

Translation

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Summary of Consolidated Financial Results for the Year Ended March 31, 2019 (Based on Japanese GAAP)

May 9, 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 of ordinary general meeting of shareholders: June 27, 2019
 Scheduled date to file Securities Report: June 27, 2019
 Scheduled date to commence dividend payments: June 28, 2019
 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, 2019 (from April 1, 2018 to March 31, 2019)

(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, 2019	22,323	14.7	1,038	–	1,108	–	1,132	570.5
Year ended March 31, 2018	19,464	5.2	(13)	–	62	–	168	–

	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, 2019	91.10	–	7.5	4.6	4.6
Year ended March 31, 2018	13.49	–	1.1	0.3	(0.1)

(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, 2019	24,354	15,279	62.7	1,232.96
As of March 31, 2018	24,205	14,895	61.5	1,189.13

(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, 2019	690	312	(310)	3,275
Year ended March 31, 2018	(1,359)	193	(35)	2,595

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, 2018	–	0.00	–	20.00	20.00	250	148.3	1.7
Year ended March 31, 2019	–	0.00	–	20.00	20.00	247	22.0	1.7
Year ending March 31, 2020 (Forecast)	–	0.00	–	20.00	20.00		33.1	

3. Forecast of consolidated financial results for the year ending March 31, 2020 (from April 1, 2019 to March 31, 2020)

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, 2019	10,500	3.9	280	(8.9)	300	(10.7)	250	(13.4)	20.12
Full year	21,700	(2.8)	800	(22.9)	860	(22.4)	750	(33.8)	60.35

4. Notes

(1) Changes in significant subsidiaries during the year ended March 31, 2019

(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, 2019	12,548,134 shares	As of March 31, 2018	12,548,134 shares
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Number of treasury shares at the end of the period

As of March 31, 2019	163,445 shares	As of March 31, 2018	31,854 shares
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Average number of shares during the period

Year ended March 31, 2019	12,428,605 shares	Year ended March 31, 2018	12,516,558 shares
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Consolidated financial statements
Consolidated balance sheets

(Millions of yen)

	As of March 31, 2018	As of March 31, 2019
Assets		
Current assets		
Cash and deposits	2,685	3,338
Notes and accounts receivable - trade	6,304	7,425
Electronically recorded monetary claims - operating	1,653	1,057
Securities	20	–
Merchandise and finished goods	90	149
Work in process	3,623	4,191
Raw materials and supplies	334	353
Other	1,090	224
Allowance for doubtful accounts	(5)	(15)
Total current assets	15,798	16,724
Non-current assets		
Property, plant and equipment		
Buildings and structures	11,650	11,645
Accumulated depreciation	(9,330)	(9,333)
Buildings and structures, net	2,320	2,311
Machinery, equipment and vehicles	12,583	12,599
Accumulated depreciation	(11,654)	(11,829)
Machinery, equipment and vehicles, net	928	770
Tools, furniture and fixtures	1,584	1,633
Accumulated depreciation	(1,445)	(1,509)
Tools, furniture and fixtures, net	138	124
Land	502	558
Leased assets	164	144
Accumulated depreciation	(113)	(122)
Leased assets, net	50	22
Construction in progress	65	0
Total property, plant and equipment	4,006	3,787
Intangible assets		
Other	80	100
Total intangible assets	80	100
Investments and other assets		
Investment securities	3,727	3,264
Other	642	524
Allowance for doubtful accounts	(50)	(46)
Total investments and other assets	4,319	3,742
Total non-current assets	8,407	7,630
Total assets	24,205	24,354

(Millions of yen)

	As of March 31, 2018	As of March 31, 2019
Liabilities		
Current liabilities		
Accounts payable - trade	2,738	3,131
Short-term loans payable	821	813
Lease obligations	31	20
Accounts payable - other	110	27
Accrued expenses	766	776
Income taxes payable	114	171
Accrued consumption taxes	20	22
Provision for bonuses	285	342
Provision for loss on construction contracts	46	26
demolition expenses for non-current assets	–	17
Provision for environmental safety measures	390	–
Other	305	234
Total current liabilities	5,630	5,584
Non-current liabilities		
Long-term loans payable	773	879
Lease obligations	23	3
Deferred tax liabilities	545	396
Provision for environmental safety measures	80	87
Retirement benefit liability	1,850	1,727
Asset retirement obligations	86	88
Other	318	309
Total non-current liabilities	3,678	3,490
Total liabilities	9,309	9,075
Net assets		
Shareholders' equity		
Capital stock	9,019	9,019
Capital surplus	–	0
Retained earnings	4,325	5,207
Treasury shares	(28)	(151)
Total shareholders' equity	13,316	14,075
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,281	911
Deferred gains or losses on hedges	(0)	(0)
Foreign currency translation adjustment	109	103
Remeasurements of defined benefit plans	175	179
Total accumulated other comprehensive income	1,566	1,194
Non-controlling interests	12	9
Total net assets	14,895	15,279
Total liabilities and net assets	24,205	24,354

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

(Millions of yen)

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Net sales	19,464	22,323
Cost of sales	16,471	18,173
Gross profit	2,993	4,150
Selling, general and administrative expenses	3,007	3,112
Operating profit (loss)	(13)	1,038
Non-operating income		
Interest income	3	2
Dividend income	120	121
Insurance income	22	63
Miscellaneous income	37	31
Total non-operating income	183	220
Non-operating expenses		
Interest expenses	4	4
Insurance expenses	24	22
Maintenance cost for idle assets	24	28
Foreign exchange losses	8	29
Miscellaneous loss	45	65
Total non-operating expenses	108	149
Ordinary profit	62	1,108
Extraordinary income		
Gain on sales of non-current assets	65	4
Gain on sales of investment securities	668	–
Reversal for environmental safety measures	–	241
Other	0	0
Total extraordinary income	734	246
Extraordinary losses		
Loss on product safety measures	17	19
Impairment loss	–	11
provision for demolition expenses for non-current assets	–	17
Environmental expenses	56	–
Provision for environmental safety measures	441	–
Other	1	0
Total extraordinary losses	517	49
Profit before income taxes	279	1,306
Income taxes - current	108	194
Income taxes - deferred	0	(17)
Total income taxes	109	176
Profit	170	1,130
Profit (loss) attributable to non-controlling interests	1	(1)
Profit attributable to owners of parent	168	1,132

Consolidated statements of comprehensive income

(Millions of yen)

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Profit	170	1,130
Other comprehensive income		
Valuation difference on available-for-sale securities	(288)	(370)
Deferred gains or losses on hedges	(2)	0
Foreign currency translation adjustment	3	(6)
Remeasurements of defined benefit plans, net of tax	44	4
Total other comprehensive income	(244)	(372)
Comprehensive income	(73)	757
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(75)	759
Comprehensive income attributable to non-controlling interests	1	(1)

Consolidated statements of changes in equity

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 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 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

Fiscal year ended March 31, 2019

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	9,019	–	4,325	(28)	13,316
Changes of items during period					
Dividends of surplus			(250)		(250)
Profit attributable to owners of parent			1,132		1,132
Purchase of treasury shares				(123)	(123)
Disposal of treasury shares		0		0	0
Net changes of items other than shareholders' equity					–
Total changes of items during period	–	0	881	(123)	758
Balance at end of current period	9,019	0	5,207	(151)	14,075

	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	1,281	(0)	109	175	1,566	12	14,895
Changes of items during period							
Dividends of surplus					–		(250)
Profit attributable to owners of parent					–		1,132
Purchase of treasury shares					–		(123)
Disposal of treasury shares					–		0
Net changes of items other than shareholders' equity	(370)	0	(6)	4	(372)	(2)	(374)
Total changes of items during period	(370)	0	(6)	4	(372)	(2)	383
Balance at end of current period	911	(0)	103	179	1,194	9	15,279

Consolidated statements of cash flows

(Millions of yen)

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Cash flows from operating activities		
Profit before income taxes	279	1,306
Depreciation	650	599
Impairment loss	–	11
Increase (decrease) in allowance for doubtful accounts	(15)	6
Increase (decrease) in provision for bonuses	(6)	55
Increase (decrease) in retirement benefit liability	(59)	(119)
Increase (decrease) in demolition expenses for non-current assets	–	17
Increase (decrease) in provision for loss on construction contracts	(4)	(19)
Increase (decrease) in provision for environmental safety measures	428	(241)
Interest and dividend income	(123)	(124)
Interest expenses	4	4
Foreign exchange losses (gains)	(0)	9
Loss (gain) on sales of property, plant and equipment	(65)	(4)
Loss (gain) on disposal of property, plant and equipment	1	0
Environmental expenses	56	–
Loss (gain) on sales of short-term and long-term investment securities	(665)	–
Decrease (increase) in notes and accounts receivable - trade	(1,831)	(529)
Decrease (increase) in inventories	52	(635)
Increase (decrease) in notes and accounts payable - trade	211	396
Increase (decrease) in accrued consumption taxes	(234)	(1)
Decrease (increase) in other current assets	(94)	164
Increase (decrease) in other current liabilities	116	(52)
Other, net	(43)	4
Subtotal	(1,342)	848
Interest and dividend income received	123	125
Interest expenses paid	(4)	(4)
Income taxes paid	(80)	(138)
Environmental expenses paid	(56)	(140)
Net cash provided by (used in) operating activities	(1,359)	690

(Millions of yen)

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Cash flows from investing activities		
Payments into time deposits	(93)	(65)
Proceeds from withdrawal of time deposits	86	92
Purchase of securities	(20)	–
Proceeds from sales and redemption of securities	20	20
Purchase of property, plant and equipment	(247)	(368)
Proceeds from sales of property, plant and equipment	67	4
Purchase of intangible assets	(17)	(24)
Purchase of investment securities	(14)	(8)
Proceeds from sales and redemption of investment securities	473	736
Purchase of shares of subsidiaries	(41)	(58)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	–	(111)
Collection of loans receivable	58	61
Payments of loans receivable	(83)	(29)
Other, net	5	63
Net cash provided by (used in) investing activities	193	312
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	300	(213)
Proceeds from long-term loans payable	350	750
Repayments of long-term loans payable	(336)	(441)
Redemption of bonds	(60)	–
Net decrease (increase) in treasury shares	(0)	(123)
Cash dividends paid	(250)	(249)
Dividends paid to non-controlling interests	–	(0)
Repayments of lease obligations	(37)	(31)
Net cash provided by (used in) financing activities	(35)	(310)
Effect of exchange rate change on cash and cash equivalents	13	(12)
Net increase (decrease) in cash and cash equivalents	(1,189)	680
Cash and cash equivalents at beginning of period	3,784	2,595
Cash and cash equivalents at end of period	2,595	3,275