

Translation

Notice: This document is an excerpt translation of the original Japanese document and is only for reference purposes. In the event of any discrepancy between this translated document and the original Japanese document, the latter shall prevail.

Summary of Consolidated Financial Results for the Nine Months Ended December 31, 2018 (Based on Japanese GAAP)

February 6, 2019

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 to file Quarterly Securities Report: February 14, 2019
 Scheduled date to commence dividend payments: –
 Preparation of supplementary material on quarterly financial results: No
 Holding of quarterly financial results meeting: No

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the nine months ended December 31, 2018 (from April 1, 2018 to December 31, 2018)

(1) Consolidated operating results (cumulative)

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	%
Nine months ended December 31, 2018	15,761	16.8	630	–	673	–	793	–
Nine months ended December 31, 2017	13,489	(0.7)	(195)	–	(108)	–	(184)	–

	Earnings per share	Diluted earnings per share
	Yen	Yen
Nine months ended December 31, 2018	63.78	–
Nine months ended December 31, 2017	(14.75)	–

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of December 31, 2018	23,304	14,819	63.5	1,195.77
As of March 31, 2018	24,205	14,895	61.5	1,189.13

2. Cash dividends

	Annual dividends per share				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Year ended March 31, 2018	–	0.00	–	20.00	20.00
Year ending March 31, 2019	–	0.00	–		
Year ending March 31, 2019 (Forecast)				20.00	20.00

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
Full year	22,600	16.1	700	–	780	–	900	432.9	72.16

4. Notes

- (1) Changes in significant subsidiaries during the nine months ended December 31, 2018
(changes in specified subsidiaries resulting in the change in scope of consolidation): No
- (2) Application of special accounting methods for preparing quarterly consolidated financial statements: Yes
- (3) 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

(4) Number of issued shares (common shares)

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

As of December 31, 2018	12,548,134 shares	As of March 31, 2018	12,548,134 shares
-------------------------	-------------------	----------------------	-------------------

Number of treasury shares at the end of the period

As of December 31, 2018	163,394 shares	As of March 31, 2018	31,854 shares
-------------------------	----------------	----------------------	---------------

Average number of shares during the period (cumulative from the beginning of the fiscal year)

Nine months ended December 31, 2018	12,443,232 shares	Nine months ended December 31, 2017	12,516,646 shares
-------------------------------------	-------------------	-------------------------------------	-------------------

Quarterly consolidated financial statements
Consolidated balance sheets

(Millions of yen)

	As of March 31, 2018	As of December 31, 2018
Assets		
Current assets		
Cash and deposits	2,685	2,680
Notes and accounts receivable - trade	6,304	6,450
Electronically recorded monetary claims - operating	1,653	831
Securities	20	–
Merchandise and finished goods	90	503
Work in process	3,623	4,641
Raw materials and supplies	334	338
Other	1,090	224
Allowance for doubtful accounts	(5)	(8)
Total current assets	15,798	15,660
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	2,320	2,364
Other, net	1,686	1,534
Total property, plant and equipment	4,006	3,899
Intangible assets	80	111
Investments and other assets		
Investment securities	3,727	3,132
Other	642	550
Allowance for doubtful accounts	(50)	(50)
Total investments and other assets	4,319	3,633
Total non-current assets	8,407	7,643
Total assets	24,205	23,304
Liabilities		
Current liabilities		
Accounts payable - trade	2,738	3,098
Short-term loans payable	821	753
Accounts payable - other	110	27
Accrued expenses	766	771
Income taxes payable	114	95
Accrued consumption taxes	20	34
Provision for bonuses	285	141
Provision for loss on construction contracts	46	10
Provision for environmental safety measures	390	–
Other	336	438
Total current liabilities	5,630	5,371

(Millions of yen)

	As of March 31, 2018	As of December 31, 2018
Non-current liabilities		
Long-term loans payable	773	490
Deferred tax liabilities	545	361
Provision for environmental safety measures	80	80
Net defined benefit liability	1,850	1,779
Asset retirement obligations	86	87
Other	342	313
Total non-current liabilities	3,678	3,113
Total liabilities	9,309	8,484
Net assets		
Shareholders' equity		
Capital stock	9,019	9,019
Capital surplus	–	0
Retained earnings	4,325	4,869
Treasury shares	(28)	(151)
Total shareholders' equity	13,316	13,736
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,281	820
Deferred gains or losses on hedges	(0)	(0)
Foreign currency translation adjustment	109	104
Remeasurements of defined benefit plans	175	147
Total accumulated other comprehensive income	1,566	1,072
Non-controlling interests	12	10
Total net assets	14,895	14,819
Total liabilities and net assets	24,205	23,304

Consolidated statements of income (cumulative) and consolidated statements of comprehensive income (cumulative)

Consolidated statements of income (cumulative)

(Millions of yen)

	Nine months ended December 31, 2017	Nine months ended December 31, 2018
Net sales	13,489	15,761
Cost of sales	11,410	12,813
Gross profit	2,079	2,948
Selling, general and administrative expenses	2,274	2,317
Operating profit (loss)	(195)	630
Non-operating income		
Interest income	2	2
Dividend income	117	115
Miscellaneous income	39	44
Total non-operating income	158	163
Non-operating expenses		
Interest expenses	3	3
Maintenance cost for idle assets	17	18
Foreign exchange losses	1	33
Miscellaneous loss	48	64
Total non-operating expenses	71	119
Ordinary profit (loss)	(108)	673
Extraordinary income		
Gain on sales of non-current assets	42	3
Reversal for environmental safety measures	–	250
Other	0	0
Total extraordinary income	42	254
Extraordinary losses		
Loss on product safety measures	15	–
Environmental expenses	61	–
Other	1	0
Total extraordinary losses	78	0
Profit (loss) before income taxes	(144)	927
Income taxes	39	135
Profit (loss)	(183)	792
Profit (loss) attributable to non-controlling interests	1	(1)
Profit (loss) attributable to owners of parent	(184)	793

Consolidated statements of comprehensive income (cumulative)

(Millions of yen)

	Nine months ended December 31, 2017	Nine months ended December 31, 2018
Profit (loss)	(183)	792
Other comprehensive income		
Valuation difference on available-for-sale securities	509	(460)
Deferred gains or losses on hedges	(2)	(0)
Foreign currency translation adjustment	0	(4)
Remeasurements of defined benefit plans, net of tax	1	(28)
Total other comprehensive income	508	(494)
Comprehensive income	325	297
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	324	299
Comprehensive income attributable to non-controlling interests	1	(1)