable to owners of parent	591	968

## Consolidated statements of comprehensive income

(Millions of yen)

	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
Profit	586	968
Other comprehensive income		
Valuation difference on available-for-sale securities	(464)	420
Deferred gains or losses on hedges	1	(4)
Foreign currency translation adjustment	(0)	(0)
Remeasurements of defined benefit plans, net of tax	(160)	(20)
Total other comprehensive income	(624)	394
Comprehensive income	(37)	1,363
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(33)	1,363
Comprehensive income attributable to non-controlling interests	(4)	(0)

## Consolidated statements of changes in equity

Fiscal year ended March 31, 2020

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	9,019	0	5,207	(151)	14,075
Changes during period					
Dividends of surplus			(247)		(247)
Profit attributable to owners of parent			591		591
Purchase of treasury shares				(0)	(0)
Disposal of treasury shares		(0)	(0)	0	0
Net changes in items other than shareholders' equity					–
Total changes during period	–	(0)	343	(0)	343
Balance at end of period	9,019	–	5,551	(152)	14,418

	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 period	911	(0)	103	179	1,194	9	15,279
Changes during period							
Dividends of surplus					–		(247)
Profit attributable to owners of parent					–		591
Purchase of treasury shares					–		(0)
Disposal of treasury shares					–		0
Net changes in items other than shareholders' equity	(464)	1	(0)	(160)	(624)	(6)	(631)
Total changes during period	(464)	1	(0)	(160)	(624)	(6)	(287)
Balance at end of period	446	1	102	18	570	2	14,991

Fiscal year ended March 31, 2021

(Millions of yen)

	Shareholders' equity			
	Share capital	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	9,019	5,551	(152)	14,418
Changes during period				
Dividends of surplus		(247)		(247)
Profit attributable to owners of parent		968		968
Restricted stock payment			11	11
Purchase of treasury shares			(0)	(0)
Disposal of treasury shares		(1)	0	(1)
Net changes in items other than shareholders' equity				–
Total changes during period	–	719	11	731
Balance at end of period	9,019	6,271	(140)	15,150

	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 period	446	1	102	18	570	2	14,991
Changes during period							
Dividends of surplus					–		(247)
Profit attributable to owners of parent					–		968
Restricted stock payment					–		11
Purchase of treasury shares					–		(0)
Disposal of treasury shares					–		(1)
Net changes in items other than shareholders' equity	420	(4)	(0)	(20)	394	(2)	391
Total changes during period	420	(4)	(0)	(20)	394	(2)	1,123
Balance at end of period	866	(3)	101	(1)	964	–	16,114

## Consolidated statements of cash flows

(Millions of yen)

	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
Cash flows from operating activities		
Profit before income taxes	699	946
Depreciation	475	455
Impairment losses	64	2
Subsidy income	(1)	(298)
Subsidies for employment adjustment	–	(45)
Increase (decrease) in allowance for doubtful accounts	(18)	(2)
Increase (decrease) in provision for bonuses	(12)	(14)
Decrease (increase) in retirement benefit asset	–	(114)
Increase (decrease) in retirement benefit liability	(803)	(38)
Increase (decrease) in accrued payments due to change in retirement benefit plan	450	(182)
Increase (decrease) in demolition expenses for non-current assets	(17)	–
Increase (decrease) in provision for loss on construction contracts	(24)	11
Increase (decrease) in provision for environmental safety measures	(29)	(57)
Interest and dividend income	(116)	(105)
Interest expenses	5	11
Financing commission fee	29	0
Loss (gain) on valuation of investment securities	60	–
Loss (gain) on sale of investment securities	–	(79)
Foreign exchange losses (gains)	2	(0)
Loss (gain) on sale of property, plant and equipment	(3)	(15)
Loss (gain) on disposal of property, plant and equipment	5	1
Decrease (increase) in trade receivables	943	(1,221)
Decrease (increase) in investments in leases	–	(509)
Decrease (increase) in inventories	(580)	391
Increase (decrease) in trade payables	72	(498)
Increase (decrease) in accrued consumption taxes	209	(211)
Decrease (increase) in other current assets	(49)	(37)
Increase (decrease) in other current liabilities	(36)	(30)
Other, net	(39)	46
Subtotal	1,286	(1,596)
Interest and dividends received	116	105
Subsidies received	1	327
Interest paid	(5)	(12)
Income taxes paid	(206)	(94)
Net cash provided by (used in) operating activities	1,192	(1,270)

(Millions of yen)

	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
Cash flows from investing activities		
Payments into time deposits	(60)	(57)
Proceeds from withdrawal of time deposits	54	72
Purchase of property, plant and equipment	(981)	(580)
Proceeds from sale of property, plant and equipment	1	17
Purchase of intangible assets	(7)	(173)
Purchase of investment securities	(7)	(314)
Proceeds from sale and redemption of investment securities	4	380
Purchase of shares of subsidiaries	(40)	–
Proceeds from collection of loans receivable	10	25
Loan advances	(25)	–
Other, net	(1)	(5)
Net cash provided by (used in) investing activities	(1,052)	(635)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(20)	1,000
Proceeds from long-term borrowings	969	1,799
Repayments of long-term borrowings	(643)	(676)
Net decrease (increase) in treasury shares	(0)	10
Dividends paid	(247)	(247)
Dividends paid to non-controlling interests	(2)	(2)
Repayments of lease obligations	(20)	(1)
Net cash provided by (used in) financing activities	35	1,881
Effect of exchange rate change on cash and cash equivalents	(5)	7
Net increase (decrease) in cash and cash equivalents	169	(18)
Cash and cash equivalents at beginning of period	3,275	3,445
Cash and cash equivalents at end of period	3,445	3,427