

Translation

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Summary of Consolidated Financial Results for the Six Months Ended September 30, 2018 (Based on Japanese GAAP)

November 5, 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 to file Quarterly Securities Report: November 14, 2018
 Scheduled date to commence dividend payments: –
 Preparation of supplementary material on quarterly financial results: Yes
 Holding of quarterly financial results meeting: Yes (for institutional investors and analysts)

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the six months ended September 30, 2018 (from April 1, 2018 to September 30, 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	%
Six months ended September 30, 2018	10,108	9.9	307	–	335	–	288	–
Six months ended September 30, 2017	9,199	2.7	(140)	–	(101)	–	(201)	–

	Earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended September 30, 2018	23.15	–
Six months ended September 30, 2017	(16.13)	–

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of September 30, 2018	24,242	14,845	61.2	1,197.86
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	–	670	296.7	53.53

4. Notes

- (1) Changes in significant subsidiaries during the six months ended September 30, 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 September 30, 2018	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 September 30, 2018	163,331 shares	As of March 31, 2018	31,854 shares
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Average number of shares during the period (cumulative from the beginning of the fiscal year)

Six months ended September 30, 2018	12,472,461 shares	Six months ended September 30, 2017	12,516,766 shares
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Quarterly consolidated financial statements
Consolidated balance sheets

(Millions of yen)

	As of March 31, 2018	As of September 30, 2018
Assets		
Current assets		
Cash and deposits	2,685	2,063
Notes and accounts receivable - trade	6,304	7,077
Electronically recorded monetary claims - operating	1,653	1,179
Securities	20	–
Merchandise and finished goods	90	390
Work in process	3,623	4,492
Raw materials and supplies	334	346
Other	1,090	264
Allowance for doubtful accounts	(5)	(10)
Total current assets	15,798	15,803
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	2,320	2,412
Other, net	1,686	1,594
Total property, plant and equipment	4,006	4,007
Intangible assets	80	122
Investments and other assets		
Investment securities	3,727	3,820
Other	642	539
Allowance for doubtful accounts	(50)	(50)
Total investments and other assets	4,319	4,309
Total non-current assets	8,407	8,438
Total assets	24,205	24,242
Liabilities		
Current liabilities		
Accounts payable - trade	2,738	3,180
Short-term loans payable	821	676
Accounts payable - other	110	114
Accrued expenses	766	763
Income taxes payable	114	76
Accrued consumption taxes	20	17
Provision for bonuses	285	286
Provision for loss on construction contracts	46	22
Provision for environmental safety measures	390	390
Other	336	318
Total current liabilities	5,630	5,846

(Millions of yen)

	As of March 31, 2018	As of September 30, 2018
Non-current liabilities		
Long-term loans payable	773	681
Deferred tax liabilities	545	571
Provision for environmental safety measures	80	80
Net defined benefit liability	1,850	1,813
Asset retirement obligations	86	87
Other	342	315
Total non-current liabilities	3,678	3,550
Total liabilities	9,309	9,396
Net assets		
Shareholders' equity		
Capital stock	9,019	9,019
Retained earnings	4,325	4,364
Treasury shares	(28)	(151)
Total shareholders' equity	13,316	13,232
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,281	1,343
Deferred gains or losses on hedges	(0)	(3)
Foreign currency translation adjustment	109	106
Remeasurements of defined benefit plans	175	156
Total accumulated other comprehensive income	1,566	1,603
Non-controlling interests	12	10
Total net assets	14,895	14,845
Total liabilities and net assets	24,205	24,242

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

Consolidated statements of income (cumulative)

(Millions of yen)

	Six months ended September 30, 2017	Six months ended September 30, 2018
Net sales	9,199	10,108
Cost of sales	7,796	8,314
Gross profit	1,402	1,794
Selling, general and administrative expenses	1,543	1,486
Operating profit (loss)	(140)	307
Non-operating income		
Interest income	1	2
Dividend income	59	61
Miscellaneous income	31	23
Total non-operating income	92	87
Non-operating expenses		
Interest expenses	2	2
Maintenance cost for idle assets	11	12
Foreign exchange losses	6	12
Miscellaneous loss	33	32
Total non-operating expenses	53	59
Ordinary profit (loss)	(101)	335
Extraordinary income		
Gain on sales of non-current assets	1	3
Other	0	0
Total extraordinary income	1	3
Extraordinary losses		
Loss on product safety measures	15	–
Environmental expenses	61	–
Other	0	0
Total extraordinary losses	77	0
Profit (loss) before income taxes	(177)	338
Income taxes	22	50
Profit (loss)	(200)	287
Profit (loss) attributable to non-controlling interests	1	(0)
Profit (loss) attributable to owners of parent	(201)	288

Consolidated statements of comprehensive income (cumulative)

(Millions of yen)

	Six months ended September 30, 2017	Six months ended September 30, 2018
Profit (loss)	(200)	287
Other comprehensive income		
Valuation difference on available-for-sale securities	187	62
Deferred gains or losses on hedges	(4)	(3)
Foreign currency translation adjustment	(2)	(3)
Remeasurements of defined benefit plans, net of tax	0	(18)
Total other comprehensive income	181	36
Comprehensive income	(19)	324
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(20)	325
Comprehensive income attributable to non-controlling interests	1	(0)