

Translation

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Summary of Consolidated Financial Results for the Nine Months Ended December 31, 2019 (Based on Japanese GAAP)

February 5, 2020

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, 2020
 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, 2019 (from April 1, 2019 to December 31, 2019)

(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, 2019	14,112	(10.5)	518	(17.8)	572	(15.1)	386	(51.4)
Nine months ended December 31, 2018	15,761	16.8	630	–	673	–	793	–

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Nine months ended December 31, 2019	31.18		–	
Nine months ended December 31, 2018	63.78		–	

(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, 2019	24,217	15,393	63.5	1,242.59
As of March 31, 2019	24,354	15,279	62.7	1,232.96

2. Cash dividends

	Annual dividends per share				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total
	Yen				
Year ended March 31, 2019	–	0.00	–	20.00	20.00
Year ending March 31, 2020	–	0.00	–		
Year ending March 31, 2020 (Forecast)				20.00	20.00

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
Full year	20,000	(10.4)	480	(53.8)	500	(54.9)	360	(68.2)	29.07

4. Notes

- (1) Changes in significant subsidiaries during the nine months ended December 31, 2019
(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: Yes
 - Changes in accounting estimates: Yes
 - 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, 2019	12,548,134 shares	As of March 31, 2019	12,548,134 shares
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Number of treasury shares at the end of the period

As of December 31, 2019	163,686 shares	As of March 31, 2019	163,445 shares
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Average number of shares during the period (cumulative from the beginning of the fiscal year)

Nine months ended December 31, 2019	12,384,537 shares	Nine months ended December 31, 2018	12,443,232 shares
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Quarterly consolidated financial statements
Consolidated balance sheets

(Millions of yen)

	As of March 31, 2019	As of December 31, 2019
Assets		
Current assets		
Cash and deposits	3,338	3,179
Notes and accounts receivable - trade	7,425	5,403
Electronically recorded monetary claims - operating	1,057	1,454
Merchandise and finished goods	149	277
Work in process	4,191	5,435
Raw materials and supplies	353	374
Other	224	349
Allowance for doubtful accounts	(15)	(0)
Total current assets	16,724	16,473
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	2,311	2,203
Other, net	1,476	1,568
Total property, plant and equipment	3,787	3,772
Intangible assets	100	52
Investments and other assets		
Investment securities	3,264	3,379
Other	524	586
Allowance for doubtful accounts	(46)	(46)
Total investments and other assets	3,742	3,919
Total non-current assets	7,630	7,744
Total assets	24,354	24,217
Liabilities		
Current liabilities		
Accounts payable - trade	3,131	2,389
Electronically recorded obligations - operating	–	571
Short-term borrowings	813	863
Accounts payable - other	27	229
Accrued expenses	776	759
Income taxes payable	171	54
Accrued consumption taxes	22	179
Provision for bonuses	342	176
Provision for loss on construction contracts	26	1
demolition expenses for non-current assets	17	–
Other	254	429
Total current liabilities	5,584	5,654

(Millions of yen)

	As of March 31, 2019	As of December 31, 2019
Non-current liabilities		
Long-term borrowings	879	912
Deferred tax liabilities	396	421
Provision for environmental safety measures	87	87
Retirement benefit liability	1,727	1,038
Asset retirement obligations	88	89
Other	312	620
Total non-current liabilities	3,490	3,168
Total liabilities	9,075	8,823
Net assets		
Shareholders' equity		
Share capital	9,019	9,019
Capital surplus	0	0
Retained earnings	5,207	5,346
Treasury shares	(151)	(152)
Total shareholders' equity	14,075	14,213
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	911	963
Deferred gains or losses on hedges	(0)	(2)
Foreign currency translation adjustment	103	103
Remeasurements of defined benefit plans	179	109
Total accumulated other comprehensive income	1,194	1,175
Non-controlling interests	9	5
Total net assets	15,279	15,393
Total liabilities and net assets	24,354	24,217

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, 2018	Nine months ended December 31, 2019
Net sales	15,761	14,112
Cost of sales	12,813	11,293
Gross profit	2,948	2,819
Selling, general and administrative expenses	2,317	2,300
Operating profit	630	518
Non-operating income		
Interest income	2	0
Dividend income	115	108
Miscellaneous income	44	36
Total non-operating income	163	144
Non-operating expenses		
Interest expenses	3	4
Maintenance cost for idle assets	18	17
Foreign exchange losses	33	30
Miscellaneous loss	64	38
Total non-operating expenses	119	90
Ordinary profit	673	572
Extraordinary income		
Gain on revision of retirement benefit plan	–	20
Reversal for environmental safety measures	250	–
Other	4	4
Total extraordinary income	254	25
Extraordinary losses		
Impairment loss	–	48
Loss on product safety measures	–	11
Farewell ceremony expenses	–	23
Other	0	13
Total extraordinary losses	0	97
Profit before income taxes	927	499
Income taxes	135	118
Profit	792	381
Loss attributable to non-controlling interests	(1)	(4)
Profit attributable to owners of parent	793	386

Consolidated statements of comprehensive income (cumulative)

(Millions of yen)

	Nine months ended December 31, 2018	Nine months ended December 31, 2019
Profit	792	381
Other comprehensive income		
Valuation difference on available-for-sale securities	(460)	52
Deferred gains or losses on hedges	(0)	(1)
Foreign currency translation adjustment	(4)	0
Remeasurements of defined benefit plans, net of tax	(28)	(70)
Total other comprehensive income	(494)	(19)
Comprehensive income	297	362
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	299	366
Comprehensive income attributable to non-controlling interests	(1)	(4)