

Translation

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Summary of Consolidated Financial Results for the Year Ended March 31, 2023 (Based on Japanese GAAP)

May 15, 2023

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 28, 2023
 Scheduled date to file Securities Report: June 28, 2023
 Scheduled date to commence dividend payments: June 29, 2023
 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, 2023 (from April 1, 2022 to March 31, 2023)

(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, 2023	19,738	0.2	452	(54.2)	622	(52.1)	524	(50.6)
Year ended March 31, 2022	19,697	5.0	988	78.3	1,300	41.6	1,062	9.7

	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, 2023	43.56	–	3.1	2.3	2.3
Year ended March 31, 2022	86.08	–	6.4	4.8	5.0

(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, 2023	27,623	17,354	62.8	1,440.76
As of March 31, 2022	27,673	16,890	61.0	1,403.57

(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, 2023	(506)	(608)	22	3,265
Year ended March 31, 2022	3,049	(544)	(1,608)	4,360

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, 2022	–	0.00	–	20.00	20.00	240	23.2	1.5
Year ended March 31, 2023	–	0.00	–	20.00	20.00	240	45.9	1.4
Year ending March 31, 2024 (Forecast)	–	0.00	–	20.00	20.00		114.7	

3. Forecast of consolidated financial results for the year ending March 31, 2024 (from April 1, 2023 to March 31, 2024)

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	19,800	0.3	180	(60.2)	260	(58.2)	210	(60.0)	17.44

4. Notes

(1) Changes in significant subsidiaries during the year ended March 31, 2023

(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: Yes

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, 2023	12,548,134 shares	As of March 31, 2022	12,548,134 shares
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Number of treasury shares at the end of the period

As of March 31, 2023	502,796 shares	As of March 31, 2022	514,353 shares
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Average number of shares during the period

Year ended March 31, 2023	12,042,507 shares	Year ended March 31, 2022	12,343,921 shares
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Consolidated financial statements
Consolidated balance sheets

(Millions of yen)

	As of March 31, 2022	As of March 31, 2023
Assets		
Current assets		
Cash and deposits	4,419	3,330
Notes receivable - trade	1,232	560
Electronically recorded monetary claims - operating	2,140	1,205
Accounts receivable - trade	3,639	4,842
Contract assets	677	1,458
Investments in leases	1,129	1,099
Merchandise and finished goods	264	1,116
Work in process	4,933	3,550
Raw materials and supplies	495	1,296
Other	313	315
Allowance for doubtful accounts	(0)	(0)
Total current assets	19,248	18,776
Non-current assets		
Property, plant and equipment		
Buildings and structures	11,708	11,786
Accumulated depreciation	(9,733)	(9,881)
Buildings and structures, net	1,975	1,904
Machinery, equipment and vehicles	12,628	12,850
Accumulated depreciation	(11,853)	(11,901)
Machinery, equipment and vehicles, net	775	948
Tools, furniture and fixtures	1,798	1,815
Accumulated depreciation	(1,638)	(1,633)
Tools, furniture and fixtures, net	160	182
Land	549	502
Leased assets	178	178
Accumulated depreciation	(19)	(33)
Leased assets, net	158	145
Construction in progress	109	221
Total property, plant and equipment	3,728	3,905
Intangible assets		
Software and other	58	521
Software in progress	510	–
Total intangible assets	568	521
Investments and other assets		
Investment securities	3,494	3,792
Retirement benefit asset	174	176
Other	496	485
Allowance for doubtful accounts	(37)	(35)
Total investments and other assets	4,127	4,419
Total non-current assets	8,425	8,846
Total assets	27,673	27,623

(Millions of yen)

	As of March 31, 2022	As of March 31, 2023
Liabilities		
Current liabilities		
Accounts payable - trade	2,624	2,538
Electronically recorded obligations - operating	505	652
Short-term borrowings	882	1,452
Lease liabilities	14	14
Accounts payable - other	212	147
Accrued expenses	680	649
Income taxes payable	148	63
Accrued consumption taxes	30	24
Contract liabilities	1,182	426
Provision for bonuses	320	338
Provision for loss on construction contracts	26	109
Provision for loss on orders received	17	2
Provision for product warranties	77	97
Other	55	54
Total current liabilities	6,778	6,571
Non-current liabilities		
Long-term borrowings	2,211	1,908
Lease liabilities	158	144
Deferred tax liabilities	278	383
Retirement benefit liability	954	858
Asset retirement obligations	92	93
Other	309	309
Total non-current liabilities	4,005	3,697
Total liabilities	10,783	10,269
Net assets		
Shareholders' equity		
Share capital	9,019	9,019
Capital surplus	–	0
Retained earnings	7,062	7,346
Treasury shares	(427)	(417)
Total shareholders' equity	15,654	15,949
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,080	1,289
Deferred gains or losses on hedges	(0)	(0)
Foreign currency translation adjustment	102	105
Remeasurements of defined benefit plans	52	10
Total accumulated other comprehensive income	1,235	1,405
Total net assets	16,890	17,354
Total liabilities and net assets	27,673	27,623

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

(Millions of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Net sales	19,697	19,738
Cost of sales	15,740	16,111
Gross profit	3,957	3,627
Selling, general and administrative expenses	2,968	3,174
Operating profit	988	452
Non-operating income		
Interest income	1	2
Dividend income	112	134
Subsidy income	150	48
Foreign exchange gains	73	7
Miscellaneous income	60	48
Total non-operating income	398	242
Non-operating expenses		
Interest expenses	12	11
Insurance expenses	19	18
Maintenance cost for idle assets	25	20
Settlement Money	8	–
Miscellaneous losses	20	21
Total non-operating expenses	86	72
Ordinary profit	1,300	622
Extraordinary income		
Gain on sale of non-current assets	3	5
Gain on disposal of non-current assets	0	0
Total extraordinary income	4	6
Extraordinary losses		
Impairment losses	1	–
Loss on valuation of investment securities	4	–
Loss on sale of non-current assets	–	1
Loss on disposal of non-current assets	0	0
Total extraordinary losses	6	1
Profit before income taxes	1,299	627
Income taxes - current	196	75
Income taxes - deferred	39	26
Total income taxes	236	102
Profit	1,062	524
Profit attributable to owners of parent	1,062	524

Consolidated statements of comprehensive income

(Millions of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Profit	1,062	524
Other comprehensive income		
Valuation difference on available-for-sale securities	213	209
Deferred gains or losses on hedges	2	(0)
Foreign currency translation adjustment	0	3
Remeasurements of defined benefit plans, net of tax	54	(42)
Total other comprehensive income	270	169
Comprehensive income	1,333	694
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,333	694

Consolidated statements of changes in equity

Fiscal year ended March 31, 2022

(Millions of yen)

	Shareholders' equity			
	Share capital	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	9,019	6,271	(140)	15,150
Cumulative effects of changes in accounting policies		(21)		(21)
Restated balance	9,019	6,249	(140)	15,128
Changes during period				
Dividends of surplus		(247)		(247)
Profit attributable to owners of parent		1,062		1,062
Restricted stock payment			11	11
Purchase of treasury shares			(299)	(299)
Disposal of treasury shares		(1)	0	(1)
Net changes in items other than shareholders' equity				–
Total changes during period	–	813	(286)	526
Balance at end of period	9,019	7,062	(427)	15,654

	Accumulated other comprehensive income					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	866	(3)	101	(1)	964	16,114
Cumulative effects of changes in accounting policies					–	(21)
Restated balance	866	(3)	101	(1)	964	16,093
Changes during period						
Dividends of surplus					–	(247)
Profit attributable to owners of parent					–	1,062
Restricted stock payment					–	11
Purchase of treasury shares					–	(299)
Disposal of treasury shares					–	(1)
Net changes in items other than shareholders' equity	213	2	0	54	270	270
Total changes during period	213	2	0	54	270	796
Balance at end of period	1,080	(0)	102	52	1,235	16,890

Fiscal year ended March 31, 2023

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	9,019	–	7,062	(427)	15,654
Changes during period					
Dividends of surplus			(240)		(240)
Profit attributable to owners of parent			524		524
Restricted stock payment				9	9
Purchase of treasury shares				(0)	(0)
Disposal of treasury shares		0			0
Net changes in items other than shareholders' equity					–
Total changes during period	–	0	283	9	294
Balance at end of period	9,019	0	7,346	(417)	15,949

	Accumulated other comprehensive income					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	1,080	(0)	102	52	1,235	16,890
Changes during period						
Dividends of surplus					–	(240)
Profit attributable to owners of parent					–	524
Restricted stock payment					–	9
Purchase of treasury shares					–	(0)
Disposal of treasury shares					–	0
Net changes in items other than shareholders' equity	209	(0)	3	(42)	169	169
Total changes during period	209	(0)	3	(42)	169	464
Balance at end of period	1,289	(0)	105	10	1,405	17,354

Consolidated statements of cash flows

(Millions of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Cash flows from operating activities		
Profit before income taxes	1,299	627
Depreciation	431	506
Impairment losses	1	–
Subsidy income	(150)	(48)
Increase (decrease) in allowance for doubtful accounts	(2)	(2)
Increase (decrease) in provision for bonuses	4	17
Decrease (increase) in net defined benefit asset/liability	(116)	(140)
Increase (decrease) in accrued payments due to change in retirement benefit plan	(142)	(117)
Increase (decrease) in provision for loss on construction contracts	13	82
Increase (decrease) in provision for loss on orders received	17	(15)
Increase (decrease) in provision for product warranties	(53)	19
Interest and dividend income	(113)	(137)
Interest expenses	12	11
Loss (gain) on valuation of investment securities	4	–
Foreign exchange losses (gains)	(2)	5
Loss (gain) on sale of property, plant and equipment	(3)	(3)
Loss (gain) on disposal of property, plant and equipment	(0)	(0)
Decrease (increase) in trade receivables and contract assets	1,128	(329)
Decrease (increase) in investments in leases	29	30
Decrease (increase) in inventories	(843)	(266)
Increase (decrease) in trade payables	341	23
Increase (decrease) in contract liabilities	1,111	(765)
Increase (decrease) in accrued consumption taxes	9	(5)
Decrease (increase) in other current assets	3	3
Increase (decrease) in other current liabilities	(23)	(49)
Other, net	32	13
Subtotal	2,987	(542)
Interest and dividends received	113	137
Subsidies received	161	53
Interest paid	(11)	(11)
Income taxes paid	(201)	(143)
Net cash provided by (used in) operating activities	3,049	(506)
Cash flows from investing activities		
Payments into time deposits	(57)	(57)
Proceeds from withdrawal of time deposits	51	51
Purchase of property, plant and equipment	(300)	(561)
Proceeds from sale of property, plant and equipment	154	56
Purchase of intangible assets	(364)	(74)
Purchase of investment securities	(23)	(7)
Proceeds from sale and redemption of investment securities	0	0
Loan advances	–	(12)
Other, net	(3)	(4)
Net cash provided by (used in) investing activities	(544)	(608)

(Millions of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(1,000)	500
Proceeds from long-term borrowings	600	500
Repayments of long-term borrowings	(659)	(732)
Net decrease (increase) in treasury shares	(288)	10
Dividends paid	(248)	(240)
Repayments of lease liabilities	(12)	(14)
Net cash provided by (used in) financing activities	(1,608)	22
Effect of exchange rate change on cash and cash equivalents	36	(2)
Net increase (decrease) in cash and cash equivalents	932	(1,095)
Cash and cash equivalents at beginning of period	3,427	4,360
Cash and cash equivalents at end of period	4,360	3,265